



HOUSE BILL No. 6229

November 19, 1996, Introduced by Reps. Rhead, DeLange, Voorhees, Johnson, Gernaat, Walberg and Jamian and referred to the Committee on Appropriations.

A bill to amend the title and sections 1e, 1i, 2, 11, 13, and 20d of Act No. 240 of the Public Acts of 1943, entitled as amended

"State employees' retirement act,"

sections 1e and 1i as added and sections 11 and 20d as amended by Act No. 176 of the Public Acts of 1995 and section 13 as amended by Act No. 389 of the Public Acts of 1996, being sections 38.1e, 38.1i, 38.2, 38.11, 38.13, and 38.20d of the Michigan Compiled Laws; and to add sections 19f, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, and 69.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. The title and sections 1e, 1i, 2, 11, 13, and
2 20d of Act No. 240 of the Public Acts of 1943, sections 1e and 1i
3 as added and sections 11 and 20d as amended by Act No. 176 of the
4 Public Acts of 1995 and section 13 as amended by Act No. 389 of

1 the Public Acts of 1996, being sections 38.1e, 38.1i, 38.2,
2 38.11, 38.13, and 38.20d of the Michigan Compiled Laws, are
3 amended and sections 19f, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59,
4 60, 61, 62, 63, 64, 65, 66, 67, 68, and 69 are added to read as
5 follows:

6 TITLE

7 An act to provide for a state employees' retirement system;
8 to create a state employees' retirement board and prescribe its
9 powers and duties; to establish certain funds in connection with
10 the retirement system; to require contributions to the retirement
11 system by and on behalf of members AND PARTICIPANTS of the
12 retirement system; to create certain accounts and provide for
13 expenditures from those accounts; to prescribe the powers and
14 duties of certain state and local officers and EMPLOYEES AND CER-
15 TAIN STATE DEPARTMENTS AND agencies; TO PROVIDE FOR AN
16 APPROPRIATION; and to prescribe penalties and provide remedies.

17 Sec. 1e. (1) "Final average compensation" means the average
18 of those years of highest annual compensation ~~received by~~ PAID
19 TO a member during a period of 5 consecutive years of credited
20 service; or if the member has less than 5 years of credited serv-
21 ice, then the average of the annual compensation ~~received by~~
22 PAID TO the member during the member's total years of credited
23 service. For a person whose retirement allowance effective date
24 is on or after October 1, 1987, "final average compensation"
25 means the average of those years of highest annual compensation
26 ~~received by~~ PAID TO a member during a period of 3 consecutive
27 years of credited service; or if the member has less than 3 years

1 of credited service, then the average of the annual compensation
2 ~~received by~~ PAID TO the member during the member's total years
3 of credited service. A member's final average compensation shall
4 not be diminished because of required 1-day layoffs. The compen-
5 sation used in computing the final average compensation for a
6 period during which a member is in a voluntary or involuntary pay
7 reduction plan A or on a designated temporary layoff shall
8 include the value of the hours not worked calculated at the
9 member's hourly rate or rates of pay in effect immediately before
10 the applicable final average compensation period. A member's
11 final average compensation shall not be increased or decreased by
12 the member's participation in voluntary or involuntary pay reduc-
13 tion plan B. Payment for accrued annual leave at separation in
14 excess of 240 hours shall not be included in final average
15 compensation.

16 (2) "Final compensation" means a member's annual rate of
17 compensation at the time the member last terminates employment
18 with this state.

19 (3) "Internal revenue code" means the United States internal
20 revenue code of 1986.

21 Sec. 11. (1) "Service" means service rendered to this state
22 by an elected or appointed state official or employee of this
23 state. Credit for service shall be determined by appropriate
24 rules and regulations of the retirement board, but not more than
25 1 year of service shall be creditable for all service in 1 calen-
26 dar year. The retirement board shall not allow credit for
27 service for any period of more than 1 month in any 1 calendar

1 year during which the employee was absent without pay. However,
 2 full service credit shall be given for a period during which an
 3 employee is on leave of absence and is receiving worker's compen-
 4 sation benefits as the result of a duty-incurred disability.

5 Full service credit shall also be given to an employee for
 6 required 1-day layoffs, for voluntary or involuntary participa-
 7 tion in pay reduction plan A, pay reduction plan B, or both, in
 8 effect during the fiscal years ending on and after September 30,
 9 1981, and for required and designated temporary layoffs.

10 (2) "State treasurer" means the treasurer of this state.

11 (3) "TIER 1" MEANS THE RETIREMENT PLAN AVAILABLE TO A MEMBER
 12 UNDER THIS ACT WHO WAS FIRST EMPLOYED AND ENTERED UPON THE PAY-
 13 ROLL BEFORE MARCH 31, 1997 AND WHO DOES NOT ELECT TO BECOME A
 14 QUALIFIED PARTICIPANT OF TIER 2.

15 (4) "TIER 2" MEANS THE RETIREMENT PLAN ESTABLISHED PURSUANT
 16 TO SECTION 401(k) OF THE INTERNAL REVENUE CODE THAT IS AVAILABLE
 17 TO QUALIFIED PARTICIPANTS UNDER SECTIONS 50 TO 69.

18 Sec. 2. (1) ~~Administration.~~ A state ~~employee~~
 19 EMPLOYEES' retirement system is ~~hereby~~ created for the
 20 ~~employee~~ EMPLOYEES of the state of Michigan. ~~The administra-~~
 21 ~~tion and management of the retirement system, the responsibility~~
 22 ~~for making effective the provisions of this act, and the author-~~
 23 ~~ity to make all rules and regulations necessary therefor are~~
 24 ~~hereby vested in a retirement board.~~

25 (2) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, THE ADMIN-
 26 ISTRATION AND MANAGEMENT OF THE RETIREMENT SYSTEM AND THE
 27 RESPONSIBILITY FOR MAKING EFFECTIVE THE PROVISIONS OF THIS ACT

1 ARE VESTED IN A RETIREMENT BOARD. EXCEPT AS OTHERWISE PROVIDED
2 IN THIS SECTION, THE RETIREMENT BOARD MAY PROMULGATE RULES PURSU-
3 ANT TO THE ADMINISTRATIVE PROCEDURES ACT OF 1969, ACT NO. 306 OF
4 THE PUBLIC ACTS OF 1969, BEING SECTIONS 24.201 TO 24.328 OF THE
5 MICHIGAN COMPILED LAWS, FOR THE IMPLEMENTATION AND ADMINISTRATION
6 OF THIS ACT.

7 (3) SUBSECTION (2) DOES NOT APPLY TO THE TIER 2 RETIREMENT
8 PLAN. THE RETIREMENT BOARD SHALL NOT PROMULGATE RULES FOR THE
9 ESTABLISHMENT, IMPLEMENTATION, ADMINISTRATION, OPERATION, INVEST-
10 MENT, OR DISTRIBUTION OF A TIER 2 RETIREMENT PLAN.

11 Sec. 11. (1) There is created the employees' savings fund,
12 employer's accumulation fund, annuity reserve fund, pension
13 reserve fund, income fund, expense fund, and health insurance
14 reserve fund.

15 (2) The employees' savings fund is the fund in which shall
16 be accumulated at regular interest the contributions to the
17 retirement system deducted from the compensation of members. The
18 retirement board shall provide for the maintenance of an individ-
19 ual account for each member that shows the amount of the member's
20 contributions together with interest on those contributions. The
21 accumulated contributions of a member returned to the member upon
22 his or her withdrawal from service, or paid to the member's
23 estate or designated beneficiary in the event of the member's
24 death, as provided in this act, shall be paid from the employees'
25 savings fund. Any accumulated contributions not claimed by a
26 member or the member's legal representative as provided in this
27 act within 5 years after the member's separation from state

1 service shall be transferred from the employees' savings fund to
2 the income fund. The accumulated contributions of a member, upon
3 the member's retirement, shall be transferred from the employees'
4 savings fund to the pension reserve fund.

5 (3) The employer's accumulation fund is the fund in which
6 shall be accumulated the reserves derived from money provided by
7 this state for the payment of all retirement allowances to be
8 payable to retirants and beneficiaries as provided in this act.
9 The amounts paid by this state shall be credited to the
10 employer's accumulation fund. Upon the retirement of a member,
11 or upon the member's death, if a beneficiary is entitled to a
12 retirement allowance payable from funds of the retirement system,
13 the difference between the reserve for the retirement allowance
14 to be paid on account of the member's retirement or death and the
15 member's accumulated contributions standing to his or her credit
16 in the employees' savings fund at the time of his or her retire-
17 ment or death shall be transferred from the employer's accumula-
18 tion fund to the pension reserve fund. If, in any year, the pen-
19 sion reserve fund is insufficient to cover the reserves for
20 retirement allowances and other benefits being paid from the
21 fund, the amount or amounts of the insufficiency or insufficien-
22 cies shall be transferred from the employer's accumulation fund
23 to the pension reserve fund.

24 (4) The annuity reserve fund is the fund from which shall be
25 paid all annuities, or benefits in lieu of annuities, because of
26 which reserves have been transferred from the employees' savings
27 fund to the annuity reserve fund. Upon the adoption of this act,

1 the balance in the annuity reserve fund shall be transferred to
2 the pension reserve fund, and the annuities heretofore payable
3 from the annuity reserve fund shall thereafter become payable
4 from the pension reserve fund.

5 (5) The pension reserve fund is the fund from which shall be
6 paid all retirement allowances and benefits in lieu of pensions,
7 as provided in this act. For a disability retirant returned to
8 active service with this state, his or her pension reserve, com-
9 puted as of the date of return, shall be transferred from the
10 pension reserve fund to the employees' savings fund and the
11 employer's accumulation fund in the proportion that this reserve,
12 as of the date of his or her retirement, was transferred to the
13 pension reserve fund from the employees' savings fund and from
14 the employer's accumulation fund. The amounts transferred to the
15 employees' savings fund under this section shall be credited to
16 the member's individual account in the fund.

17 (6) An income fund is created for the purpose of crediting
18 regular interest on the amounts in the various other funds of the
19 retirement system with the exception of the expense fund, and to
20 provide a contingent fund out of which special requirements of
21 any of the other funds may be covered. Transfers for special
22 requirements shall be made only when the amount in the income
23 fund exceeds the ordinary requirements of the fund as evidenced
24 by a resolution of the retirement board recorded in its minutes.
25 The retirement board shall annually allow regular interest for
26 the preceding year to each of the funds enumerated in subsections
27 (2), (3), (4), (5), and (8), and the amount allowed under this

1 subsection shall be due and payable to each of these funds and
2 shall be annually credited to the funds by the retirement board
3 and paid from the income fund. However, interest on contribu-
4 tions from members within a calendar year shall begin on the
5 first day of the next calendar year, and shall be credited at the
6 end of the calendar year. All income, interest, and dividends
7 derived from the deposits and investments authorized by this act
8 shall be paid into the income fund. The retirement board is
9 authorized to accept gifts and bequests. Any funds that come
10 into the possession of the retirement system as a gift or
11 bequest, or any funds that may be transferred from the employees'
12 savings fund by reason of lack of claimant, or because of a sur-
13 plus in any fund created by this act, or any other money the dis-
14 position of which is not otherwise provided for in this act shall
15 be credited to the income fund.

16 (7) The expense fund is the fund from which shall be paid
17 the expenses of the administration of this act, exclusive of
18 amounts payable as retirement allowances and other benefits pro-
19 vided for in this act. The legislature shall appropriate the
20 funds necessary to defray and cover the expenses of administering
21 this act.

22 (8) The health insurance reserve fund is the fund into which
23 appropriations made by the legislature, SUBSCRIBER CO-PAYMENTS,
24 AND PAYMENTS BY THE RETIREMENT SYSTEM UNDER SECTION 68 for
25 health, dental, and vision insurance premiums are paid. Health,
26 dental, and vision insurance premiums payable pursuant to

1 ~~section~~ SECTIONS 20d AND 68 shall be paid from the health
2 insurance reserve fund.

3 (9) The description of the various funds in this section
4 shall be interpreted to refer to the accounting records of the
5 retirement system and not to the segregation of assets credited
6 to the various funds of the retirement system.

7 Sec. 13. (1) Except as otherwise provided in this act, mem-
8 bership in the retirement system consists of state employees
9 occupying permanent positions in the state civil service. All
10 state employees except those specifically excluded by law and
11 those who are members or eligible to be members of other statu-
12 tory retirement systems in this state, shall become members of
13 the retirement system. The employees may use service previously
14 performed as an employee of this state in meeting the service
15 requirements for the retirement allowances and death benefits
16 provided by the retirement system. However, the prior service
17 shall not be used in computing the amount of a retirement allow-
18 ance to be paid by the retirement system unless the employee pays
19 to the retirement system the amount the employee's contributions
20 would have been had the employee become a member immediately upon
21 employment by the state with interest compounded annually at the
22 regular rate from a date 1 year after the date of employment by
23 this state to the date of payment. A person who draws compensa-
24 tion as a state employee of a political subdivision of this state
25 is eligible for the benefits provided by this act to the extent
26 of the person's compensation paid by this state. An individual

1 who meets the requirements of section 44a is a member of the
2 retirement system.

3 (2) Elected or appointed state officials may elect not to
4 become or continue as members of the retirement system by filing
5 written notice with the retirement board. An appointed state
6 official who is a member of a state board, commission, or council
7 and who receives a per diem rate in his or her capacity as a
8 member of the board, commission, or council is excluded from mem-
9 bership in the retirement system for the service rendered in his
10 or her capacity as a member of the board, commission, or
11 council. Service performed by an elected or appointed official
12 during the time the official elects not to participate shall not
13 be used in meeting the service requirement or in computing the
14 amount of retirement allowance to be paid by the retirement
15 system. A member who elects not to participate shall be refunded
16 all contributions made before the election.

17 (3) Membership in the retirement system does not include ~~a-~~
18 ANY OF THE FOLLOWING:

19 (A) A person who is a contributing member in the public
20 school employees' retirement system provided for in the public
21 school employees retirement act of 1979, Act No. 300 of the
22 Public Acts of 1980, being sections 38.1301 to 38.1408 of the
23 Michigan Compiled Laws. ~~, or~~

24 (B) A PERSON WHO IS A CONTRIBUTING MEMBER IN the Michigan
25 judges retirement system provided for in the judges retirement
26 act of 1992, Act No. 234 of the Public Acts of 1992, being

1 sections 38.2101 to 38.2608 of the Michigan Compiled Laws. ~~for~~
2 a-

3 (C) A person who comes within the Michigan state police
4 retirement system provided for in the state police retirement act
5 of 1986, Act No. 182 of the Public Acts of 1986, being sections
6 38.1601 to 38.1648 of the Michigan Compiled Laws.

7 (D) AN INDIVIDUAL WHO IS FIRST EMPLOYED AND ENTERED UPON THE
8 PAYROLL ON OR AFTER MARCH 31, 1997 FOR EMPLOYMENT FOR WHICH THE
9 INDIVIDUAL WOULD HAVE BEEN ELIGIBLE FOR MEMBERSHIP UNDER THIS
10 SECTION BEFORE MARCH 31, 1997. AN INDIVIDUAL DESCRIBED IN THIS
11 SUBDIVISION IS ELIGIBLE TO BE A QUALIFIED PARTICIPANT IN TIER 2
12 SUBJECT TO SECTIONS 50 TO 69.

13 (E) AN INDIVIDUAL WHO ELECTS TO TERMINATE MEMBERSHIP UNDER
14 SECTION 50 AND WHO, BUT FOR THAT ELECTION, WOULD OTHERWISE BE
15 ELIGIBLE FOR MEMBERSHIP IN TIER 1 UNDER THIS SECTION.

16 (4) A person WHO IS hired in state classified or unclassi-
17 fied service after June 30, 1974, ~~possessing~~ WHO IS FIRST
18 EMPLOYED AND ENTERED UPON THE PAYROLL BEFORE MARCH 31, 1997, AND
19 WHO POSSESSES a Michigan teaching certificate shall be a member
20 of this retirement system. After June 30, 1974, BUT BEFORE MARCH
21 31, 1997, a person who returns to state employment in the classi-
22 fied or unclassified service who previously was a contributing
23 member of the Michigan public school employees' retirement system
24 shall have the person's accumulated contributions and service
25 transferred to this retirement system, or having withdrawn the
26 contributions, may pay into the retirement system the amount
27 withdrawn together with regular interest and have credit restored

1 as provided for in section 16. ON AND AFTER MARCH 31, 1997, AN
2 INDIVIDUAL DESCRIBED IN THIS SUBSECTION WHO RETURNS TO STATE
3 SERVICE SHALL MAKE AN IRREVOCABLE ELECTION TO REMAIN IN TIER 1 OR
4 TO BECOME A QUALIFIED PARTICIPANT OF TIER 2 IN THE MANNER PRE-
5 SCRIBED IN SECTION 50.

6 (5) A person, not regularly employed by this state, who is
7 employed through participation in 1 or more of the following pro-
8 grams, shall not be a member of the retirement system and shall
9 not receive service credit for the employment:

10 (a) A program authorized, undertaken, and financed pursuant
11 to the comprehensive employment and training act OF 1973, former
12 Public Law 93-203, 87 Stat. 839.

13 (b) A summer youth employment program established pursuant
14 to the Michigan youth corps act, Act No. 69 of the Public Acts of
15 1983, being sections 409.221 to 409.229 of the Michigan Compiled
16 Laws.

17 (c) A program established pursuant to the job training part-
18 nership act, Public Law 97-300, 96 Stat. 1322.

19 (d) A program established pursuant to the Michigan opportu-
20 nity and skills training program, first established under sec-
21 tions 12 to 23 of Act No. 259 of the Public Acts of 1983.

22 (e) A program established pursuant to the Michigan community
23 service corps program, first established under sections 25 to 35
24 of Act No. 259 of the Public Acts of 1983.

25 (6) A person, not regularly employed by this state, who is
26 employed to administer a program described in subsection (5)

1 shall not be a member of the retirement system and shall not
2 receive service credit for the employment.

3 (7) If a person described in subsection (5)(a) later becomes
4 a member of this retirement system within 12 months after the
5 date of termination as a participant in a transitional public
6 employment program, service credit shall be given for employment
7 which is excluded in subsection (5) for purposes of determining a
8 retirement allowance upon the payment by the person's employer
9 under subsection (5) from funds provided under the comprehensive
10 employment and training act OF 1973, former Public Law 93-203,
11 87 Stat. 839, as funds permit, to the retirement system of the
12 contributions, plus regular interest, the employer would have
13 paid had the employment been rendered in a position covered by
14 this act. During the person's employment in the transitional
15 public employment program, the person's employer shall place in
16 reserve a reasonable but not necessarily an actuarially deter-
17 mined amount equal to the contributions that the employer would
18 have paid to the retirement system for those employees in the
19 transitional public employment program as if they were members
20 under this act, but only for that number of employees that the
21 employer determined would move from the transitional public
22 employment program into positions covered by this act. If the
23 funds provided under the comprehensive employment and training
24 act OF 1973, former Public Law 93-203, 87 Stat. 839, are insuffi-
25 cient, the remainder of the employer contributions shall be paid
26 by the person's current employer.

1 SEC. 19F. (1) NOTWITHSTANDING SECTION 19, A MEMBER MAY
2 RETIRE AND RECEIVE A RETIREMENT ALLOWANCE COMPUTED UNDER THIS
3 SECTION IF THE MEMBER MEETS ALL OF THE FOLLOWING REQUIREMENTS:

4 (A) ON THE EFFECTIVE DATE OF HIS OR HER RETIREMENT, THE
5 MEMBER MEETS 1 OR MORE OF THE FOLLOWING:

6 (i) THE MEMBER IS 60 YEARS OF AGE OR OLDER AND HAS 10 OR
7 MORE YEARS OF CREDITED SERVICE.

8 (ii) THE MEMBER IS 55 YEARS OF AGE OR OLDER AND HAS 15 OR
9 MORE YEARS OF CREDITED SERVICE.

10 (iii) THE MEMBER IS 50 YEARS OF AGE OR OLDER AND HAS 25 OR
11 MORE YEARS OF CREDITED SERVICE.

12 (B) THE MEMBER WAS EMPLOYED BY THIS STATE FOR THE 6-MONTH
13 PERIOD ENDING ON THE EFFECTIVE DATE OF HIS OR HER RETIREMENT. A
14 MEMBER WHO WAS RESTORED TO ACTIVE SERVICE DURING THAT 6-MONTH
15 PERIOD UNDER SECTION 33 OR A MEMBER WHO IS ON LAYOFF STATUS FROM
16 STATE EMPLOYMENT IS CONSIDERED TO HAVE MET THE EMPLOYMENT
17 REQUIREMENT OF THIS SUBDIVISION.

18 (C) THE MEMBER FILES A WRITTEN APPLICATION WITH THE RETIRE-
19 MENT BOARD, ON OR AFTER MARCH 1, 1997, BUT NOT LATER THAN APRIL
20 30, 1997, STATING A DATE, WHICH DATE SHALL BE AT LEAST 30 DAYS
21 AFTER THE EXECUTION AND FILING OF THE APPLICATION BUT NOT LATER
22 THAN JUNE 1, 1997, ON WHICH HE OR SHE DESIRES TO RETIRE. THIS
23 SUBDIVISION IS SUBJECT TO SUBSECTION (3).

24 (D) THE MEMBER IS NOT EMPLOYED IN A COVERED POSITION AS
25 DEFINED IN SECTION 45.

26 (E) THE MEMBER IS NOT A CONSERVATION OFFICER AS DESCRIBED IN
27 SECTION 48.

1 (2) ANY AMOUNT THAT A MEMBER RETIRING UNDER THIS SECTION
2 WOULD OTHERWISE BE ENTITLED TO RECEIVE IN A LUMP SUM AT RETIRE-
3 MENT ON ACCOUNT OF ACCUMULATED SICK LEAVE SHALL BE PAID IN 60
4 CONSECUTIVE EQUAL MONTHLY INSTALLMENTS.

5 (3) THE DIRECTOR OF A PRINCIPAL DEPARTMENT MAY REQUEST THAT
6 THE EFFECTIVE DATE OF RETIREMENT UNDER THIS SECTION OF A MEMBER
7 EMPLOYED BY THAT DEPARTMENT BE EXTENDED TO A DATE NOT LATER THAN
8 JUNE 1, 1998. TO MAKE SUCH A REQUEST, THE DIRECTOR SHALL SUBMIT
9 A WRITTEN REQUEST ALONG WITH THE WRITTEN CONCURRENCE OF THE
10 MEMBER TO THE DEPARTMENT OF MANAGEMENT AND BUDGET ON OR BEFORE
11 APRIL 30, 1997. UPON RECEIPT OF THE WRITTEN REQUEST AND CONCUR-
12 RENCE, THE DEPARTMENT OF MANAGEMENT AND BUDGET MAY EXTEND THE
13 EFFECTIVE DATE OF RETIREMENT OF A MEMBER OTHERWISE ELIGIBLE TO
14 RETIRE UNDER THIS SECTION TO A DATE NOT LATER THAN JUNE 1, 1998.

15 (4) UPON HIS OR HER RETIREMENT AS PROVIDED IN THIS SECTION,
16 A MEMBER SHALL RECEIVE A RETIREMENT ALLOWANCE EQUAL TO THE
17 MEMBER'S NUMBER OF YEARS AND FRACTION OF A YEAR OF CREDITED SERV-
18 ICE MULTIPLIED BY $1\frac{3}{4}\%$ OF HIS OR HER FINAL AVERAGE
19 COMPENSATION. EXCEPT FOR THE CALCULATION PROVIDED IN THIS SUB-
20 SECTION, THE MEMBER'S RETIREMENT ALLOWANCE IS SUBJECT TO SECTION
21 20. THE MEMBER'S RETIREMENT ALLOWANCE IS NOT SUBJECT TO REDUC-
22 TION PURSUANT TO SECTION 19(2).

23 (5) FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1997, THERE IS
24 APPROPRIATED TO THE DEPARTMENT OF MANAGEMENT AND BUDGET FROM PEN-
25 SION TRUST FUNDS THE AMOUNT OF \$750,000.00 TO PAY THE EXPENSES OF
26 THE EARLY RETIREMENT PROGRAM ESTABLISHED BY THIS SECTION.

1 Sec. 20d. (1) On and after July 1, 1974, hospitalization
2 and medical coverage insurance premium payable by any retirant or
3 his or her beneficiary and his or her dependents under any group
4 health plan authorized by the Michigan civil service commission
5 and the department of management and budget shall be paid by the
6 retirement board from the health insurance reserve fund created
7 in section 11. The amount payable shall be in the same propor-
8 tion of premium payable by the state of Michigan for the classi-
9 fied employees occupying positions in the state civil service.
10 The hospitalization and medical insurance premium payable shall
11 be paid from appropriations made for this purpose to the health
12 insurance reserve fund sufficient to cover the premium payment
13 needed to be made.

14 (2) Effective January 1, 1988, 90% of the premium payable by
15 a retirant or the retirant's beneficiary and his or her depen-
16 dents for dental coverage or vision coverage, or both, under any
17 group plan authorized by the Michigan civil service commission
18 and the department of management and budget shall be paid by the
19 retirement board from the health insurance reserve fund created
20 in section 11.

21 (3) ON AND AFTER MARCH 31, 1997, THE RETIREMENT SYSTEM SHALL
22 PAY HEALTH INSURANCE PREMIUMS DESCRIBED IN THIS SECTION IN THE
23 MANNER PRESCRIBED IN SECTION 68.

24 SEC. 50. (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION
25 (2), THE RETIREMENT SYSTEM SHALL PROVIDE AN OPPORTUNITY FOR EACH
26 MEMBER WHO IS A MEMBER ON MARCH 30, 1997, TO ELECT IN WRITING TO
27 TERMINATE MEMBERSHIP IN TIER 1 AND ELECT TO BECOME A QUALIFIED

1 PARTICIPANT IN TIER 2. AN ELECTION MADE BY A MEMBER UNDER THIS
2 SUBSECTION IS IRREVOCABLE. THE RETIREMENT SYSTEM SHALL ACCEPT
3 WRITTEN ELECTIONS UNDER THIS SUBSECTION FROM MEMBERS DURING THE
4 PERIOD BEGINNING ON JANUARY 2, 1998 AND ENDING ON APRIL 30,
5 1998. A MEMBER WHO DOES NOT MAKE A WRITTEN ELECTION OR WHO DOES
6 NOT FILE THE ELECTION DURING THE PERIOD SPECIFIED IN THIS SUBSEC-
7 TION CONTINUES TO BE A MEMBER OF TIER 1. A MEMBER WHO MAKES AND
8 FILES A WRITTEN ELECTION UNDER THIS SUBSECTION ELECTS TO DO ALL
9 OF THE FOLLOWING:

10 (A) CEASE TO BE A MEMBER OF TIER 1 EFFECTIVE 12 MIDNIGHT MAY
11 31, 1998.

12 (B) BECOME A QUALIFIED PARTICIPANT IN TIER 2 EFFECTIVE 12:01
13 A.M., JUNE 1, 1998.

14 (C) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, WAIVE
15 ALL OF HIS OR HER RIGHTS TO A PENSION, AN ANNUITY, A RETIREMENT
16 ALLOWANCE, AN INSURANCE BENEFIT, OR ANY OTHER BENEFIT UNDER THIS
17 ACT EFFECTIVE 12 MIDNIGHT MAY 31, 1998. THIS SUBDIVISION DOES
18 NOT AFFECT A PERSON'S RIGHT TO HEALTH BENEFITS PROVIDED UNDER
19 THIS ACT PURSUANT TO SECTION 68.

20 (2) THIS SUBSECTION APPLIES TO AN INDIVIDUAL WHO WAS A
21 VESTED MEMBER OF TIER 1 ON MARCH 30, 1997 AND WHO TERMINATES THE
22 EMPLOYMENT UPON WHICH THAT MEMBERSHIP IS BASED ON OR AFTER MARCH
23 31, 1997 BUT ON OR BEFORE MAY 31, 1998. BEFORE THE TERMINATION
24 OF HIS OR HER EMPLOYMENT, AN INDIVIDUAL DESCRIBED IN THIS SUBSEC-
25 TION MAY ELECT IN WRITING TO TERMINATE MEMBERSHIP IN TIER 1 AND
26 BECOME A QUALIFIED PARTICIPANT IN TIER 2. AN ELECTION MADE BY A
27 MEMBER UNDER THIS SUBSECTION IS IRREVOCABLE. THE RETIREMENT

1 SYSTEM SHALL ACCEPT WRITTEN ELECTIONS UNDER THIS SUBSECTION FROM
2 A MEMBER DURING THE PERIOD BEGINNING ON MARCH 1, 1997 AND ENDING
3 ON MAY 31, 1998. A MEMBER DESCRIBED IN THIS SUBSECTION WHO DOES
4 NOT MAKE A WRITTEN ELECTION OR WHO DOES NOT FILE THE ELECTION
5 BEFORE THE TERMINATION OF HIS OR HER EMPLOYMENT CONTINUES TO BE A
6 MEMBER OR DEFINED MEMBER OF TIER 1. A MEMBER WHO MAKES AND FILES
7 A WRITTEN ELECTION UNDER THIS SUBSECTION TO TERMINATE MEMBERSHIP
8 IN TIER 1 ELECTS TO DO ALL OF THE FOLLOWING:

9 (A) CEASE TO BE A MEMBER OF TIER 1 AND BECOME A QUALIFIED
10 PARTICIPANT IN TIER 2 EFFECTIVE 12 MIDNIGHT ON THE DAY IMMEDI-
11 ATELY PRECEDING THE DATE OF THE TERMINATION OF EMPLOYMENT.

12 (B) BECOME A FORMER QUALIFIED PARTICIPANT IN TIER 2 EFFEC-
13 TIVE 12:01 A.M. ON THE DAY IMMEDIATELY FOLLOWING THE DATE
14 DESCRIBED IN SUBDIVISION (A).

15 (C) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, WAIVE
16 ALL OF HIS OR HER RIGHTS TO A PENSION, AN ANNUITY, A RETIREMENT
17 ALLOWANCE, AN INSURANCE BENEFIT, OR ANY OTHER BENEFIT UNDER TIER
18 1 EFFECTIVE 12 MIDNIGHT ON THE DATE DESCRIBED IN SUBDIVISION
19 (A). THIS SUBDIVISION DOES NOT AFFECT AN INDIVIDUAL'S RIGHT TO
20 HEALTH BENEFITS PROVIDED UNDER THIS ACT PURSUANT TO SECTION 68.

21 (3) IF AN INDIVIDUAL WHO WAS A DEFERRED MEMBER ON MARCH 30,
22 1997 OR AN INDIVIDUAL WHO WAS A FORMER NONVESTED MEMBER ON MARCH
23 30, 1997 IS REEMPLOYED AND BY VIRTUE OF THAT EMPLOYMENT IS AGAIN
24 ELIGIBLE FOR MEMBERSHIP IN TIER 1, THE INDIVIDUAL SHALL ELECT IN
25 WRITING TO REMAIN A MEMBER OF TIER 1 OR TO TERMINATE MEMBERSHIP
26 IN TIER 1 AND BECOME A QUALIFIED PARTICIPANT IN TIER 2. AN
27 ELECTION MADE BY A DEFERRED MEMBER OR A FORMER NONVESTED MEMBER

1 UNDER THIS SUBSECTION IS IRREVOCABLE. THE RETIREMENT SYSTEM
2 SHALL ACCEPT WRITTEN ELECTIONS UNDER THIS SUBSECTION FROM A
3 DEFERRED MEMBER OR A FORMER NONVESTED MEMBER DURING THE PERIOD
4 BEGINNING ON THE DATE OF THE INDIVIDUAL'S REEMPLOYMENT AND ENDING
5 UPON THE EXPIRATION OF 60 DAYS AFTER THE DATE OF THAT
6 REEMPLOYMENT. A DEFERRED MEMBER OR FORMER NONVESTED MEMBER WHO
7 MAKES AND FILES A WRITTEN ELECTION TO REMAIN A MEMBER OF TIER 1
8 RETAINS ALL RIGHTS AND IS SUBJECT TO ALL CONDITIONS AS A MEMBER
9 OF TIER 1 UNDER THIS ACT. A DEFERRED MEMBER OR FORMER NONVESTED
10 MEMBER WHO DOES NOT MAKE A WRITTEN ELECTION OR WHO DOES NOT FILE
11 THE ELECTION DURING THE PERIOD SPECIFIED IN THIS SUBSECTION CON-
12 TINUES TO BE A MEMBER OF TIER 1. A DEFERRED MEMBER OR FORMER
13 NONVESTED MEMBER WHO MAKES AND FILES A WRITTEN ELECTION TO TERMI-
14 NATE MEMBERSHIP IN TIER 1 ELECTS TO DO ALL OF THE FOLLOWING:

15 (A) CEASE TO BE A MEMBER OF TIER 1 EFFECTIVE 12 MIDNIGHT ON
16 THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF THE
17 ELECTION.

18 (B) BECOME A QUALIFIED PARTICIPANT IN TIER 2 EFFECTIVE 12:01
19 A.M. ON THE FIRST DAY OF THE PAYROLL PERIOD IMMEDIATELY FOLLOWING
20 THE DATE OF THE ELECTION.

21 (C) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, WAIVE
22 ALL OF HIS OR HER RIGHTS TO A PENSION, AN ANNUITY, A RETIREMENT
23 ALLOWANCE, AN INSURANCE BENEFIT, OR ANY OTHER BENEFIT UNDER TIER
24 1 EFFECTIVE 12 MIDNIGHT ON THE LAST DAY OF THE PAYROLL PERIOD
25 THAT INCLUDES THE DATE OF THE ELECTION. THIS SUBDIVISION DOES
26 NOT AFFECT AN INDIVIDUAL'S RIGHT TO HEALTH BENEFITS PROVIDED
27 UNDER THIS ACT PURSUANT TO SECTION 68.

1 (4) AFTER CONSULTATION WITH THE RETIREMENT SYSTEM'S ACTUARY
2 AND THE RETIREMENT BOARD, THE DEPARTMENT OF MANAGEMENT AND BUDGET
3 SHALL DETERMINE THE METHOD BY WHICH A MEMBER, DEFERRED MEMBER, OR
4 FORMER NONVESTED MEMBER SHALL MAKE A WRITTEN ELECTION UNDER THIS
5 SECTION. IF THE MEMBER, DEFERRED MEMBER, OR FORMER NONVESTED
6 MEMBER IS MARRIED AT THE TIME OF THE ELECTION, THE ELECTION IS
7 NOT EFFECTIVE UNLESS THE ELECTION IS SIGNED BY THE INDIVIDUAL'S
8 SPOUSE. HOWEVER, THE RETIREMENT BOARD MAY WAIVE THIS REQUIREMENT
9 IF THE SPOUSE'S SIGNATURE CANNOT BE OBTAINED BECAUSE OF EXTENUAT-
10 ING CIRCUMSTANCES.

11 (5) AN ELECTION UNDER THIS SUBSECTION IS SUBJECT TO THE ELI-
12 GIBLE DOMESTIC RELATIONS ORDER ACT, ACT NO. 46 OF THE PUBLIC ACTS
13 OF 1991, BEING SECTIONS 38.1701 TO 38.1711 OF THE MICHIGAN
14 COMPILED LAWS.

15 (6) IF AN INDIVIDUAL WHO WAS A DEFERRED MEMBER OF THE PUBLIC
16 SCHOOL EMPLOYEES RETIREMENT SYSTEM ON MARCH 30, 1997 IS FIRST
17 EMPLOYED AND ENTERED UPON THE PAYROLL OF HIS OR HER EMPLOYER ON
18 OR AFTER MARCH 31, 1997, THE RETIREMENT SYSTEM SHALL PROVIDE AN
19 OPPORTUNITY FOR THAT INDIVIDUAL TO ELECT IN WRITING TO BECOME A
20 MEMBER OF TIER 1 OR TO BECOME A QUALIFIED PARTICIPANT OF TIER 2.
21 THE RETIREMENT SYSTEM AND THE INDIVIDUAL SHALL FOLLOW THE PROVI-
22 SIONS AND PROCEDURES PROVIDED IN THIS SECTION AND BY THE STATE
23 TREASURER AS IF THE INDIVIDUAL WERE A DEFERRED MEMBER OF THIS
24 RETIREMENT SYSTEM ON MARCH 30, 1997.

25 (7) IF THE DEPARTMENT OF MANAGEMENT AND BUDGET RECEIVES
26 NOTIFICATION FROM THE UNITED STATES INTERNAL REVENUE SERVICE THAT
27 THIS SECTION OR ANY PORTION OF THIS SECTION WILL CAUSE THE

1 RETIREMENT SYSTEM TO BE DISQUALIFIED FOR TAX PURPOSES UNDER THE
2 INTERNAL REVENUE CODE, THEN THE PORTION THAT WILL CAUSE THE DIS-
3 QUALIFICATION DOES NOT APPLY.

4 SEC. 51. (1) FOR A MEMBER WHO ELECTS TO TERMINATE MEMBER-
5 SHIP IN TIER 1 UNDER SECTION 50(1), THE RETIREMENT SYSTEM SHALL
6 DIRECT THE STATE TREASURER TO TRANSFER A LUMP SUM AMOUNT FROM THE
7 APPROPRIATE FUND CREATED UNDER SECTION 11 TO THE QUALIFIED
8 PARTICIPANT'S ACCOUNT IN TIER 2 ON OR BEFORE SEPTEMBER 30, 1998.
9 THE RETIREMENT SYSTEM SHALL CALCULATE THE AMOUNT TO BE TRANS-
10 FERRED, WHICH SHALL BE EQUAL TO THE SUM OF THE FOLLOWING:

11 (A) THE MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY, FROM THE
12 EMPLOYEES' SAVINGS FUND AS OF 12 MIDNIGHT MAY 31, 1998.

13 (B) FOR A MEMBER WHO IS VESTED UNDER SECTION 20(4) OR (5) AS
14 OF 12 MIDNIGHT ON MAY 31, 1998, THE EXCESS, IF ANY, OF THE ACTU-
15 ARIAL PRESENT VALUE OF THE MEMBER'S ACCUMULATED BENEFIT OBLIGA-
16 TION, OVER THE AMOUNT SPECIFIED IN SUBDIVISION (A), FROM THE
17 EMPLOYER'S ACCUMULATION FUND. EXCEPT AS PROVIDED IN SUBSECTION
18 (7), FOR THE PURPOSES OF THIS SUBSECTION, THE PRESENT VALUE OF
19 THE MEMBER'S ACCUMULATED BENEFIT OBLIGATION IS BASED UPON THE
20 MEMBER'S ESTIMATED CREDITED SERVICE AND ESTIMATED FINAL AVERAGE
21 COMPENSATION AS OF 12 MIDNIGHT ON MAY 31, 1998. THE ACTUARIAL
22 PRESENT VALUE SHALL BE COMPUTED AS OF 12 MIDNIGHT MAY 31, 1998
23 AND SHALL BE BASED ON THE FOLLOWING:

24 (i) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST, COMPOUNDED
25 ANNUALLY.

1 (ii) A 50% MALE AND 50% FEMALE GENDER NEUTRAL BLEND OF THE
2 MORTALITY TABLES USED TO PROJECT RETIRANT LONGEVITY IN THE MOST
3 RECENT ACTUARIAL VALUATION REPORT.

4 (iii) A BENEFIT COMMENCEMENT AGE, BASED UPON THE MEMBER'S
5 ESTIMATED CREDITED SERVICE AS OF 12 MIDNIGHT MAY 31, 1998. THE
6 BENEFIT COMMENCEMENT AGE SHALL BE THE YOUNGER OF THE FOLLOWING,
7 BUT SHALL NOT BE YOUNGER THAN THE MEMBER'S AGE AS OF 12 MIDNIGHT
8 MAY 31, 1998:

9 (A) AGE 60.

10 (B) AGE 55, IF THE MEMBER'S ESTIMATED CREDITED SERVICE
11 EQUALS OR EXCEEDS 30 YEARS.

12 (C) THE AGE OF THE MEMBER IF SECTION 19(5), 46, OR 48
13 APPLIES.

14 (C) INTEREST ON ANY AMOUNTS DETERMINED IN SUBDIVISIONS (A)
15 AND (B), FROM JUNE 1, 1998 TO THE DATE OF THE TRANSFER, BASED
16 UPON 8% ANNUAL INTEREST, COMPOUNDED ANNUALLY.

17 (2) FOR EACH MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP IN
18 THE RETIREMENT SYSTEM UNDER SECTION 50(1), THE RETIREMENT SYSTEM
19 SHALL RECOMPUTE THE AMOUNT TRANSFERRED UNDER SUBSECTION (1) NOT
20 LATER THAN NOVEMBER 30, 1998 BASED UPON THE MEMBER'S ACTUAL CRED-
21 ITED SERVICE AND ACTUAL FINAL AVERAGE COMPENSATION AS OF 12 MID-
22 NIGHT MAY 31, 1998. IF THE RECOMPUTED AMOUNT DIFFERS FROM THE
23 AMOUNT TRANSFERRED UNDER SUBSECTION (1) BY \$10.00 OR MORE, NOT
24 LATER THAN DECEMBER 15, 1998, THE RETIREMENT SYSTEM SHALL DO ALL
25 OF THE FOLLOWING:

26 (A) DIRECT THE STATE TREASURER TO TRANSFER FROM THE
27 EMPLOYER'S ACCUMULATION FUND TO THE QUALIFIED PARTICIPANT'S

1 ACCOUNT IN TIER 2 THE EXCESS, IF ANY, OF THE RECOMPUTED AMOUNT
2 OVER THE PREVIOUSLY TRANSFERRED AMOUNT TOGETHER WITH INTEREST
3 FROM 12 MIDNIGHT MAY 31, 1998 TO THE DATE OF THE TRANSFER UNDER
4 THIS SUBSECTION, BASED UPON 8% EFFECTIVE ANNUAL INTEREST, COM-
5 POUNDED ANNUALLY.

6 (B) DIRECT THE STATE TREASURER TO TRANSFER FROM THE QUALI-
7 FIED PARTICIPANT'S ACCOUNT IN TIER 2 TO THE EMPLOYER'S ACCUMULA-
8 TION FUND THE EXCESS, IF ANY, OF THE PREVIOUSLY TRANSFERRED
9 AMOUNT OVER THE RECOMPUTED AMOUNT, TOGETHER WITH INTEREST, FROM
10 THE DATE OF THE TRANSFER MADE UNDER SUBSECTION (1), BASED UPON 8%
11 EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

12 (3) FOR A MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP IN THIS
13 RETIREMENT SYSTEM UNDER SECTION 50(2), THE RETIREMENT SYSTEM
14 SHALL DIRECT THE STATE TREASURER TO TRANSFER A LUMP SUM AMOUNT
15 FROM THE APPROPRIATE FUND CREATED UNDER SECTION 11 TO THE FORMER
16 QUALIFIED PARTICIPANT'S ACCOUNT IN TIER 2 ON OR BEFORE THE EXPI-
17 RATION OF 60 DAYS AFTER THE DATE OF THE INDIVIDUAL'S TERMINATION
18 OF EMPLOYMENT. THE RETIREMENT SYSTEM SHALL CALCULATE THE AMOUNT
19 TO BE TRANSFERRED, WHICH SHALL BE EQUAL TO THE SUM OF THE
20 FOLLOWING:

21 (A) THE MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY, FROM THE
22 EMPLOYEES' SAVINGS FUND AS OF 12 MIDNIGHT ON THE DAY IMMEDIATELY
23 PRECEDING THE DATE OF THE TERMINATION OF EMPLOYMENT.

24 (B) THE EXCESS, IF ANY, OF THE ACTUARIAL PRESENT VALUE OF
25 THE MEMBER'S ACCUMULATED BENEFIT OBLIGATION, OVER THE AMOUNT
26 SPECIFIED IN SUBDIVISION (A), FROM THE EMPLOYER'S ACCUMULATION
27 FUND. EXCEPT AS PROVIDED IN SUBSECTION (7), FOR THE PURPOSES OF

1 THIS SUBSECTION, THE PRESENT VALUE OF THE MEMBER'S ACCUMULATED
2 BENEFIT OBLIGATION IS BASED UPON THE MEMBER'S ESTIMATED CREDITED
3 SERVICE AND ESTIMATED FINAL AVERAGE COMPENSATION AS OF 12 MID-
4 NIGHT ON THE DAY IMMEDIATELY PRECEDING THE DATE OF THE TERMINA-
5 TION OF EMPLOYMENT. THE ACTUARIAL PRESENT VALUE SHALL BE COM-
6 PUTED AS OF 12 MIDNIGHT ON THAT DATE AND SHALL BE BASED ON THE
7 FOLLOWING:

8 (i) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST, COMPOUNDED
9 ANNUALLY.

10 (ii) A 50% MALE AND 50% FEMALE GENDER NEUTRAL BLEND OF THE
11 MORTALITY TABLES USED TO PROJECT RETIRANT LONGEVITY IN THE MOST
12 RECENT ANNUAL ACTUARIAL VALUATION REPORT.

13 (iii) A BENEFIT COMMENCEMENT AGE, BASED UPON THE MEMBER'S
14 ESTIMATED CREDITED SERVICE AS OF 12 MIDNIGHT ON THE DAY IMMEDI-
15 ATELY PRECEDING THE DATE OF THE TERMINATION OF EMPLOYMENT. THE
16 BENEFIT COMMENCEMENT AGE SHALL BE THE YOUNGER OF THE FOLLOWING,
17 BUT SHALL NOT BE YOUNGER THAN THE MEMBER'S AGE AS OF 12 MIDNIGHT
18 ON THE DAY IMMEDIATELY PRECEDING THE DATE OF THE TERMINATION OF
19 EMPLOYMENT:

20 (A) AGE 60.

21 (B) AGE 55, IF THE MEMBER'S ESTIMATED CREDITED SERVICE
22 EQUALS OR EXCEEDS 30 YEARS.

23 (C) THE AGE OF THE MEMBER IF SECTION 19(5), 46, OR 48
24 APPLIES.

25 (C) INTEREST ON ANY AMOUNTS DETERMINED IN SUBDIVISIONS (A)
26 AND (B), FROM THE DAY IMMEDIATELY FOLLOWING THE DATE DESCRIBED IN

1 SUBDIVISION (A) TO THE DATE OF THE TRANSFER, BASED UPON 8%
2 EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

3 (4) FOR EACH MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP IN
4 TIER 1 UNDER SECTION 50(2), THE RETIREMENT SYSTEM SHALL RECOMPUTE
5 THE AMOUNT TRANSFERRED UNDER SUBSECTION (3) NOT LATER THAN THE
6 EXPIRATION OF 90 DAYS AFTER THE TRANSFER OCCURS UNDER SUBSECTION
7 (3) BASED UPON THE MEMBER'S ACTUAL CREDITED SERVICE AND ACTUAL
8 FINAL AVERAGE COMPENSATION AS OF 12 MIDNIGHT ON THE DAY IMMEDI-
9 ATELY PRECEDING THE DATE OF THE TERMINATION OF EMPLOYMENT. IF
10 THE RECOMPUTED AMOUNT DIFFERS FROM THE AMOUNT TRANSFERRED UNDER
11 SUBSECTION (3) BY \$10.00 OR MORE, THE RETIREMENT SYSTEM SHALL DO
12 ALL OF THE FOLLOWING:

13 (A) DIRECT THE STATE TREASURER TO TRANSFER FROM THE
14 EMPLOYER'S ACCUMULATION FUND TO THE FORMER QUALIFIED
15 PARTICIPANT'S ACCOUNT IN TIER 2 THE EXCESS, IF ANY, OF THE RECOM-
16 PUTED AMOUNT OVER THE PREVIOUSLY TRANSFERRED AMOUNT TOGETHER WITH
17 INTEREST FROM 12 MIDNIGHT ON THE DAY IMMEDIATELY PRECEDING THE
18 DATE OF THE TERMINATION OF EMPLOYMENT TO THE DATE OF THE TRANSFER
19 UNDER THIS SUBSECTION, BASED UPON 8% EFFECTIVE ANNUAL INTEREST,
20 COMPOUNDED ANNUALLY.

21 (B) DIRECT THE STATE TREASURER TO TRANSFER FROM THE FORMER
22 QUALIFIED PARTICIPANT'S ACCOUNT IN TIER 2 TO THE EMPLOYER'S ACCU-
23 MULATION FUND THE EXCESS, IF ANY, OF THE PREVIOUSLY TRANSFERRED
24 AMOUNT OVER THE RECOMPUTED AMOUNT, TOGETHER WITH INTEREST, FROM
25 THE DATE OF THE TRANSFER MADE UNDER SUBSECTION (3), BASED UPON 8%
26 EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

1 (5) FOR A DEFERRED MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP
2 IN THIS RETIREMENT SYSTEM UNDER SECTION 50(3), THE RETIREMENT
3 SYSTEM SHALL DIRECT THE STATE TREASURER TO TRANSFER A LUMP SUM
4 AMOUNT FROM THE APPROPRIATE FUND CREATED UNDER SECTION 11 TO THE
5 QUALIFIED PARTICIPANT'S ACCOUNT IN TIER 2 ON OR BEFORE THE EXPI-
6 RATION OF 60 DAYS AFTER THE DATE OF THE INDIVIDUAL'S ELECTION TO
7 TERMINATE MEMBERSHIP. THE RETIREMENT SYSTEM SHALL CALCULATE THE
8 AMOUNT TO BE TRANSFERRED, WHICH SHALL BE EQUAL TO THE SUM OF THE
9 FOLLOWING:

10 (A) THE DEFERRED MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY,
11 FROM THE EMPLOYEES' SAVINGS FUND AS OF 12 MIDNIGHT ON THE LAST
12 DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF THE
13 ELECTION.

14 (B) THE EXCESS, IF ANY, OF THE ACTUARIAL PRESENT VALUE OF
15 THE DEFERRED MEMBER'S ACCUMULATED BENEFIT OBLIGATION, OVER THE
16 AMOUNT SPECIFIED IN SUBDIVISION (A), FROM THE EMPLOYER'S ACCUMU-
17 LATION FUND. EXCEPT AS PROVIDED IN SUBSECTION (7), FOR THE PUR-
18 POSES OF THIS SUBSECTION, THE PRESENT VALUE OF THE DEFERRED
19 MEMBER'S ACCUMULATED BENEFIT OBLIGATION IS BASED UPON THE
20 DEFERRED MEMBER'S ESTIMATED CREDITED SERVICE AND ESTIMATED FINAL
21 AVERAGE COMPENSATION AS OF 12 MIDNIGHT ON THE LAST DAY OF THE
22 PAYROLL PERIOD THAT INCLUDES THE DATE OF THE ELECTION. THE ACTU-
23 ARIAL PRESENT VALUE SHALL BE COMPUTED AS OF 12 MIDNIGHT ON THAT
24 DATE AND SHALL BE BASED ON THE FOLLOWING:

25 (i) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST, COMPOUNDED
26 ANNUALLY.

1 (ii) A 50% MALE AND 50% FEMALE GENDER NEUTRAL BLEND OF THE
2 MORTALITY TABLES USED TO PROJECT RETIRANT LONGEVITY IN THE MOST
3 RECENT ANNUAL ACTUARIAL VALUATION REPORT.

4 (iii) A BENEFIT COMMENCEMENT AGE, BASED UPON THE MEMBER'S
5 ESTIMATED CREDITED SERVICE AS OF 12 MIDNIGHT ON THE LAST DAY OF
6 THE PAYROLL PERIOD THAT INCLUDES THE DATE OF THE ELECTION. THE
7 BENEFIT COMMENCEMENT AGE SHALL BE THE YOUNGER OF THE FOLLOWING,
8 BUT SHALL NOT BE YOUNGER THAN THE MEMBER'S AGE AS OF 12 MIDNIGHT
9 ON THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF
10 THE ELECTION:

11 (A) AGE 60.

12 (B) AGE 55, IF THE DEFERRED MEMBER'S ESTIMATED CREDITED
13 SERVICE EQUALS OR EXCEEDS 30 YEARS.

14 (C) THE AGE OF THE DEFERRED MEMBER IF SECTION 19(5), 46, OR
15 48 APPLIES.

16 (C) INTEREST ON ANY AMOUNTS DETERMINED IN SUBDIVISIONS (A)
17 AND (B), FROM THE FIRST DAY OF THE PAYROLL PERIOD IMMEDIATELY
18 FOLLOWING THE DATE OF THE ELECTION TO THE DATE OF THE TRANSFER,
19 BASED UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

20 (6) FOR EACH DEFERRED MEMBER WHO ELECTS TO TERMINATE MEMBER-
21 SHIP IN TIER 1 UNDER SECTION 50(3), THE RETIREMENT SYSTEM SHALL
22 RECOMPUTE THE AMOUNT TRANSFERRED UNDER SUBSECTION (5) NOT LATER
23 THAN THE EXPIRATION OF 90 DAYS AFTER THE TRANSFER OCCURS UNDER
24 SUBSECTION (5) BASED UPON THE DEFERRED MEMBER'S ACTUAL CREDITED
25 SERVICE AND ACTUAL FINAL AVERAGE COMPENSATION AS OF 12 MIDNIGHT
26 ON THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF
27 THE ELECTION. IF THE RECOMPUTED AMOUNT DIFFERS FROM THE AMOUNT

1 TRANSFERRED UNDER SUBSECTION (5) BY \$10.00 OR MORE, THE
2 RETIREMENT SYSTEM SHALL DO ALL OF THE FOLLOWING:

3 (A) DIRECT THE STATE TREASURER TO TRANSFER FROM THE
4 EMPLOYER'S ACCUMULATION FUND TO THE QUALIFIED PARTICIPANT'S
5 ACCOUNT IN TIER 2 THE EXCESS, IF ANY, OF THE RECOMPUTED AMOUNT
6 OVER THE PREVIOUSLY TRANSFERRED AMOUNT TOGETHER WITH INTEREST
7 FROM 12 MIDNIGHT ON THE LAST DAY OF THE PAYROLL PERIOD THAT
8 INCLUDES THE DATE OF THE ELECTION TO THE DATE OF THE TRANSFER
9 UNDER THIS SUBSECTION, BASED UPON 8% EFFECTIVE ANNUAL INTEREST,
10 COMPOUNDED ANNUALLY.

11 (B) DIRECT THE STATE TREASURER TO TRANSFER FROM THE QUALI-
12 FIED PARTICIPANT'S ACCOUNT IN TIER 2 TO THE EMPLOYER'S ACCUMULA-
13 TION FUND THE EXCESS, IF ANY, OF THE PREVIOUSLY TRANSFERRED
14 AMOUNT OVER THE RECOMPUTED AMOUNT, TOGETHER WITH INTEREST, FROM
15 THE DATE OF THE TRANSFER MADE UNDER SUBSECTION (6), BASED UPON 8%
16 EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

17 (7) FOR THE PURPOSES OF SUBSECTIONS (1) TO (6), THE CALCULA-
18 TION OF ESTIMATED AND ACTUAL PRESENT VALUE OF THE MEMBER'S OR
19 DEFERRED MEMBER'S ACCUMULATED BENEFIT OBLIGATION SHALL BE BASED
20 UPON METHODS ADOPTED BY THE DEPARTMENT OF MANAGEMENT AND BUDGET
21 AND THE RETIREMENT SYSTEM'S ACTUARY IN CONSULTATION WITH THE
22 RETIREMENT BOARD. THE RETIREMENT SYSTEM SHALL UTILIZE THE SAME
23 ACTUARIAL VALUATION REPORT USED TO CALCULATE THE AMOUNT TRANS-
24 FERRED UNDER SUBSECTION (1), (3), OR (5) WHEN MAKING THE RECOMPU-
25 TATION REQUIRED UNDER SUBSECTION (2), (4), OR (6). ESTIMATED AND
26 ACTUAL FINAL AVERAGE COMPENSATION SHALL BE DETERMINED AS PROVIDED
27 IN SECTION 1E AS OF 12 MIDNIGHT ON THE DATE THE MEMBER OR

1 DEFERRED MEMBER CEASES TO BE A MEMBER OF TIER 1 UNDER SECTION
2 50.

3 (8) FOR A FORMER NONVESTED MEMBER WHO ELECTS TO TERMINATE
4 MEMBERSHIP IN TIER 1 UNDER SECTION 50(3) AND WHO HAS ACCUMULATED
5 CONTRIBUTIONS STANDING TO HIS OR HER CREDIT IN THE EMPLOYEES'
6 SAVINGS FUND, THE RETIREMENT SYSTEM SHALL DIRECT THE STATE TREA-
7 SURER TO TRANSFER A LUMP SUM AMOUNT FROM THE EMPLOYEES' SAVINGS
8 FUND CREATED UNDER SECTION 11 TO THE QUALIFIED PARTICIPANT'S
9 ACCOUNT IN TIER 2 ON OR BEFORE THE EXPIRATION OF 60 DAYS AFTER
10 THE DATE OF THE INDIVIDUAL'S ELECTION TO TERMINATE MEMBERSHIP.

11 THE RETIREMENT SYSTEM SHALL CALCULATE THE AMOUNT TO BE TRANS-
12 FERRED, WHICH SHALL BE EQUAL TO THE SUM OF THE FOLLOWING:

13 (A) THE FORMER NONVESTED MEMBER'S ACCUMULATED CONTRIBUTIONS,
14 IF ANY, FROM THE EMPLOYEES' SAVINGS FUND AS OF 12 MIDNIGHT ON THE
15 LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF THE
16 ELECTION.

17 (B) INTEREST ON ANY AMOUNTS DETERMINED IN SUBDIVISION (A),
18 FROM THE FIRST DAY OF THE PAYROLL PERIOD IMMEDIATELY FOLLOWING
19 THE DATE OF THE ELECTION TO THE DATE OF THE TRANSFER, BASED UPON
20 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

21 (9) IF THE DEPARTMENT OF MANAGEMENT AND BUDGET RECEIVES
22 NOTIFICATION FROM THE UNITED STATES INTERNAL REVENUE SERVICE THAT
23 THIS SECTION OR ANY PORTION OF THIS SECTION WILL CAUSE THE
24 RETIREMENT SYSTEM TO BE DISQUALIFIED FOR TAX PURPOSES UNDER THE
25 INTERNAL REVENUE CODE, THEN THE PORTION THAT WILL CAUSE THE DIS-
26 QUALIFICATION DOES NOT APPLY.

1 SEC. 52. AFTER CONSULTING THE RETIREMENT SYSTEM'S ACTUARY,
2 THE DEPARTMENT OF MANAGEMENT AND BUDGET SHALL CALCULATE FOR EACH
3 FISCAL YEAR ANY COST SAVINGS THAT HAVE ACCRUED TO THIS STATE AS A
4 RESULT OF THE IMPLEMENTATION OF THE AMENDATORY ACT THAT ADDED
5 THIS SECTION OVER THE COSTS THAT WOULD HAVE BEEN INCURRED BY THIS
6 STATE TO FUND THIS RETIREMENT SYSTEM HAD THE AMENDATORY ACT THAT
7 ADDED THIS SECTION NOT BEEN IMPLEMENTED. THE TOTAL AMOUNT OF
8 SUCH COST SAVINGS SHALL BE SUBMITTED IN THE EXECUTIVE BUDGET TO
9 THE LEGISLATURE FOR APPROPRIATION IN THE NEXT SUCCEEDING STATE
10 FISCAL YEAR TO THE HEALTH INSURANCE RESERVE FUND CREATED BY SEC-
11 TION 11(8). ANY AMOUNT APPROPRIATED PURSUANT TO THIS SECTION AND
12 ACCUMULATED EARNINGS ON THOSE AMOUNTS SHALL NOT BE EXPENDED UNTIL
13 THE ACTUARIAL ACCRUED LIABILITY FOR HEALTH BENEFITS UNDER SECTION
14 20D IS 100% FUNDED.

15 SEC. 53. (1) FOR THE PURPOSES OF THIS SECTION AND SECTIONS
16 54 TO 69, THE WORDS AND PHRASES DEFINED IN THIS SECTION AND SEC-
17 TIONS 54 TO 69 HAVE THE MEANINGS ASCRIBED TO THEM IN THOSE
18 SECTIONS.

19 (2) "ACCUMULATED BALANCE" MEANS THE TOTAL BALANCE IN A QUAL-
20 IFIED PARTICIPANT'S, FORMER QUALIFIED PARTICIPANT'S, OR REFUND
21 BENEFICIARY'S INDIVIDUAL ACCOUNT IN TIER 2.

22 (3) "COMPENSATION" MEANS THE REMUNERATION PAID A PARTICIPANT
23 ON ACCOUNT OF THE PARTICIPANT'S SERVICES RENDERED TO HIS OR HER
24 EMPLOYER. COMPENSATION INCLUDES ONLY MEDICARE TAXABLE WAGES AS
25 REPORTED BY THE EMPLOYER ON THE PARTICIPANT'S FEDERAL FORM W-2,
26 WAGE AND TAX STATEMENT.

1 SEC. 54. (1) "EMPLOYER" MEANS THIS STATE OR, IF A QUALIFIED
2 PARTICIPANT IS NOT EMPLOYED BY THIS STATE BUT IS A PARTICIPANT IN
3 TIER 2 BY VIRTUE OF HIS OR HER EMPLOYMENT, THE EMPLOYER THAT PAYS
4 HIS OR HER COMPENSATION.

5 (2) "FORMER QUALIFIED PARTICIPANT" MEANS AN INDIVIDUAL WHO
6 WAS A QUALIFIED PARTICIPANT AND WHO TERMINATES THE EMPLOYMENT
7 UPON WHICH HIS OR HER PARTICIPATION IS BASED FOR ANY REASON.

8 (3) "HEALTH BENEFIT DEPENDENT" MEANS AN INDIVIDUAL WHO WOULD
9 HAVE BEEN ELIGIBLE FOR HEALTH INSURANCE COVERAGE AS PROVIDED IN
10 SECTION 20D IF THE FORMER QUALIFIED PARTICIPANT HAD BECOME A
11 RETIRANT OF TIER 1.

12 SEC. 55. (1) "QUALIFIED PARTICIPANT" MEANS AN INDIVIDUAL
13 WHO IS A PARTICIPANT OF TIER 2 AND WHO MEETS 1 OF THE FOLLOWING
14 REQUIREMENTS:

15 (A) AN INDIVIDUAL WHO IS FIRST EMPLOYED AND ENTERED UPON THE
16 PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER MARCH 31, 1997, AND
17 WHO BEFORE MARCH 31, 1997 WOULD HAVE BEEN ELIGIBLE TO BE A MEMBER
18 OF TIER 1.

19 (B) AN INDIVIDUAL WHO ELECTS TO TERMINATE MEMBERSHIP IN TIER
20 1 AND WHO ELECTS TO PARTICIPATE IN TIER 2 IN THE MANNER PRE-
21 SCRIBED IN SECTION 50.

22 (2) "REFUND BENEFICIARY" MEANS AN INDIVIDUAL NOMINATED BY A
23 QUALIFIED PARTICIPANT OR A FORMER QUALIFIED PARTICIPANT UNDER
24 SECTION 66 TO RECEIVE A DISTRIBUTION OF THE PARTICIPANT'S ACCUMU-
25 LATED BALANCE IN THE MANNER PRESCRIBED IN SECTION 67.

26 (3) "STATE TREASURER" MEANS THE TREASURER OF THIS STATE.

1 SEC. 56. (1) THE STATE TREASURER SHALL ADMINISTER TIER 2
2 AND SHALL INVEST THE ASSETS OF TIER 2. THE STATE TREASURER IS
3 THE FIDUCIARY AND TRUSTEE OF TIER 2. THE STATE TREASURER MAY
4 APPOINT AN ADVISORY BOARD TO ASSIST THE STATE TREASURER IN CARRY-
5 ING OUT HIS OR HER DUTIES AS FIDUCIARY AND TRUSTEE.

6 (2) THE STATE TREASURER SHALL DETERMINE THE PROVISIONS AND
7 PROCEDURES OF TIER 2 IN CONFORMITY WITH THIS ACT AND THE INTERNAL
8 REVENUE CODE.

9 (3) THE STATE TREASURER HAS THE EXCLUSIVE AUTHORITY AND
10 RESPONSIBILITY TO EMPLOY OR CONTRACT WITH PERSONNEL AND FOR SERV-
11 ICES THAT THE STATE TREASURER DETERMINES NECESSARY FOR THE PROPER
12 ADMINISTRATION OF AND INVESTMENT OF ASSETS OF TIER 2, INCLUDING
13 BUT NOT LIMITED TO MANAGERIAL, PROFESSIONAL, LEGAL, CLERICAL,
14 TECHNICAL, AND ADMINISTRATIVE PERSONNEL OR SERVICES.

15 SEC. 57. (1) A QUALIFIED PARTICIPANT, FORMER QUALIFIED PAR-
16 TICIPANT, HEALTH BENEFIT DEPENDENT, OR REFUND BENEFICIARY MAY
17 REQUEST A HEARING ON A CLAIM INVOLVING HIS OR HER RIGHTS UNDER
18 TIER 2. UPON WRITTEN REQUEST, THE STATE TREASURER SHALL PROVIDE
19 FOR A HEARING THAT SHALL BE CONDUCTED PURSUANT TO CHAPTER 4 OF
20 THE ADMINISTRATIVE PROCEDURES ACT OF 1969, ACT NO. 306 OF THE
21 PUBLIC ACTS OF 1969, BEING SECTIONS 24.271 TO 24.287 OF THE
22 MICHIGAN COMPILED LAWS. AN INDIVIDUAL MAY BE REPRESENTED BY
23 COUNSEL OR OTHER DULY AUTHORIZED AGENT AT A HEARING CONDUCTED
24 UNDER THIS SECTION.

25 (2) CHAPTERS 2, 3, AND 5 OF ACT NO. 306 OF THE PUBLIC ACTS
26 OF 1969, BEING SECTIONS 24.224 TO 24.264 AND 24.291 TO 24.292 OF
27 THE MICHIGAN COMPILED LAWS, DO NOT APPLY TO THE ESTABLISHMENT,

1 IMPLEMENTATION, ADMINISTRATION, OPERATION, INVESTMENT, OR
2 DISTRIBUTION OF TIER 2.

3 SEC. 58. EACH QUALIFIED PARTICIPANT, FORMER QUALIFIED PAR-
4 TICIPANT, AND REFUND BENEFICIARY SHALL DIRECT THE INVESTMENT OF
5 THE INDIVIDUAL'S ACCUMULATED EMPLOYER AND EMPLOYEE CONTRIBUTIONS
6 AND EARNINGS TO 1 OR MORE INVESTMENT CHOICES WITHIN AVAILABLE
7 CATEGORIES OF INVESTMENT PROVIDED BY THE STATE TREASURER. THE
8 LIMITATIONS ON THE PERCENTAGE OF TOTAL ASSETS FOR INVESTMENTS
9 PROVIDED IN ACT NO. 314 OF THE PUBLIC ACTS OF 1965, BEING SEC-
10 TIONS 38.1132 TO 38.1140I OF THE MICHIGAN COMPILED LAWS, DO NOT
11 APPLY TO TIER 2.

12 SEC. 59. (1) EXCEPT AS PROVIDED FOR START-UP COSTS IN SUB-
13 SECTION (2), THE ADMINISTRATIVE EXPENSES OF TIER 2 SHALL BE PAID
14 BY THE QUALIFIED PARTICIPANTS, FORMER QUALIFIED PARTICIPANTS, AND
15 REFUND BENEFICIARIES WHO HAVE NOT CLOSED THEIR ACCOUNTS IN A
16 MANNER DETERMINED BY THE STATE TREASURER.

17 (2) INCLUDED IN THE AMOUNTS APPROPRIATED TO ALL STATE
18 DEPARTMENTS FOR FEDERAL INSURANCE CONTRIBUTIONS ACT PAYMENTS AND
19 RETIREMENT BENEFITS, WHETHER APPROPRIATED AS A SINGLE LINE ITEM
20 OR COMMINGLED WITH PROGRAM LINE ITEMS, FOR STATE FISCAL YEARS
21 ENDING SEPTEMBER 30, 1997, SEPTEMBER 30, 1998, AND SEPTEMBER 30,
22 1999, ARE SUMS SUFFICIENT TO PAY FOR THE ADMINISTRATIVE START-UP
23 COSTS FOR THE IMPLEMENTATION OF THE AMENDATORY ACT THAT ADDED
24 THIS SECTION. CHARGES AGAINST THESE APPROPRIATIONS IN AMOUNTS
25 AND IN A MANNER PRESCRIBED BY THE DEPARTMENT OF MANAGEMENT AND
26 BUDGET AND THE DEPARTMENT OF TREASURY SHALL BE MADE AND ARE
27 APPROPRIATED TO THOSE DEPARTMENTS FOR STAFF SALARIES, FRINGE

1 BENEFITS, CONTRACTUAL SERVICES, AND ANY OTHER ADMINISTRATIVE COST
2 INCURRED FOR THIS PURPOSE

3 SEC. 59. A QUALIFIED PARTICIPANT SHALL NOT PARTICIPATE IN
4 ANY OTHER PUBLIC SECTOR RETIREMENT BENEFITS PLAN FOR SIMULTANEOUS
5 SERVICE RENDERED TO THE SAME PUBLIC SECTOR EMPLOYER. EXCEPT AS
6 OTHERWISE PROVIDED IN THIS ACT OR BY THE STATE TREASURER, THIS
7 SECTION DOES NOT PROHIBIT A QUALIFIED PARTICIPANT FROM PARTICI-
8 PATING IN A RETIREMENT PLAN ESTABLISHED BY THIS STATE OR OTHER
9 PUBLIC SECTOR EMPLOYER UNDER THE INTERNAL REVENUE CODE.

10 SEC. 61. AN ELECTED OR APPOINTED OFFICIAL WHO IS FIRST
11 ELECTED OR APPOINTED ON OR AFTER MARCH 31, 1997 MAY IRREVOCABLY
12 ELECT NOT TO BECOME A QUALIFIED PARTICIPANT OF TIER 2 OR MAY
13 IRREVOCABLY ELECT TO DISCONTINUE PARTICIPATION IN TIER 2 BY
14 FILING WRITTEN NOTICE OF THE ELECTION WITH THE STATE TREASURER.
15 UPON RECEIPT OF THE ELECTION, HIS OR HER EMPLOYER SHALL NOT CON-
16 TRIBUTE ANY PERCENTAGE OF COMPENSATION UNDER SECTION 63 FOR THE
17 OFFICIAL WHO MAKES EITHER ELECTION.

18 SEC. 62. (1) THE STATE TREASURER SHALL PROMPTLY CREDIT THE
19 TIER 2 ACCOUNT OF A QUALIFIED PARTICIPANT OR FORMER QUALIFIED
20 PARTICIPANT WHO MAKES AN ELECTION UNDER SECTION 50 TO TERMINATE
21 MEMBERSHIP IN TIER 1 WITH ANY AMOUNT TRANSFERRED FROM TIER 1 PUR-
22 SUANT TO SECTION 51.

23 (2) NOT LATER THAN 30 DAYS AFTER RECEIPT OF A RECOMPUTED
24 AMOUNT UNDER SECTION 51(2), (4), OR (6), THE STATE TREASURER
25 SHALL CHARGE THE PARTICIPANT'S TIER 2 ACCOUNT FOR ANY AMOUNT OF
26 EXCESS TRANSFERS UNDER SECTION 51(1), (3), OR (5) AND TRANSFER
27 THAT AMOUNT TO THE APPROPRIATE FUND IN TIER 1. THE STATE

1 TREASURER MAY DETERMINE WHICH INVESTMENT CHOICE OR CHOICES WITHIN
2 A PARTICIPANT'S TIER 2 ACCOUNT WILL BE USED FOR THIS PURPOSE.

3 SEC. 63. (1) THIS SECTION IS SUBJECT TO THE VESTING
4 REQUIREMENTS OF SECTION 64.

5 (2) A QUALIFIED PARTICIPANT'S EMPLOYER SHALL CONTRIBUTE TO
6 THE QUALIFIED PARTICIPANT'S ACCOUNT IN TIER 2 AN AMOUNT EQUAL TO
7 4% OF THE QUALIFIED PARTICIPANT'S COMPENSATION.

8 (3) A QUALIFIED PARTICIPANT MAY PERIODICALLY ELECT TO CON-
9 TRIBUTE UP TO 3% OF HIS OR HER COMPENSATION TO HIS OR HER TIER 2
10 ACCOUNT. THE QUALIFIED PARTICIPANT'S EMPLOYER SHALL MAKE AN
11 ADDITIONAL CONTRIBUTION TO THE QUALIFIED PARTICIPANT'S TIER 2
12 ACCOUNT IN AN AMOUNT EQUAL TO THE CONTRIBUTION MADE BY THE QUALI-
13 FIED PARTICIPANT UNDER THIS SUBSECTION.

14 (4) A QUALIFIED PARTICIPANT MAY MAKE CONTRIBUTIONS IN ADDI-
15 TION TO CONTRIBUTIONS MADE UNDER SUBSECTION (3) TO HIS OR HER
16 TIER 2 ACCOUNT AS PERMITTED BY THE STATE TREASURER AND THE INTER-
17 NAL REVENUE CODE. THE QUALIFIED PARTICIPANT'S EMPLOYER SHALL NOT
18 MATCH CONTRIBUTIONS MADE BY THE QUALIFIED PARTICIPANT UNDER THIS
19 SUBSECTION.

20 SEC. 64. (1) A QUALIFIED PARTICIPANT IS IMMEDIATELY 100%
21 VESTED IN HIS OR HER CONTRIBUTIONS MADE TO TIER 2. A QUALIFIED
22 PARTICIPANT SHALL VEST IN THE EMPLOYER CONTRIBUTIONS MADE ON HIS
23 OR HER BEHALF TO TIER 2 ACCORDING TO THE FOLLOWING SCHEDULE:

24 (A) UPON COMPLETION OF 2 YEARS OF SERVICE, 50%.

25 (B) UPON COMPLETION OF 3 YEARS OF SERVICE, 75%.

26 (C) UPON COMPLETION OF 4 YEARS OF SERVICE, 100%.

1 (2) A QUALIFIED PARTICIPANT IS VESTED IN THE HEALTH
2 INSURANCE COVERAGE PROVIDED IN SECTION 68 IF THE QUALIFIED
3 PARTICIPANT MEETS 1 OF THE FOLLOWING REQUIREMENTS:

4 (A) THE QUALIFIED PARTICIPANT HAS COMPLETED 10 YEARS OF
5 SERVICE AS A QUALIFIED PARTICIPANT AND WAS NOT A MEMBER, DEFERRED
6 MEMBER, OR FORMER NONVESTED MEMBER OF TIER 1.

7 (B) THE QUALIFIED PARTICIPANT WAS A MEMBER, DEFERRED MEMBER,
8 OR FORMER NONVESTED MEMBER OF TIER 1 WHO MADE AN ELECTION TO PAR-
9 TICIPATE IN TIER 2 PURSUANT TO SECTION 50, AND WHO HAS MET THE
10 SERVICE REQUIREMENTS HE OR SHE WOULD HAVE BEEN REQUIRED TO MEET
11 IN ORDER TO VEST IN HEALTH BENEFITS UNDER SECTION 20D.

12 SEC. 65. A QUALIFIED PARTICIPANT WHO WAS A MEMBER, DEFERRED
13 MEMBER, OR FORMER NONVESTED MEMBER OF TIER 1 WHO MAKES AN ELEC-
14 TION TO PARTICIPATE IN TIER 2 PURSUANT TO SECTION 50, SHALL BE
15 CREDITED WITH THE YEARS OF SERVICE ACCRUED UNDER TIER 1 ON THE
16 EFFECTIVE DATE OF PARTICIPATION IN TIER 2 FOR THE PURPOSE OF
17 MEETING THE VESTING REQUIREMENTS FOR BENEFITS UNDER SECTION 64.

18 SEC. 66. A QUALIFIED PARTICIPANT OR FORMER QUALIFIED PAR-
19 TICIPANT MAY NOMINATE 1 OR MORE INDIVIDUALS AS A REFUND BENEFI-
20 CIARY BY FILING WRITTEN NOTICE OF NOMINATION WITH THE STATE
21 TREASURER. IF THE QUALIFIED PARTICIPANT OR FORMER QUALIFIED PAR-
22 TICIPANT IS MARRIED AT THE TIME OF THE NOMINATION AND THE
23 PARTICIPANT'S SPOUSE IS NOT THE REFUND BENEFICIARY FOR 100% OF
24 THE ACCOUNT, THE NOMINATION IS NOT EFFECTIVE UNLESS THE NOMINA-
25 TION IS SIGNED BY THE PARTICIPANT'S SPOUSE. HOWEVER, THE STATE
26 TREASURER MAY WAIVE THIS REQUIREMENT IF THE SPOUSE'S SIGNATURE
27 CANNOT BE OBTAINED BECAUSE OF EXTENUATING CIRCUMSTANCES.

1 SEC. 67. (1) A QUALIFIED PARTICIPANT IS ELIGIBLE TO RECEIVE
2 DISTRIBUTION OF HIS OR HER ACCUMULATED BALANCE IN TIER 2 UPON
3 BECOMING A FORMER QUALIFIED PARTICIPANT.

4 (2) UPON THE DEATH OF A QUALIFIED PARTICIPANT OR FORMER
5 QUALIFIED PARTICIPANT, THE ACCUMULATED BALANCE OF THAT DECEASED
6 PARTICIPANT IS CONSIDERED TO BELONG TO THE REFUND BENEFICIARY, IF
7 ANY, OF THAT DECEASED PARTICIPANT. IF A VALID NOMINATION OF
8 REFUND BENEFICIARY IS NOT ON FILE WITH THE STATE TREASURER, THE
9 STATE TREASURER, IN A LUMP SUM DISTRIBUTION, SHALL DISTRIBUTE THE
10 ACCUMULATED BALANCE TO THE LEGAL REPRESENTATIVE, IF ANY, OF THE
11 DECEASED PARTICIPANT OR, IF THERE IS NO LEGAL REPRESENTATIVE, TO
12 THE DECEASED PARTICIPANT'S ESTATE.

13 (3) A FORMER QUALIFIED PARTICIPANT OR REFUND BENEFICIARY MAY
14 ELECT 1 OR A COMBINATION OF SEVERAL OF THE FOLLOWING METHODS OF
15 DISTRIBUTION OF THE ACCUMULATED BALANCE:

16 (A) A LUMP SUM DISTRIBUTION TO THE RECIPIENT.

17 (B) A LUMP SUM DIRECT ROLLOVER TO ANOTHER QUALIFIED PLAN, TO
18 THE EXTENT ALLOWED BY FEDERAL LAW.

19 (C) PERIODIC DISTRIBUTIONS, AS AUTHORIZED BY THE STATE
20 TREASURER.

21 (D) NO CURRENT DISTRIBUTION, IN WHICH CASE THE ACCUMULATED
22 BALANCE SHALL REMAIN IN TIER 2 UNTIL THE FORMER QUALIFIED PARTIC-
23 IPANT OR REFUND BENEFICIARY ELECTS A METHOD OR METHODS OF DISTRI-
24 BUTION UNDER SUBDIVISIONS (A) TO (C), TO THE EXTENT ALLOWED BY
25 FEDERAL LAW.

1 SEC. 68. (1) A FORMER QUALIFIED PARTICIPANT MAY ELECT
2 HEALTH INSURANCE BENEFITS IN THE MANNER PRESCRIBED IN THIS
3 SECTION IF HE OR SHE MEETS BOTH OF THE FOLLOWING REQUIREMENTS:

4 (A) THE FORMER QUALIFIED PARTICIPANT IS VESTED IN HEALTH
5 BENEFITS UNDER SECTION 64(2).

6 (B) THE FORMER QUALIFIED PARTICIPANT MEETS OR EXCEEDS THE
7 BENEFIT COMMENCEMENT AGE EMPLOYED IN THE ACTUARIAL PRESENT VALUE
8 CALCULATION UNDER SECTION 51 AND THE SERVICE REQUIREMENTS THAT
9 WOULD HAVE APPLIED TO THAT FORMER PARTICIPANT UNDER TIER 1 FOR
10 RECEIVING HEALTH INSURANCE COVERAGE UNDER SECTION 20D, IF THAT
11 FORMER PARTICIPANT WAS A MEMBER OF TIER 1.

12 (2) A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT
13 HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) MAY ELECT HEALTH
14 INSURANCE COVERAGE IN A HEALTH BENEFIT PLAN OR PLANS AS AUTHO-
15 RIZED BY SECTION 20D, OR IN ANOTHER PLAN AS PROVIDED IN SUBSEC-
16 TION (6). A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO
17 ELECT HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) MAY ALSO
18 ELECT HEALTH INSURANCE COVERAGE FOR HIS OR HER HEALTH BENEFIT
19 DEPENDENTS, IF ANY. A SURVIVING HEALTH BENEFIT DEPENDENT OF A
20 DECEASED FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT
21 HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) MAY ELECT HEALTH
22 INSURANCE COVERAGE IN THE MANNER PRESCRIBED IN THIS SECTION.

23 (3) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (6), AN INDI-
24 VIDUAL WHO ELECTS HEALTH INSURANCE COVERAGE UNDER THIS SECTION
25 SHALL BECOME A MEMBER OF A HEALTH INSURANCE COVERAGE GROUP AUTHO-
26 RIZED PURSUANT TO SECTION 20D.

1 (4) FOR A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO
2 ELECT HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) AND WHO IS
3 VESTED IN THOSE BENEFITS UNDER SECTION 64(2)(A), AND FOR HIS OR
4 HER HEALTH BENEFIT DEPENDENTS, THIS STATE SHALL PAY A PORTION OF
5 THE HEALTH INSURANCE PREMIUM AS CALCULATED UNDER THIS SUBSECTION
6 ON A CASH DISBURSEMENT METHOD. AN INDIVIDUAL DESCRIBED IN THIS
7 SUBSECTION WHO ELECTS HEALTH INSURANCE COVERAGE UNDER THIS SEC-
8 TION SHALL PAY TO THE RETIREMENT SYSTEM THE REMAINING PORTION OF
9 THE HEALTH INSURANCE COVERAGE PREMIUM NOT PAID BY THIS STATE
10 UNDER THIS SUBSECTION. THE PORTION OF THE HEALTH INSURANCE COV-
11 ERAGE PREMIUM PAID BY THIS STATE UNDER THIS SUBSECTION SHALL BE
12 EQUAL TO THE PRODUCT OF 3% AND THE FORMER QUALIFIED PARTICIPANT'S
13 YEARS OF SERVICE, UP TO 30 YEARS, AND SHALL NOT EXCEED 90% OF THE
14 PAYMENTS FOR HEALTH INSURANCE COVERAGE UNDER SECTION 20D. IF THE
15 INDIVIDUAL ELECTS THE HEALTH INSURANCE COVERAGE PROVIDED UNDER
16 SECTION 20D, THE STATE SHALL TRANSFER ITS PORTION OF THE AMOUNT
17 CALCULATED UNDER THIS SUBSECTION TO THE HEALTH INSURANCE RESERVE
18 FUND CREATED BY SECTION 11.

19 (5) A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT
20 HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) AND WHO IS VESTED
21 IN THOSE BENEFITS UNDER SECTION 64(2)(B) MAY ELECT HEALTH INSUR-
22 ANCE COVERAGE UNDER SECTION 20D FOR HIMSELF OR HERSELF AND FOR
23 HIS OR HER HEALTH BENEFIT DEPENDENTS IN ALL RESPECTS AND UNDER
24 THE SAME TERMS AS WOULD A RETIRANT AND HIS OR HER BENEFICIARIES
25 UNDER TIER 1.

26 (6) A FORMER QUALIFIED PARTICIPANT OR HEALTH BENEFIT
27 DEPENDENT WHO IS ELIGIBLE TO ELECT HEALTH INSURANCE COVERAGE

1 UNDER THIS SECTION AND WHO ELECTS HEALTH INSURANCE COVERAGE UNDER
2 A DIFFERENT PLAN THAN THE PLAN AUTHORIZED UNDER SECTION 20D MAY
3 ELECT TO HAVE AN AMOUNT UP TO THE AMOUNT OF THE RETIREMENT
4 SYSTEM'S SHARE OF THE MONTHLY HEALTH INSURANCE PREMIUM SUBSIDY
5 PROVIDED IN THIS SECTION PAID BY THE RETIREMENT SYSTEM DIRECTLY
6 TO THE OTHER HEALTH INSURANCE PLAN OR TO A MEDICAL SAVINGS
7 ACCOUNT ESTABLISHED PURSUANT TO SECTION 220 OF THE INTERNAL
8 REVENUE CODE, TO THE EXTENT ALLOWED BY LAW OR UNDER THE PROVI-
9 SIONS AND PROCEDURES OF TIER 2.

10 (7) IF THE DEPARTMENT OF MANAGEMENT AND BUDGET RECEIVES
11 NOTIFICATION FROM THE UNITED STATES INTERNAL REVENUE SERVICE THAT
12 THIS SECTION OR ANY PORTION OF THIS SECTION WILL CAUSE THE
13 RETIREMENT SYSTEM TO BE DISQUALIFIED FOR TAX PURPOSES UNDER THE
14 INTERNAL REVENUE CODE, THEN THE PORTION THAT WILL CAUSE THE DIS-
15 QUALIFICATION DOES NOT APPLY.

16 SEC. 69. (1) DISTRIBUTIONS FROM EMPLOYER CONTRIBUTIONS MADE
17 PURSUANT TO SECTION 63(2) AND (3) AND EARNINGS ON THOSE EMPLOYER
18 CONTRIBUTIONS, AND DISTRIBUTIONS FROM EMPLOYEE CONTRIBUTIONS MADE
19 PURSUANT TO SECTION 63(3) AND EARNINGS ON THOSE EMPLOYEE CONTRI-
20 BUTIONS, ARE EXEMPT FROM ANY STATE, COUNTY, MUNICIPAL, OR OTHER
21 LOCAL TAX, AND SHALL NOT BE SUBJECT TO EXECUTION, GARNISHMENT,
22 ATTACHMENT, THE OPERATION OF BANKRUPTCY OR INSOLVENCY LAWS, OR
23 OTHER PROCESS OF LAW, AND SHALL BE UNASSIGNABLE EXCEPT AS OTHER-
24 WISE PROVIDED IN THIS ACT.

25 (2) THE RIGHT OF A QUALIFIED PARTICIPANT OR A FORMER QUALI-
26 FIED PARTICIPANT, OR HIS OR HER BENEFICIARIES, TO A DISTRIBUTION
27 DESCRIBED IN SUBSECTION (1) IS SUBJECT TO FORFEITURE PURSUANT TO

1 THE PUBLIC EMPLOYEE RETIREMENT BENEFITS FORFEITURE ACT, ACT
2 NO. 350 OF THE PUBLIC ACTS OF 1994, BEING SECTIONS 38.2701 TO
3 38.2705 OF THE MICHIGAN COMPILED LAWS.

4 (3) THE RIGHT OF A QUALIFIED PARTICIPANT OR FORMER QUALIFIED
5 PARTICIPANT TO A DISTRIBUTION DESCRIBED IN SUBSECTION (1) IS
6 SUBJECT TO AN AWARD BY A COURT PURSUANT TO SECTION 18 OF CHAPTER
7 84 OF THE REVISED STATUTES OF 1846, BEING SECTION 552.18 OF THE
8 MICHIGAN COMPILED LAWS; AN ELIGIBLE DOMESTIC RELATIONS ORDER
9 UNDER THE ELIGIBLE DOMESTIC RELATIONS ORDER ACT, ACT NO. 46 OF
10 THE PUBLIC ACTS OF 1991, BEING SECTIONS 38.1701 TO 38.1711 OF THE
11 MICHIGAN COMPILED LAWS; AND TO ANY OTHER DOMESTIC RELATIONS ORDER
12 OF A COURT PERTAINING TO ALIMONY OR CHILD SUPPORT.

13 (4) IF AN AWARD OR ORDER DESCRIBED IN SUBSECTION (3)
14 REQUIRES TIER 2 TO WITHHOLD PAYMENT OF A DISTRIBUTION DESCRIBED
15 IN SUBSECTION (1) OR REQUIRES TIER 2 TO MAKE PAYMENT OR REQUIRES
16 THE INDIVIDUAL TO REQUEST THAT TIER 2 MAKE PAYMENT OF A DISTRIBUTION DESCRIBED IN SUBSECTION (1), FOR THE PURPOSE OF MEETING THE
17 INDIVIDUAL'S OBLIGATIONS TO A SPOUSE, FORMER SPOUSE, OR CHILD, AS
18 PROVIDED IN SUBSECTION (3), THE WITHHOLDING OR PAYMENT PROVISIONS
19 OF THE AWARD OR ORDER ARE EFFECTIVE ONLY AGAINST SUCH AMOUNTS AS
20 THEY BECOME DUE AND PAYABLE TO THE INDIVIDUAL RECEIVING THE DISTRIBUTION, UNLESS OTHERWISE PROVIDED IN AN ELIGIBLE DOMESTIC
21 RELATIONS ORDER UNDER ACT NO. 46 OF THE PUBLIC ACTS OF 1991. THE
22 LIMITATION CONTAINED IN THIS SUBSECTION DOES NOT APPLY TO THE
23 ACCUMULATED EMPLOYEE CONTRIBUTIONS OF A FORMER QUALIFIED PARTICIPANT WHO HAS TERMINATED EMPLOYMENT BEFORE ACQUIRING A VESTED
24 STATUS IN TIER 2 PURSUANT TO THIS ACT.

1 (5) THE STATE TREASURER HAS THE RIGHT OF SETOFF TO RECOVER
2 OVERPAYMENTS MADE UNDER THIS ACT AND TO SATISFY ANY CLAIMS ARISING FROM EMBEZZLEMENT OR FRAUD COMMITTED BY A QUALIFIED PARTICIPANT, FORMER QUALIFIED PARTICIPANT, REFUND BENEFICIARY, OR OTHER PERSON WHO HAS A CLAIM TO A DISTRIBUTION OR ANY OTHER BENEFIT FROM TIER 2.

7 (6) THE STATE TREASURER SHALL CORRECT ERRORS IN THE RECORDS AND ACTIONS IN TIER 2 UNDER THIS ACT, AND SHALL SEEK TO RECOVER OVERPAYMENTS AND SHALL MAKE UP UNDERPAYMENTS.

10 Section 2. If any section or part of a section of this act is for any reason held to be invalid or unconstitutional, the holding does not affect the validity of the remaining sections of this act or the act in its entirety.

14 Section 3. This amendatory act shall not take effect unless all of the following bills of the 88th Legislature are enacted into law:

17 (a) Senate Bill No. _____ or House Bill No. 6230 (request no. 08355'96).

19 (b) House Bill No. 6207.