



# HOUSE BILL No. 6230

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

A bill to amend the title and sections 8, 25, 26, and 34 of Act No. 300 of the Public Acts of 1980, entitled "The public school employees retirement act of 1979," section 26 as amended by Act No. 194 of the Public Acts of 1989 and section 34 as amended by Act No. 272 of the Public Acts of 1994, being sections 38.1308, 38.1325, 38.1326, and 38.1334 of the Michigan Compiled Laws; and to add sections 41b, 109, 110, 111, and 112 and article 7.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1 Section 1. The title and sections 8, 25, 26, and 34 of Act  
2 No. 300 of the Public Acts of 1980, section 26 as amended by Act  
3 No. 194 of the Public Acts of 1989 and section 34 as amended by  
4 Act No. 272 of the Public Acts of 1994, being sections 38.1308,  
5 38.1325, 38.1326, and 38.1334 of the Michigan Compiled Laws, are

1 amended and sections 41b, 109, 110, 111, and 112 and article 7  
2 are added to read as follows:

3 TITLE

4 An act to provide a retirement system for the public school  
5 employees of this state; to create certain funds for this retire-  
6 ment system; to provide for the creation of a retirement board  
7 within the department of management and budget; to prescribe the  
8 powers and duties of the retirement board; to prescribe the  
9 powers and duties of ~~the department of management and budget~~  
10 CERTAIN STATE DEPARTMENTS, AGENCIES, OFFICIALS, AND EMPLOYEES; TO  
11 PROVIDE FOR AN APPROPRIATION; to prescribe penalties AND PROVIDE  
12 REMEDIES; and to repeal ~~certain~~ acts and parts of acts.

13 Sec. 8. (1) "Service" means personal service performed as a  
14 public school employee or creditable under this act.

15 (2) "Simple interest" means interest at 1 or more rates per  
16 annum determined by the retirement board.

17 (3) "State of Michigan service" means service performed as a  
18 state employee in the classified or unclassified service under  
19 THE STATE EMPLOYEES' RETIREMENT ACT, Act No. 240 of the Public  
20 Acts of 1943, ~~as amended,~~ being sections 38.1 to ~~38.47~~ 38.69  
21 of the Michigan Compiled Laws.

22 (4) "Teacher" means a person employed by a reporting unit  
23 who is engaged in teaching, who is engaged in administering and  
24 supervising teaching, or who is under a teacher's contract with a  
25 reporting unit.

26 (5) "TIER 1" MEANS THE RETIREMENT PLAN AVAILABLE TO A MEMBER  
27 UNDER THIS ACT WHO WAS FIRST EMPLOYED BY A REPORTING UNIT BEFORE

1 JULY 1, 1997 AND WHO DOES NOT ELECT TO BECOME A QUALIFIED  
2 PARTICIPANT OF TIER 2.

3 (6) "TIER 2" MEANS THE RETIREMENT PLAN ESTABLISHED PURSUANT  
4 TO SECTION 403(b) OF THE INTERNAL REVENUE CODE THAT IS AVAILABLE  
5 TO QUALIFIED PARTICIPANTS UNDER SECTIONS 109 TO 112 AND ARTICLE  
6 7.

7 (7) ~~(5)~~ "Transitional public employment program" means  
8 participation in public service employment programs in the areas  
9 of environmental quality, health care, education, public safety,  
10 crime prevention and control, prison rehabilitation, transporta-  
11 tion, recreation, maintenance of parks, streets, and other public  
12 facilities, solid waste removal, pollution control, housing and  
13 neighborhood improvements, rural development, conservation, beau-  
14 tification, veterans' outreach, and other fields of human better-  
15 ment and community improvement as part of a program of comprehen-  
16 sive manpower services authorized, undertaken, and financed under  
17 the comprehensive employment and training act of 1973, ~~29~~  
18 U.S.C. ~~801 to 999~~ FORMER PUBLIC LAW 93-203, 87 STAT. 839.

19 Sec. 25. (1) The board shall have only the rights, authori-  
20 ty, and discretion in the proper discharge of its duties provided  
21 in THIS ACT AND former Act No. 136 of the Public Acts of 1945.

22 (2) ~~The~~ EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, THE  
23 retirement board may promulgate rules pursuant to THE  
24 ADMINISTRATIVE PROCEDURES ACT OF 1969, Act No. 306 of the Public  
25 Acts of 1969, ~~as amended,~~ being sections 24.201 to ~~24.315~~  
26 24.328 of the Michigan Compiled Laws, for the implementation and  
27 administration of this act. THE RETIREMENT BOARD SHALL NOT

1 PROMULGATE RULES FOR THE ESTABLISHMENT, IMPLEMENTATION,  
2 ADMINISTRATION, OPERATION, INVESTMENT, OR DISTRIBUTION OF A TIER  
3 2 RETIREMENT PLAN.

4 Sec. 26. (1) THIS SECTION DOES NOT APPLY TO TIER 2.

5 (2) ~~(1)~~ The state treasurer shall be treasurer of the  
6 retirement system and shall have investment authority, including  
7 the custodianship of the funds of the retirement system, and  
8 shall have fiduciary responsibility with regard to the investment  
9 of funds of the retirement system.

10 (3) ~~(2)~~ The state treasurer shall deposit the funds of the  
11 retirement system in the same manner and subject to the law gov-  
12 erning the deposit of state funds by the treasurer. Income  
13 earned by the retirement system's funds shall be credited to the  
14 respective ~~funds~~ RESERVES under this act ~~which have~~ THAT  
15 earned the income.

16 Sec. 34. The reserve for health benefits is the account to  
17 which ~~reporting unit~~ payments OF REPORTING UNITS, SUBSCRIBER  
18 CO-PAYMENTS, AND PAYMENTS BY THE RETIREMENT SYSTEM UNDER SECTION  
19 136 for health benefits are credited. Benefits payable pursuant  
20 to ~~section~~ SECTIONS 91 AND 136 shall be paid from the reserve  
21 for health benefits.

22 SEC. 41B. FOR FISCAL YEARS THAT BEGIN ON OR AFTER THE  
23 EFFECTIVE DATE OF THIS SECTION, THE ANNUAL LEVEL PERCENTAGE OF  
24 PAYROLL CONTRIBUTION RATE AS IT APPLIES TO THE UNFUNDED ACTUARIAL  
25 ACCRUED LIABILITY DETERMINED UNDER SECTION 41 SHALL BE BASED ON  
26 AND APPLIED TO THE COMBINED PAYROLLS FOR MEMBERS OF TIER 1 AND  
27 QUALIFIED PARTICIPANTS OF TIER 2.

1        SEC. 109. (1) AN INDIVIDUAL WHO IS FIRST EMPLOYED BY AND  
2 ENTERED UPON THE PAYROLL OF A REPORTING UNIT ON OR AFTER JULY 1,  
3 1997 FOR EMPLOYMENT FOR WHICH THE INDIVIDUAL WOULD HAVE BEEN ELI-  
4 GIBLE FOR MEMBERSHIP UNDER THIS ACT BEFORE JULY 1, 1997, IS A  
5 QUALIFIED PARTICIPANT OF TIER 2 SUBJECT TO ARTICLE 7.

6        (2) AN INDIVIDUAL WHO WAS A DEFERRED MEMBER OR FORMER NON-  
7 VESTED MEMBER ON JUNE 30, 1997, WHO IS EMPLOYED BY A REPORTING  
8 UNIT ON OR AFTER JULY 1, 1997, AND WHO BY VIRTUE OF THAT EMPLOY-  
9 MENT WOULD BE ELIGIBLE FOR MEMBERSHIP IN TIER 1 SHALL MAKE AN  
10 ELECTION AS PRESCRIBED IN SECTION 110.

11        SEC. 110. (1) EXCEPT AS OTHERWISE PROVIDED IN  
12 SUBSECTION (2), THE RETIREMENT SYSTEM SHALL PROVIDE AN OPPORTU-  
13 NITY FOR EACH MEMBER WHO IS A TIER 1 MEMBER ON JUNE 30, 1997, TO  
14 ELECT IN WRITING TO TERMINATE MEMBERSHIP IN TIER 1 AND ELECT TO  
15 BECOME A QUALIFIED PARTICIPANT IN TIER 2. AN ELECTION MADE BY A  
16 MEMBER UNDER THIS SUBSECTION IS IRREVOCABLE. THE RETIREMENT  
17 SYSTEM SHALL ACCEPT WRITTEN ELECTIONS UNDER THIS SUBSECTION FROM  
18 MEMBERS DURING THE PERIOD BEGINNING ON JANUARY 2, 1998 AND ENDING  
19 ON APRIL 30, 1998. A MEMBER WHO DOES NOT MAKE A WRITTEN ELECTION  
20 OR WHO DOES NOT FILE THE ELECTION DURING THE PERIOD SPECIFIED IN  
21 THIS SUBSECTION CONTINUES TO BE A MEMBER OF TIER 1. A MEMBER WHO  
22 MAKES AND FILES A WRITTEN ELECTION UNDER THIS SUBSECTION ELECTS  
23 TO DO ALL OF THE FOLLOWING:

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

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

1 (C) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, WAIVE  
2 ALL OF HIS OR HER RIGHTS TO A PENSION, AN ANNUITY, A RETIREMENT  
3 ALLOWANCE, AN INSURANCE BENEFIT, OR ANY OTHER BENEFIT UNDER TIER  
4 1 EFFECTIVE 12 MIDNIGHT MAY 31, 1998. THIS SUBDIVISION DOES NOT  
5 AFFECT A PERSON'S RIGHT TO HEALTH BENEFITS PROVIDED UNDER THIS  
6 ACT PURSUANT TO SECTION 136.

7 (2) THIS SUBSECTION APPLIES TO AN INDIVIDUAL WHO WAS A  
8 VESTED MEMBER OF TIER 1 ON JUNE 30, 1997 AND WHO TERMINATES THE  
9 EMPLOYMENT UPON WHICH THAT MEMBERSHIP IS BASED ON OR AFTER JULY  
10 1, 1997 BUT ON OR BEFORE MAY 31, 1998. BEFORE THE TERMINATION OF  
11 HIS OR HER EMPLOYMENT, AN INDIVIDUAL DESCRIBED IN THIS SUBSECTION  
12 MAY ELECT IN WRITING TO TERMINATE MEMBERSHIP IN TIER 1 AND BECOME  
13 A QUALIFIED PARTICIPANT IN TIER 2. AN ELECTION MADE BY A MEMBER  
14 UNDER THIS SUBSECTION IS IRREVOCABLE. THE RETIREMENT SYSTEM  
15 SHALL ACCEPT WRITTEN ELECTIONS UNDER THIS SUBSECTION FROM A  
16 MEMBER DURING THE PERIOD BEGINNING ON JULY 1, 1997 AND ENDING ON  
17 MAY 31, 1998. A MEMBER DESCRIBED IN THIS SUBSECTION WHO DOES NOT  
18 MAKE A WRITTEN ELECTION OR WHO DOES NOT FILE THE ELECTION BEFORE  
19 THE TERMINATION OF HIS OR HER EMPLOYMENT CONTINUES TO BE A MEMBER  
20 OR DEFERRED MEMBER OF TIER 1. A MEMBER WHO MAKES AND FILES A  
21 WRITTEN ELECTION UNDER THIS SUBSECTION TO TERMINATE MEMBERSHIP IN  
22 TIER 1 ELECTS TO DO ALL OF THE FOLLOWING:

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

1 (B) BECOME A FORMER QUALIFIED PARTICIPANT IN TIER 2  
2 EFFECTIVE 12:01 A.M. ON THE DAY IMMEDIATELY FOLLOWING THE DATE  
3 DESCRIBED IN SUBDIVISION (A).

4 (C) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, WAIVE  
5 ALL OF HIS OR HER RIGHTS TO A PENSION, AN ANNUITY, A RETIREMENT  
6 ALLOWANCE, AN INSURANCE BENEFIT, OR ANY OTHER BENEFIT UNDER TIER  
7 1 EFFECTIVE 12 MIDNIGHT ON THE DATE DESCRIBED IN  
8 SUBDIVISION (A). THIS SUBDIVISION DOES NOT AFFECT AN  
9 INDIVIDUAL'S RIGHT TO HEALTH BENEFITS PROVIDED UNDER THIS ACT  
10 PURSUANT TO SECTION 136.

11 (3) IF AN INDIVIDUAL WHO WAS A DEFERRED MEMBER ON JUNE 30,  
12 1997 OR AN INDIVIDUAL WHO WAS A FORMER NONVESTED MEMBER ON JUNE  
13 30, 1997 IS EMPLOYED BY A REPORTING UNIT ON OR AFTER JULY 1, 1997  
14 AND BY VIRTUE OF THAT EMPLOYMENT IS AGAIN ELIGIBLE FOR MEMBERSHIP  
15 IN TIER 1, THE INDIVIDUAL SHALL ELECT IN WRITING TO REMAIN A  
16 MEMBER OF TIER 1 OR TO TERMINATE MEMBERSHIP IN TIER 1 AND BECOME  
17 A QUALIFIED PARTICIPANT IN TIER 2. AN ELECTION MADE BY A  
18 DEFERRED MEMBER OR A FORMER NONVESTED MEMBER UNDER THIS SUBSEC-  
19 TION IS IRREVOCABLE. THE RETIREMENT SYSTEM SHALL ACCEPT WRITTEN  
20 ELECTIONS UNDER THIS SUBSECTION FROM A DEFERRED MEMBER OR A  
21 FORMER NONVESTED MEMBER DURING THE PERIOD BEGINNING ON THE DATE  
22 OF THE INDIVIDUAL'S REEMPLOYMENT AND ENDING UPON THE EXPIRATION  
23 OF 60 DAYS AFTER THE DATE OF THAT REEMPLOYMENT. A DEFERRED  
24 MEMBER OR FORMER NONVESTED MEMBER WHO MAKES AND FILES A WRITTEN  
25 ELECTION TO REMAIN A MEMBER OF TIER 1 RETAINS ALL RIGHTS AND IS  
26 SUBJECT TO ALL CONDITIONS AS A MEMBER OF TIER 1 UNDER THIS ACT.  
27 A DEFERRED MEMBER OR FORMER NONVESTED MEMBER WHO DOES NOT MAKE A

1 WRITTEN ELECTION OR WHO DOES NOT FILE THE ELECTION DURING THE  
2 PERIOD SPECIFIED IN THIS SUBSECTION CONTINUES TO BE A MEMBER OF  
3 TIER 1. A DEFERRED MEMBER OR FORMER NONVESTED MEMBER WHO MAKES  
4 AND FILES A WRITTEN ELECTION TO TERMINATE MEMBERSHIP IN TIER 1  
5 ELECTS TO DO ALL OF THE FOLLOWING:

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

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

12 (C) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, WAIVE  
13 ALL OF HIS OR HER RIGHTS TO A PENSION, AN ANNUITY, A RETIREMENT  
14 ALLOWANCE, AN INSURANCE BENEFIT, OR ANY OTHER BENEFIT UNDER TIER  
15 1 EFFECTIVE 12 MIDNIGHT ON THE LAST DAY OF THE PAYROLL PERIOD  
16 THAT INCLUDES THE DATE OF THE ELECTION. THIS SUBDIVISION DOES  
17 NOT AFFECT AN INDIVIDUAL'S RIGHT TO HEALTH BENEFITS PROVIDED  
18 UNDER THIS ACT PURSUANT TO SECTION 136.

19 (4) AFTER CONSULTATION WITH THE RETIREMENT SYSTEM'S ACTUARY  
20 AND THE RETIREMENT BOARD, THE DEPARTMENT OF MANAGEMENT AND BUDGET  
21 SHALL DETERMINE THE METHOD BY WHICH A MEMBER, DEFERRED MEMBER, OR  
22 FORMER NONVESTED MEMBER SHALL MAKE A WRITTEN ELECTION UNDER THIS  
23 SECTION. IF THE MEMBER, DEFERRED MEMBER, OR FORMER NONVESTED  
24 MEMBER IS MARRIED AT THE TIME OF THE ELECTION, THE ELECTION IS  
25 NOT EFFECTIVE UNLESS THE ELECTION IS SIGNED BY THE INDIVIDUAL'S  
26 SPOUSE. HOWEVER, THE RETIREMENT BOARD MAY WAIVE THIS REQUIREMENT



1 IF THE SPOUSE'S SIGNATURE CANNOT BE OBTAINED BECAUSE OF  
2 EXTENUATING CIRCUMSTANCES.

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

7 (6) IF AN INDIVIDUAL WHO WAS A DEFERRED MEMBER OF THE STATE  
8 EMPLOYEES' RETIREMENT SYSTEM ON JUNE 30, 1997 IS FIRST EMPLOYED  
9 AND ENTERED UPON THE PAYROLL OF A REPORTING UNIT ON OR AFTER  
10 JULY 1, 1997, THE RETIREMENT SYSTEM SHALL PROVIDE AN OPPORTUNITY  
11 FOR THAT INDIVIDUAL TO ELECT IN WRITING TO BECOME A MEMBER OF  
12 TIER 1 OR TO BECOME A QUALIFIED PARTICIPANT OF TIER 2. THE  
13 RETIREMENT SYSTEM AND THE INDIVIDUAL SHALL FOLLOW THE PROVISIONS  
14 AND PROCEDURES PROVIDED IN THIS SECTION AND BY THE STATE TREA-  
15 SURER AS IF THE INDIVIDUAL WERE A DEFERRED MEMBER OF THIS RETIRE-  
16 MENT SYSTEM ON JUNE 30, 1997.

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

23 SEC. 111. (1) FOR A MEMBER WHO ELECTS TO TERMINATE MEMBER-  
24 SHIP IN TIER 1 UNDER SECTION 110(1), THE RETIREMENT SYSTEM SHALL  
25 DIRECT THE STATE TREASURER TO TRANSFER A LUMP SUM AMOUNT FROM THE  
26 APPROPRIATE RESERVE CREATED UNDER ARTICLE 2 TO THE QUALIFIED  
27 PARTICIPANT'S ACCOUNT IN TIER 2 ON OR BEFORE SEPTEMBER 30, 1998.

1 THE RETIREMENT SYSTEM SHALL CALCULATE THE AMOUNT TO BE  
2 TRANSFERRED, WHICH SHALL BE EQUAL TO THE SUM OF THE FOLLOWING:

3 (A) THE MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY, FROM THE  
4 RESERVE FOR EMPLOYEE CONTRIBUTIONS AS OF 12 MIDNIGHT MAY 31,  
5 1998.

6 (B) FOR A MEMBER WHO IS A PARTICIPANT IN THE MEMBER INVEST-  
7 MENT PLAN, THE MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY, FROM  
8 THE RESERVE FOR MEMBER INVESTMENT PLAN AS OF 12 MIDNIGHT MAY 31,  
9 1998.

10 (C) FOR A MEMBER WHO IS VESTED UNDER SECTION 81 AS OF 12  
11 MIDNIGHT ON MAY 31, 1998, THE EXCESS, IF ANY, OF THE ACTUARIAL  
12 PRESENT VALUE OF THE MEMBER'S ACCUMULATED BENEFIT OBLIGATION,  
13 OVER THE AMOUNT SPECIFIED IN SUBDIVISIONS (A) AND (B), FROM THE  
14 RESERVE FOR EMPLOYER CONTRIBUTIONS. EXCEPT AS PROVIDED IN SUB-  
15 SECTION (7), FOR THE PURPOSES OF THIS SUBSECTION, THE PRESENT  
16 VALUE OF THE MEMBER'S ACCUMULATED BENEFIT OBLIGATION IS BASED  
17 UPON THE MEMBER'S ESTIMATED CREDITED SERVICE AND ESTIMATED FINAL  
18 AVERAGE COMPENSATION AS OF 12 MIDNIGHT ON MAY 31, 1998. THE  
19 ACTUARIAL PRESENT VALUE SHALL BE COMPUTED AS OF 12 MIDNIGHT  
20 MAY 31, 1998 AND SHALL BE BASED ON THE FOLLOWING:

21 (i) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
22 ANNUALLY.

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

26 (iii) A BENEFIT COMMENCEMENT AGE, BASED UPON THE MEMBER'S  
27 ESTIMATED CREDITED SERVICE AS OF 12 MIDNIGHT MAY 31, 1998. THE

1 BENEFIT COMMENCEMENT AGE SHALL BE THE YOUNGER OF THE FOLLOWING,  
2 BUT SHALL NOT BE YOUNGER THAN THE MEMBER'S AGE AS OF 12 MIDNIGHT  
3 MAY 31, 1998:

4 (A) AGE 60.

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

7 (C) THE AGE OF THE MEMBER IF THE MEMBER'S CREDITED SERVICE  
8 EQUALS OR EXCEEDS 30 YEARS AND THE MEMBER CONTRIBUTES TO THE  
9 MEMBER INVESTMENT PLAN.

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

13 (2) FOR EACH MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP IN  
14 TIER 1 UNDER SECTION 110(1), THE RETIREMENT SYSTEM SHALL RECOM-  
15 PUTE THE AMOUNT TRANSFERRED UNDER SUBSECTION (1) NOT LATER THAN  
16 NOVEMBER 30, 1998 BASED UPON THE MEMBER'S ACTUAL CREDITED SERVICE  
17 AND ACTUAL FINAL AVERAGE COMPENSATION AS OF 12 MIDNIGHT MAY 31,  
18 1998. IF THE RECOMPUTED AMOUNT DIFFERS FROM THE AMOUNT TRANS-  
19 FERRED UNDER SUBSECTION (1) BY \$10.00 OR MORE, NOT LATER THAN  
20 DECEMBER 15, 1998, THE RETIREMENT SYSTEM SHALL DO ALL OF THE  
21 FOLLOWING:

22 (A) DIRECT THE STATE TREASURER TO TRANSFER FROM THE RESERVE  
23 FOR EMPLOYER CONTRIBUTIONS TO THE QUALIFIED PARTICIPANT'S ACCOUNT  
24 IN TIER 2 THE EXCESS, IF ANY, OF THE RECOMPUTED AMOUNT OVER THE  
25 PREVIOUSLY TRANSFERRED AMOUNT TOGETHER WITH INTEREST FROM 12 MID-  
26 NIGHT MAY 31, 1998 TO THE DATE OF THE TRANSFER UNDER THIS

1 SUBSECTION, BASED UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
2 ANNUALLY.

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

9 (3) FOR A MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP IN TIER  
10 1 UNDER SECTION 110(2), THE RETIREMENT SYSTEM SHALL DIRECT THE  
11 STATE TREASURER TO TRANSFER A LUMP SUM AMOUNT FROM THE APPROPRI-  
12 ATE RESERVE CREATED UNDER ARTICLE 2 TO THE FORMER QUALIFIED  
13 PARTICIPANT'S ACCOUNT IN TIER 2 ON OR BEFORE THE EXPIRATION OF 60  
14 DAYS AFTER THE DATE OF THE INDIVIDUAL'S TERMINATION OF  
15 EMPLOYMENT. THE RETIREMENT SYSTEM SHALL CALCULATE THE AMOUNT TO  
16 BE TRANSFERRED, WHICH SHALL BE EQUAL TO THE SUM OF THE  
17 FOLLOWING:

18 (A) THE MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY, FROM THE  
19 RESERVE FOR EMPLOYEE CONTRIBUTIONS AS OF 12 MIDNIGHT ON THE DAY  
20 IMMEDIATELY PRECEDING THE DATE OF THE TERMINATION OF EMPLOYMENT.

21 (B) FOR A MEMBER WHO IS A PARTICIPANT IN THE MEMBER INVEST-  
22 MENT PLAN, THE MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY, FROM  
23 THE RESERVE FOR MEMBER INVESTMENT PLAN AS OF 12 MIDNIGHT ON THE  
24 DAY IMMEDIATELY PRECEDING THE DATE OF THE TERMINATION OF  
25 EMPLOYMENT.

26 (C) THE EXCESS, IF ANY, OF THE ACTUARIAL PRESENT VALUE OF  
27 THE MEMBER'S ACCUMULATED BENEFIT OBLIGATION, OVER THE AMOUNT

1 SPECIFIED IN SUBDIVISIONS (A) AND (B), FROM THE RESERVE FOR  
2 EMPLOYER CONTRIBUTIONS. EXCEPT AS PROVIDED IN SUBSECTION (7),  
3 FOR THE PURPOSES OF THIS SUBSECTION, THE PRESENT VALUE OF THE  
4 MEMBER'S ACCUMULATED BENEFIT OBLIGATION IS BASED UPON THE  
5 MEMBER'S ESTIMATED CREDITED SERVICE AND ESTIMATED FINAL AVERAGE  
6 COMPENSATION AS OF 12 MIDNIGHT ON THE DAY IMMEDIATELY PRECEDING  
7 THE DATE OF THE TERMINATION OF EMPLOYMENT. THE ACTUARIAL PRESENT  
8 VALUE SHALL BE COMPUTED AS OF 12 MIDNIGHT ON THAT DATE AND SHALL  
9 BE BASED ON THE FOLLOWING:

10 (i) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
11 ANNUALLY.

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

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

22 (A) AGE 60.

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

25 (C) THE AGE OF THE MEMBER IF THE MEMBER'S CREDITED SERVICE  
26 EQUALS OR EXCEEDS 30 YEARS AND THE MEMBER IS A PARTICIPANT OF THE  
27 MEMBER INVESTMENT PLAN.

1 (D) INTEREST ON ANY AMOUNTS DETERMINED IN SUBDIVISIONS (A),  
2 (B), AND (C) FROM THE DAY IMMEDIATELY FOLLOWING THE DATE  
3 DESCRIBED IN SUBDIVISION (A) TO THE DATE OF THE TRANSFER, BASED  
4 UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

5 (4) FOR EACH MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP IN  
6 THE RETIREMENT SYSTEM UNDER SECTION 110(2), THE RETIREMENT SYSTEM  
7 SHALL RECOMPUTE THE AMOUNT TRANSFERRED UNDER SUBSECTION (3) NOT  
8 LATER THAN THE EXPIRATION OF 90 DAYS AFTER THE TRANSFER OCCURS  
9 UNDER SUBSECTION (3) BASED UPON THE MEMBER'S ACTUAL CREDITED  
10 SERVICE AND ACTUAL FINAL AVERAGE COMPENSATION AS OF 12 MIDNIGHT  
11 ON THE DAY IMMEDIATELY PRECEDING THE DATE OF THE TERMINATION OF  
12 EMPLOYMENT. IF THE RECOMPUTED AMOUNT DIFFERS FROM THE AMOUNT  
13 TRANSFERRED UNDER SUBSECTION (3) BY \$10.00 OR MORE, THE RETIRE-  
14 MENT SYSTEM SHALL DO ALL OF THE FOLLOWING:

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

23 (B) DIRECT THE STATE TREASURER TO TRANSFER FROM THE FORMER  
24 QUALIFIED PARTICIPANT'S ACCOUNT IN TIER 2 TO THE RESERVE FOR  
25 EMPLOYER CONTRIBUTIONS THE EXCESS, IF ANY, OF THE PREVIOUSLY  
26 TRANSFERRED AMOUNT OVER THE RECOMPUTED AMOUNT, TOGETHER WITH  
27 INTEREST, FROM THE DATE OF THE TRANSFER MADE UNDER SUBSECTION

1 (3), BASED UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
2 ANNUALLY.

3 (5) FOR A DEFERRED MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP  
4 IN TIER 1 UNDER SECTION 110(3), THE RETIREMENT SYSTEM SHALL  
5 DIRECT THE STATE TREASURER TO TRANSFER A LUMP SUM AMOUNT FROM THE  
6 APPROPRIATE RESERVE CREATED UNDER ARTICLE 2 TO THE QUALIFIED  
7 PARTICIPANT'S ACCOUNT IN TIER 2 ON OR BEFORE THE EXPIRATION OF 60  
8 DAYS AFTER THE DATE OF THE INDIVIDUAL'S ELECTION TO TERMINATE  
9 MEMBERSHIP. THE RETIREMENT SYSTEM SHALL CALCULATE THE AMOUNT TO  
10 BE TRANSFERRED, WHICH SHALL BE EQUAL TO THE SUM OF THE  
11 FOLLOWING:

12 (A) THE DEFERRED MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY,  
13 FROM THE RESERVE FOR EMPLOYEE CONTRIBUTIONS AS OF 12 MIDNIGHT ON  
14 THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF THE  
15 ELECTION.

16 (B) FOR A DEFERRED MEMBER WHO IS A PARTICIPANT IN THE MEMBER  
17 INVESTMENT PLAN, THE DEFERRED MEMBER'S ACCUMULATED CONTRIBUTIONS,  
18 IF ANY, FROM THE RESERVE FOR MEMBER INVESTMENT PLAN AS OF 12 MID-  
19 NIGHT ON THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE  
20 DATE OF THE ELECTION.

21 (C) THE EXCESS, IF ANY, OF THE ACTUARIAL PRESENT VALUE OF  
22 THE DEFERRED MEMBER'S ACCUMULATED BENEFIT OBLIGATION, OVER THE  
23 AMOUNT SPECIFIED IN SUBDIVISIONS (A) AND (B), FROM THE RESERVE  
24 FOR EMPLOYER CONTRIBUTIONS. EXCEPT AS PROVIDED IN SUBSECTION  
25 (7), FOR THE PURPOSES OF THIS SUBSECTION, THE PRESENT VALUE OF  
26 THE DEFERRED MEMBER'S ACCUMULATED BENEFIT OBLIGATION IS BASED  
27 UPON THE DEFERRED MEMBER'S ESTIMATED CREDITED SERVICE AND

1 ESTIMATED FINAL AVERAGE COMPENSATION AS OF 12 MIDNIGHT ON THE  
2 LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF THE  
3 ELECTION. THE ACTUARIAL PRESENT VALUE SHALL BE COMPUTED AS OF 12  
4 MIDNIGHT ON THAT DATE AND SHALL BE BASED ON THE FOLLOWING:

5 (i) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
6 ANNUALLY.

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

10 (iii) A BENEFIT COMMENCEMENT AGE, BASED UPON THE MEMBER'S  
11 ESTIMATED CREDITED SERVICE AS OF 12 MIDNIGHT ON THE LAST DAY OF  
12 THE PAYROLL PERIOD THAT INCLUDES THE DATE OF THE ELECTION. THE  
13 BENEFIT COMMENCEMENT AGE SHALL BE THE YOUNGER OF THE FOLLOWING,  
14 BUT SHALL NOT BE YOUNGER THAN THE MEMBER'S AGE AS OF 12 MIDNIGHT  
15 ON THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF  
16 THE ELECTION:

17 (A) AGE 60.

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

20 (C) THE AGE OF THE DEFERRED MEMBER IF THE DEFERRED MEMBER'S  
21 CREDITED SERVICE EQUALS OR EXCEEDS 30 YEARS AND THE DEFERRED  
22 MEMBER IS A PARTICIPANT OF THE MEMBER INVESTMENT PLAN.

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



1 (6) FOR EACH DEFERRED MEMBER WHO ELECTS TO TERMINATE  
2 MEMBERSHIP IN THE RETIREMENT SYSTEM UNDER SECTION 110(3), THE  
3 RETIREMENT SYSTEM SHALL RECOMPUTE THE AMOUNT TRANSFERRED UNDER  
4 SUBSECTION (5) NOT LATER THAN THE EXPIRATION OF 90 DAYS AFTER THE  
5 TRANSFER OCCURS UNDER SUBSECTION (5) BASED UPON THE DEFERRED  
6 MEMBER'S ACTUAL CREDITED SERVICE AND ACTUAL FINAL AVERAGE COMPEN-  
7 SATION AS OF 12 MIDNIGHT ON THE LAST DAY OF THE PAYROLL PERIOD  
8 THAT INCLUDES THE DATE OF THE ELECTION. IF THE RECOMPUTED AMOUNT  
9 DIFFERS FROM THE AMOUNT TRANSFERRED UNDER SUBSECTION (5) BY  
10 \$10.00 OR MORE, THE RETIREMENT SYSTEM SHALL DO ALL OF THE  
11 FOLLOWING:

12 (A) DIRECT THE STATE TREASURER TO TRANSFER FROM THE RESERVE  
13 FOR EMPLOYER CONTRIBUTIONS TO THE QUALIFIED PARTICIPANT'S ACCOUNT  
14 IN TIER 2 THE EXCESS, IF ANY, OF THE RECOMPUTED AMOUNT OVER THE  
15 PREVIOUSLY TRANSFERRED AMOUNT TOGETHER WITH INTEREST FROM 12 MID-  
16 NIGHT ON THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE  
17 DATE OF THE ELECTION TO THE DATE OF THE TRANSFER UNDER THIS SUB-  
18 SECTION, BASED UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
19 ANNUALLY.

20 (B) DIRECT THE STATE TREASURER TO TRANSFER FROM THE  
21 PARTICIPANT'S ACCOUNT IN TIER 2 TO THE RESERVE FOR EMPLOYER CON-  
22 TRIBUTIONS THE EXCESS, IF ANY, OF THE PREVIOUSLY TRANSFERRED  
23 AMOUNT OVER THE RECOMPUTED AMOUNT, TOGETHER WITH INTEREST, FROM  
24 THE DATE OF THE TRANSFER MADE UNDER SUBSECTION (5), BASED UPON 8%  
25 EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

26 (7) FOR THE PURPOSES OF SUBSECTIONS (1) TO (6), THE  
27 CALCULATION OF ESTIMATED AND ACTUAL PRESENT VALUE OF THE MEMBER'S

1 OR DEFERRED MEMBER'S ACCUMULATED BENEFIT OBLIGATION SHALL BE  
2 BASED UPON METHODS ADOPTED BY THE DEPARTMENT OF MANAGEMENT AND  
3 BUDGET AND THE RETIREMENT SYSTEM'S ACTUARY IN CONSULTATION WITH  
4 THE RETIREMENT BOARD. THE RETIREMENT SYSTEM SHALL UTILIZE THE  
5 SAME ACTUARIAL VALUATION REPORT USED TO CALCULATE THE AMOUNT  
6 TRANSFERRED UNDER SUBSECTION (1), (3), OR (5) WHEN MAKING THE  
7 RECOMPUTATION REQUIRED UNDER SUBSECTION (2), (4), OR (6).  
8 ESTIMATED AND ACTUAL FINAL AVERAGE COMPENSATION SHALL BE DETER-  
9 MINED AS PROVIDED IN SECTIONS 3A AND 4(11) AS OF 12 MIDNIGHT ON  
10 THE DATE THE MEMBER OR DEFERRED MEMBER CEASES TO BE A MEMBER OF  
11 TIER 1 UNDER SECTION 110.

12 (8) FOR A FORMER NONVESTED MEMBER WHO ELECTS TO TERMINATE  
13 MEMBERSHIP IN TIER 1 UNDER SECTION 110(3) AND WHO HAS ACCUMULATED  
14 CONTRIBUTIONS STANDING TO HIS OR HER CREDIT IN THE RESERVE FOR  
15 EMPLOYEE CONTRIBUTIONS OR THE RESERVE FOR MEMBER INVESTMENT PLAN,  
16 THE RETIREMENT SYSTEM SHALL DIRECT THE STATE TREASURER TO TRANS-  
17 FER A LUMP SUM AMOUNT FROM THE APPROPRIATE RESERVE CREATED UNDER  
18 ARTICLE 2 TO THE QUALIFIED PARTICIPANT'S ACCOUNT IN TIER 2 ON OR  
19 BEFORE THE EXPIRATION OF 60 DAYS AFTER THE DATE OF THE  
20 INDIVIDUAL'S ELECTION TO TERMINATE MEMBERSHIP. THE RETIREMENT  
21 SYSTEM SHALL CALCULATE THE AMOUNT TO BE TRANSFERRED, WHICH SHALL  
22 BE EQUAL TO THE SUM OF THE FOLLOWING:

23 (A) THE FORMER NONVESTED MEMBER'S ACCUMULATED CONTRIBUTIONS,  
24 IF ANY, FROM THE RESERVE FOR EMPLOYEE CONTRIBUTIONS AS OF 12 MID-  
25 NIGHT ON THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE  
26 DATE OF THE ELECTION.

1 (B) FOR A FORMER NONVESTED MEMBER WHO IS A PARTICIPANT IN  
2 THE MEMBER INVESTMENT PLAN, THE FORMER NONVESTED MEMBER'S  
3 ACCUMULATED CONTRIBUTIONS, IF ANY, FROM THE RESERVE FOR MEMBER  
4 INVESTMENT PLAN AS OF 12 MIDNIGHT ON THE LAST DAY OF THE PAYROLL  
5 PERIOD THAT INCLUDES THE DATE OF THE ELECTION.

6 (C) INTEREST ON ANY AMOUNTS DETERMINED IN SUBDIVISIONS (A)  
7 AND (B) FROM THE FIRST DAY OF THE PAYROLL PERIOD IMMEDIATELY FOL-  
8 LOWING THE DATE OF THE ELECTION TO THE DATE OF THE TRANSFER,  
9 BASED UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

10 (9) 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. 112. AFTER CONSULTING THE RETIREMENT SYSTEM'S ACTUARY,  
17 THE DEPARTMENT OF MANAGEMENT AND BUDGET SHALL CALCULATE FOR EACH  
18 FISCAL YEAR ANY COST SAVINGS THAT HAVE ACCRUED TO THIS RETIREMENT  
19 SYSTEM AS A RESULT OF THE IMPLEMENTATION OF THE AMENDATORY ACT  
20 THAT ADDED THIS SECTION OVER THE COSTS THAT WOULD HAVE BEEN  
21 INCURRED BY THIS RETIREMENT SYSTEM HAD THE AMENDATORY ACT THAT  
22 ADDED THIS SECTION NOT BEEN IMPLEMENTED. THE TOTAL AMOUNT OF  
23 SUCH COST SAVINGS SHALL NOT BE USED TO DECREASE THE ACTUARIAL  
24 RATE CHARGED TO REPORTING UNITS, AND THE TOTAL AMOUNT OF SUCH  
25 SAVINGS SHALL BE DEPOSITED IN THE RESERVE FOR HEALTH BENEFITS  
26 CREATED BY SECTION 34. ANY AMOUNT DEPOSITED IN THE RESERVE FOR  
27 HEALTH BENEFITS PURSUANT TO THIS SECTION AND ACCUMULATED EARNINGS

1 ON THOSE AMOUNTS SHALL NOT BE EXPENDED UNTIL THE ACTUARIAL  
2 ACCRUED LIABILITY FOR HEALTH BENEFITS UNDER SECTION 91 IS 100%  
3 FUNDED.

4 ARTICLE 7

5 SEC. 121. FOR THE PURPOSES OF THIS ARTICLE, THE WORDS AND  
6 PHRASES DEFINED IN SECTIONS 122 TO 124 HAVE THE MEANINGS ASCRIBED  
7 TO THEM IN THOSE SECTIONS.

8 SEC. 122. (1) "ACCUMULATED BALANCE" MEANS THE TOTAL BALANCE  
9 IN A QUALIFIED PARTICIPANT'S, FORMER QUALIFIED PARTICIPANT'S, OR  
10 REFUND BENEFICIARY'S INDIVIDUAL ACCOUNT IN TIER 2.

11 (2) "COMPENSATION" MEANS THE REMUNERATION PAID A QUALIFIED  
12 PARTICIPANT ON ACCOUNT OF THE QUALIFIED PARTICIPANT'S SERVICES  
13 RENDERED TO HIS OR HER EMPLOYER. COMPENSATION INCLUDES ONLY  
14 MEDICARE TAXABLE WAGES AS REPORTED BY THE EMPLOYER ON THE  
15 PARTICIPANT'S FEDERAL FORM W-2, WAGE AND TAX STATEMENT.

16 SEC. 123. (1) "EMPLOYER" MEANS A REPORTING UNIT.

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

20 (3) "HEALTH BENEFIT DEPENDENT" MEANS AN INDIVIDUAL WHO WOULD  
21 HAVE BEEN ELIGIBLE FOR HEALTH INSURANCE COVERAGE AS A HEALTH  
22 INSURANCE DEPENDENT UNDER SECTION 91(10)(A) IF THE FORMER QUALI-  
23 FIED PARTICIPANT HAD BECOME A RETIRANT OF TIER 1.

24 SEC. 124. (1) "QUALIFIED PARTICIPANT" MEANS AN INDIVIDUAL  
25 WHO IS A PARTICIPANT OF TIER 2 AND WHO MEETS 1 OF THE FOLLOWING  
26 REQUIREMENTS:

1 (A) AN INDIVIDUAL WHO IS FIRST EMPLOYED AND ENTERED UPON THE  
2 PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER JULY 1, 1997, AND WHO  
3 BEFORE JULY 1, 1997 WOULD HAVE BEEN ELIGIBLE TO BE A MEMBER OF  
4 TIER 1.

5 (B) AN INDIVIDUAL WHO ELECTS TO TERMINATE MEMBERSHIP IN TIER  
6 1 AND WHO ELECTS TO PARTICIPATE IN TIER 2 IN THE MANNER PRE-  
7 SCRIBED IN SECTION 110.

8 (2) "REFUND BENEFICIARY" MEANS AN INDIVIDUAL NOMINATED BY A  
9 QUALIFIED PARTICIPANT OR A FORMER QUALIFIED PARTICIPANT UNDER  
10 SECTION 134 TO RECEIVE A DISTRIBUTION OF THE PARTICIPANT'S ACCU-  
11 MULATED BALANCE IN THE MANNER PRESCRIBED IN SECTION 135.

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

13 SEC. 125. (1) THE STATE TREASURER SHALL ADMINISTER TIER 2  
14 AND SHALL INVEST THE ASSETS OF TIER 2. THE STATE TREASURER IS  
15 THE FIDUCIARY AND TRUSTEE OF TIER 2. THE STATE TREASURER MAY  
16 APPOINT AN ADVISORY BOARD TO ASSIST THE STATE TREASURER IN CARRY-  
17 ING OUT HIS OR HER DUTIES AS FIDUCIARY AND TRUSTEE.

18 (2) THE STATE TREASURER SHALL DETERMINE THE PROVISIONS AND  
19 PROCEDURES OF TIER 2 IN CONFORMITY WITH THIS ACT AND THE INTERNAL  
20 REVENUE CODE.

21 (3) THE STATE TREASURER HAS THE EXCLUSIVE AUTHORITY AND  
22 RESPONSIBILITY TO EMPLOY OR CONTRACT WITH PERSONNEL AND FOR SERV-  
23 ICES THAT THE STATE TREASURER DETERMINES NECESSARY FOR THE PROPER  
24 ADMINISTRATION OF AND INVESTMENT OF ASSETS OF TIER 2 INCLUDING  
25 BUT NOT LIMITED TO MANAGERIAL, PROFESSIONAL, LEGAL, CLERICAL,  
26 TECHNICAL, AND ADMINISTRATIVE PERSONNEL OR SERVICES.

1        SEC. 126. (1) A QUALIFIED PARTICIPANT, FORMER QUALIFIED  
2 PARTICIPANT, HEALTH BENEFIT DEPENDENT, OR REFUND BENEFICIARY MAY  
3 REQUEST A HEARING ON A CLAIM INVOLVING HIS OR HER RIGHTS UNDER  
4 TIER 2. UPON WRITTEN REQUEST, THE STATE TREASURER SHALL PROVIDE  
5 FOR A HEARING THAT SHALL BE CONDUCTED PURSUANT TO CHAPTER 4 OF  
6 THE ADMINISTRATIVE PROCEDURES ACT OF 1969, ACT NO. 306 OF THE  
7 PUBLIC ACTS OF 1969, BEING SECTIONS 24.271 TO 24.287 OF THE  
8 MICHIGAN COMPILED LAWS. AN INDIVIDUAL MAY BE REPRESENTED BY  
9 COUNSEL OR OTHER DULY AUTHORIZED AGENT AT A HEARING CONDUCTED  
10 UNDER THIS SECTION.

11        (2) CHAPTERS 2, 3, AND 5 OF THE ADMINISTRATIVE PROCEDURES  
12 ACT OF 1969, ACT NO. 306 OF THE PUBLIC ACTS OF 1969, BEING SEC-  
13 TIONS 24.224 TO 24.264 AND 24.291 TO 24.292 OF THE MICHIGAN  
14 COMPILED LAWS, DO NOT APPLY TO THE ESTABLISHMENT, IMPLEMENTATION,  
15 ADMINISTRATION, OPERATION, INVESTMENT, OR DISTRIBUTION OF TIER  
16 2.

17        SEC. 127. EACH QUALIFIED PARTICIPANT, FORMER QUALIFIED PAR-  
18 TICIPANT, AND REFUND BENEFICIARY SHALL DIRECT THE INVESTMENT OF  
19 THE INDIVIDUAL'S ACCUMULATED EMPLOYER AND EMPLOYEE CONTRIBUTIONS  
20 AND EARNINGS TO 1 OR MORE INVESTMENT CHOICES WITHIN AVAILABLE  
21 CATEGORIES OF INVESTMENT PROVIDED BY THE STATE TREASURER. THE  
22 LIMITATIONS ON THE PERCENTAGE OF TOTAL ASSETS FOR INVESTMENTS  
23 PROVIDED IN ACT NO. 314 OF THE PUBLIC ACTS OF 1965, BEING SEC-  
24 TIONS 38.1132 TO 38.11401 OF THE MICHIGAN COMPILED LAWS, DO NOT  
25 APPLY TO TIER 2.

26        SEC. 128. (1) EXCEPT AS PROVIDED FOR START-UP COSTS IN  
27 SUBSECTION (2), THE ADMINISTRATIVE EXPENSES OF TIER 2 SHALL BE

1 PAID BY THE QUALIFIED PARTICIPANTS, FORMER QUALIFIED  
2 PARTICIPANTS, AND REFUND BENEFICIARIES WHO HAVE NOT CLOSED THEIR  
3 ACCOUNTS IN A MANNER DETERMINED BY THE STATE TREASURER.

4 (2) INCLUDED IN THE AMOUNTS APPROPRIATED TO THE SCHOOL AID  
5 FUND ESTABLISHED BY SECTION 11 OF ARTICLE IX OF THE STATE CONSTI-  
6 TUTION OF 1963, FOR STATE FISCAL YEARS ENDING SEPTEMBER 30, 1997,  
7 SEPTEMBER 30, 1998, AND SEPTEMBER 30, 1999, ARE SUMS SUFFICIENT  
8 TO PAY FOR THE ADMINISTRATIVE START-UP COSTS FOR THE IMPLEMENTA-  
9 TION OF THE AMENDATORY ACT THAT ADDED THIS ARTICLE. CHARGES  
10 AGAINST THESE APPROPRIATIONS IN AMOUNTS AND IN A MANNER PRE-  
11 SCRIBED BY THE DEPARTMENT OF MANAGEMENT AND BUDGET AND THE  
12 DEPARTMENT OF TREASURY SHALL BE MADE AND ARE APPROPRIATED TO  
13 THOSE DEPARTMENTS FOR STAFF SALARIES, FRINGE BENEFITS, CONTRAC-  
14 TUAL SERVICES, AND ANY OTHER ADMINISTRATIVE COST INCURRED FOR  
15 THIS PURPOSE.

16 SEC. 129. A QUALIFIED PARTICIPANT SHALL NOT PARTICIPATE IN  
17 ANY OTHER PUBLIC SECTOR RETIREMENT BENEFITS PLAN FOR SIMULTANEOUS  
18 SERVICE RENDERED TO THE SAME PUBLIC SECTOR EMPLOYER. EXCEPT AS  
19 OTHERWISE PROVIDED IN THIS ACT OR BY THE STATE TREASURER, THIS  
20 SECTION DOES NOT PROHIBIT A QUALIFIED PARTICIPANT FROM PARTICI-  
21 PATING IN A RETIREMENT PLAN ESTABLISHED BY A PUBLIC SECTOR  
22 EMPLOYER UNDER THE INTERNAL REVENUE CODE. FOR THE PURPOSES OF  
23 THIS SECTION, PUBLIC SECTOR EMPLOYER INCLUDES, BUT IS NOT LIMITED  
24 TO, A REPORTING UNIT.

25 SEC. 130. (1) THE STATE TREASURER SHALL PROMPTLY CREDIT THE  
26 TIER 2 ACCOUNT OF A QUALIFIED PARTICIPANT OR FORMER QUALIFIED  
27 PARTICIPANT WHO MAKES AN ELECTION UNDER SECTION 110 TO TERMINATE

1 MEMBERSHIP IN TIER 1 WITH ANY AMOUNT TRANSFERRED FROM TIER 1  
2 PURSUANT TO SECTION 111.

3 (2) NOT LATER THAN 30 DAYS AFTER RECEIPT OF A RECOMPUTED  
4 AMOUNT UNDER SECTION 111(2), (4), OR (6), THE STATE TREASURER  
5 SHALL CHARGE THE PARTICIPANT'S TIER 2 ACCOUNT FOR ANY AMOUNT OF  
6 EXCESS TRANSFERS UNDER SECTION 111(1), (3), OR (5) AND TRANSFER  
7 THAT AMOUNT TO THE APPROPRIATE RESERVE IN TIER 1. THE STATE  
8 TREASURER MAY DETERMINE WHICH INVESTMENT CHOICE OR CHOICES WITHIN  
9 A PARTICIPANT'S TIER 2 ACCOUNT WILL BE USED FOR THIS PURPOSE.

10 SEC. 131. (1) THIS SECTION IS SUBJECT TO THE VESTING  
11 REQUIREMENTS OF SECTION 132.

12 (2) A QUALIFIED PARTICIPANT'S EMPLOYER SHALL CONTRIBUTE TO  
13 THE QUALIFIED PARTICIPANT'S TIER 2 ACCOUNT AN AMOUNT EQUAL TO 4%  
14 OF THE QUALIFIED PARTICIPANT'S COMPENSATION.

15 (3) A QUALIFIED PARTICIPANT MAY PERIODICALLY ELECT TO CON-  
16 TRIBUTE UP TO 3% OF HIS OR HER COMPENSATION TO HIS OR HER TIER 2  
17 ACCOUNT. THE QUALIFIED PARTICIPANT'S EMPLOYER SHALL MAKE AN  
18 ADDITIONAL CONTRIBUTION TO THE QUALIFIED PARTICIPANT'S TIER 2  
19 ACCOUNT IN AN AMOUNT EQUAL TO THE CONTRIBUTION MADE BY THE QUALI-  
20 FIED PARTICIPANT UNDER THIS SUBSECTION.

21 (4) A QUALIFIED PARTICIPANT MAY MAKE CONTRIBUTIONS IN ADDI-  
22 TION TO CONTRIBUTIONS MADE UNDER SUBSECTION (3) TO HIS OR HER  
23 TIER 2 ACCOUNT AS PERMITTED BY THE STATE TREASURER AND THE INTER-  
24 NAL REVENUE CODE. THE QUALIFIED PARTICIPANT'S EMPLOYER SHALL NOT  
25 MATCH CONTRIBUTIONS MADE BY THE QUALIFIED PARTICIPANT UNDER THIS  
26 SUBSECTION.



1 SEC. 132. (1) A QUALIFIED PARTICIPANT IS IMMEDIATELY 100%  
2 VESTED IN HIS OR HER CONTRIBUTIONS MADE TO TIER 2. A QUALIFIED  
3 PARTICIPANT SHALL VEST IN THE EMPLOYER CONTRIBUTIONS MADE ON HIS  
4 OR HER BEHALF TO TIER 2 ACCORDING TO THE FOLLOWING SCHEDULE:

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

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

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

8 (2) A QUALIFIED PARTICIPANT IS VESTED IN THE HEALTH INSUR-  
9 ANCE COVERAGE PROVIDED IN SECTION 136 IF THE QUALIFIED PARTICI-  
10 PANT MEETS 1 OF THE FOLLOWING REQUIREMENTS:

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

14 (B) THE QUALIFIED PARTICIPANT WAS A MEMBER, DEFERRED MEMBER,  
15 OR FORMER NONVESTED MEMBER OF TIER 1 WHO MADE AN ELECTION TO PAR-  
16 TICIPATE IN TIER 2 PURSUANT TO SECTION 110, AND WHO HAS MET THE  
17 SERVICE REQUIREMENTS HE OR SHE WOULD HAVE BEEN REQUIRED TO MEET  
18 IN ORDER TO VEST IN HEALTH BENEFITS UNDER SECTION 91.

19 SEC. 133. A QUALIFIED PARTICIPANT WHO WAS A MEMBER,  
20 DEFERRED MEMBER, OR FORMER NONVESTED MEMBER OF TIER 1 WHO MAKES  
21 AN ELECTION TO PARTICIPATE IN TIER 2 PURSUANT TO SECTION 110,  
22 SHALL BE CREDITED WITH THE YEARS OF SERVICE ACCRUED UNDER TIER 1  
23 ON THE EFFECTIVE DATE OF PARTICIPATION IN TIER 2 FOR THE PURPOSE  
24 OF MEETING THE VESTING REQUIREMENTS FOR BENEFITS UNDER SECTION  
25 132.

26 SEC. 134. A QUALIFIED PARTICIPANT OR FORMER QUALIFIED  
27 PARTICIPANT MAY NOMINATE 1 OR MORE INDIVIDUALS AS A REFUND

1 BENEFICIARY BY FILING WRITTEN NOTICE OF NOMINATION WITH THE STATE  
2 TREASURER. IF THE QUALIFIED PARTICIPANT OR FORMER QUALIFIED PAR-  
3 TICIPANT IS MARRIED AT THE TIME OF THE NOMINATION AND THE  
4 PARTICIPANT'S SPOUSE IS NOT THE REFUND BENEFICIARY FOR 100% OF  
5 THE ACCOUNT, THE NOMINATION IS NOT EFFECTIVE UNLESS THE NOMINA-  
6 TION IS SIGNED BY THE PARTICIPANT'S SPOUSE. HOWEVER, THE STATE  
7 TREASURER MAY WAIVE THIS REQUIREMENT IF THE SPOUSE'S SIGNATURE  
8 CANNOT BE OBTAINED BECAUSE OF EXTENUATING CIRCUMSTANCES.

9 SEC. 135. (1) A QUALIFIED PARTICIPANT IS ELIGIBLE TO  
10 RECEIVE DISTRIBUTION OF HIS OR HER ACCUMULATED BALANCE IN TIER 2  
11 UPON BECOMING A FORMER QUALIFIED PARTICIPANT.

12 (2) UPON THE DEATH OF A QUALIFIED PARTICIPANT OR FORMER  
13 QUALIFIED PARTICIPANT, THE ACCUMULATED BALANCE OF THAT DECEASED  
14 PARTICIPANT IS CONSIDERED TO BELONG TO THE REFUND BENEFICIARY, IF  
15 ANY, OF THAT DECEASED PARTICIPANT. IF A VALID NOMINATION OF  
16 REFUND BENEFICIARY IS NOT ON FILE WITH THE STATE TREASURER, THE  
17 STATE TREASURER, IN A LUMP SUM DISTRIBUTION, SHALL DISTRIBUTE THE  
18 ACCUMULATED BALANCE TO THE LEGAL REPRESENTATIVE, IF ANY, OF THE  
19 DECEASED PARTICIPANT OR, IF THERE IS NO LEGAL REPRESENTATIVE, TO  
20 THE DECEASED PARTICIPANT'S ESTATE.

21 (3) A FORMER QUALIFIED PARTICIPANT OR REFUND BENEFICIARY MAY  
22 ELECT 1 OR A COMBINATION OF SEVERAL OF THE FOLLOWING METHODS OF  
23 DISTRIBUTION OF THE ACCUMULATED BALANCE:

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

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

1 (C) PERIODIC DISTRIBUTIONS, AS AUTHORIZED BY THE STATE  
2 TREASURER.

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

8 SEC. 136. (1) A FORMER QUALIFIED PARTICIPANT MAY ELECT  
9 HEALTH INSURANCE BENEFITS IN THE MANNER PRESCRIBED IN THIS SEC-  
10 TION IF HE OR SHE MEETS BOTH OF THE FOLLOWING REQUIREMENTS:

11 (A) THE FORMER QUALIFIED PARTICIPANT IS VESTED IN HEALTH  
12 BENEFITS UNDER SECTION 132(2).

13 (B) THE FORMER QUALIFIED PARTICIPANT MEETS OR EXCEEDS THE  
14 BENEFIT COMMENCEMENT AGE EMPLOYED IN THE ACTUARIAL PRESENT VALUE  
15 CALCULATION UNDER SECTION 111 AND THE SERVICE REQUIREMENTS THAT  
16 WOULD HAVE APPLIED TO THAT FORMER PARTICIPANT UNDER TIER 1 FOR  
17 RECEIVING HEALTH INSURANCE COVERAGE UNDER SECTION 91, IF THAT  
18 FORMER PARTICIPANT WAS A MEMBER OF TIER 1.

19 (2) A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT  
20 HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) MAY ELECT HEALTH  
21 INSURANCE COVERAGE IN A HEALTH BENEFIT PLAN OR PLANS AS AUTHO-  
22 RIZED BY SECTION 91 OR IN ANOTHER PLAN AS PROVIDED IN SUBSECTION  
23 (6). A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT  
24 HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) MAY ALSO ELECT  
25 HEALTH INSURANCE COVERAGE FOR HIS OR HER HEALTH BENEFIT DEPEN-  
26 DENTS, IF ANY. A SURVIVING HEALTH BENEFIT DEPENDENT OF A  
27 DECEASED FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT

1 HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) MAY ELECT HEALTH  
2 INSURANCE COVERAGE IN THE MANNER PRESCRIBED IN THIS SECTION.

3 (3) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (6), AN INDI-  
4 VIDUAL WHO ELECTS HEALTH INSURANCE COVERAGE UNDER THIS SECTION  
5 SHALL BECOME A MEMBER OF A HEALTH INSURANCE COVERAGE GROUP AUTHO-  
6 RIZED PURSUANT TO SECTION 91.

7 (4) FOR A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO  
8 ELECT HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) AND WHO IS  
9 VESTED IN THOSE BENEFITS UNDER SECTION 132(2)(A), AND FOR HIS OR  
10 HER HEALTH BENEFIT DEPENDENTS, THE RETIREMENT SYSTEM SHALL PAY A  
11 PORTION OF THE HEALTH INSURANCE PREMIUM AS CALCULATED UNDER THIS  
12 SUBSECTION ON A CASH DISBURSEMENT METHOD. AN INDIVIDUAL  
13 DESCRIBED IN THIS SUBSECTION WHO ELECTS HEALTH INSURANCE COVERAGE  
14 UNDER THIS SECTION SHALL PAY TO THE RETIREMENT SYSTEM THE REMAIN-  
15 ING PORTION OF THE HEALTH INSURANCE COVERAGE PREMIUM NOT PAID BY  
16 THE RETIREMENT SYSTEM UNDER THIS SUBSECTION. THE PORTION OF THE  
17 HEALTH INSURANCE COVERAGE PREMIUM PAID BY THE RETIREMENT SYSTEM  
18 UNDER THIS SUBSECTION SHALL BE EQUAL TO THE PRODUCT OF 3% AND THE  
19 FORMER QUALIFIED PARTICIPANT'S YEARS OF SERVICE, UP TO 30 YEARS,  
20 AND SHALL NOT EXCEED 90% OF THE PAYMENTS FOR HEALTH INSURANCE  
21 COVERAGE UNDER SECTION 91. IF THE INDIVIDUAL ELECTS THE HEALTH  
22 INSURANCE COVERAGE PROVIDED UNDER SECTION 91, THE RETIREMENT  
23 SYSTEM SHALL TRANSFER ITS PORTION OF THE AMOUNT CALCULATED UNDER  
24 THIS SUBSECTION TO THE RESERVE FOR HEALTH BENEFITS CREATED BY  
25 SECTION 34.

26 (5) A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT  
27 HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) AND WHO IS VESTED

1 IN THOSE BENEFITS UNDER SECTION 132(2)(B) MAY ELECT HEALTH  
2 INSURANCE COVERAGE UNDER SECTION 91 FOR HIMSELF OR HERSELF AND  
3 FOR HIS OR HER HEALTH BENEFITED DEPENDENTS, IN ALL RESPECTS AND  
4 UNDER THE SAME TERMS AS WOULD A RETIRANT AND HIS OR HER HEALTH  
5 INSURANCE DEPENDENTS UNDER TIER 1.

6 (6) A FORMER QUALIFIED PARTICIPANT OR HEALTH BENEFIT DEPEN-  
7 DENT WHO IS ELIGIBLE TO ELECT HEALTH INSURANCE COVERAGE UNDER  
8 THIS SECTION AND WHO ELECTS HEALTH INSURANCE COVERAGE UNDER A  
9 DIFFERENT PLAN THAN THE PLAN AUTHORIZED UNDER SECTION 91 MAY  
10 ELECT TO HAVE AN AMOUNT UP TO THE AMOUNT OF THE RETIREMENT  
11 SYSTEM'S SHARE OF THE MONTHLY HEALTH INSURANCE PREMIUM SUBSIDY  
12 PROVIDED IN THIS SECTION PAID BY THE RETIREMENT SYSTEM DIRECTLY  
13 TO THE OTHER HEALTH INSURANCE PLAN OR TO A MEDICAL SAVINGS  
14 ACCOUNT ESTABLISHED PURSUANT TO SECTION 220 OF THE INTERNAL REVE-  
15 NUE CODE, TO THE EXTENT ALLOWED BY LAW OR UNDER THE PROVISIONS  
16 AND PROCEDURES OF TIER 2.

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

23 SEC. 137. (1) DISTRIBUTIONS FROM EMPLOYER CONTRIBUTIONS  
24 MADE PURSUANT TO SECTION 131(2) AND (3) AND EARNINGS ON THOSE  
25 EMPLOYER CONTRIBUTIONS, AND DISTRIBUTIONS FROM EMPLOYEE CONTRIBU-  
26 TIONS MADE PURSUANT TO SECTION 131(3) AND EARNINGS ON THOSE  
27 EMPLOYEE CONTRIBUTIONS, ARE EXEMPT FROM ANY STATE, COUNTY,

1 MUNICIPAL, OR OTHER LOCAL TAX, AND SHALL NOT BE SUBJECT TO  
2 EXECUTION, GARNISHMENT, ATTACHMENT, THE OPERATION OF BANKRUPTCY  
3 OR INSOLVENCY LAWS, OR OTHER PROCESS OF LAW, AND SHALL BE UNAS-  
4 SIGNABLE EXCEPT AS OTHERWISE PROVIDED IN THIS ACT.

5 (2) THE RIGHT OF A QUALIFIED PARTICIPANT OR A FORMER QUALI-  
6 FIED PARTICIPANT, OR HIS OR HER BENEFICIARIES, TO A DISTRIBUTION  
7 DESCRIBED IN SUBSECTION (1) IS SUBJECT TO FORFEITURE PURSUANT TO  
8 THE PUBLIC EMPLOYEE RETIREMENT BENEFITS FORFEITURE ACT, ACT  
9 NO. 350 OF THE PUBLIC ACTS OF 1994, BEING SECTIONS 38.2701 TO  
10 38.2705 OF THE MICHIGAN COMPILED LAWS.

11 (3) THE RIGHT OF A QUALIFIED PARTICIPANT OR FORMER QUALIFIED  
12 PARTICIPANT TO A DISTRIBUTION DESCRIBED IN SUBSECTION (1) IS  
13 SUBJECT TO AN AWARD BY A COURT PURSUANT TO SECTION 18 OF CHAPTER  
14 84 OF THE REVISED STATUTES OF 1846, BEING SECTION 552.18 OF THE  
15 MICHIGAN COMPILED LAWS; AN ELIGIBLE DOMESTIC RELATIONS ORDER  
16 UNDER THE ELIGIBLE DOMESTIC RELATIONS ORDER ACT, ACT NO. 46 OF  
17 THE PUBLIC ACTS OF 1991, BEING SECTIONS 38.1701 TO 38.1711 OF THE  
18 MICHIGAN COMPILED LAWS; AND TO ANY OTHER DOMESTIC RELATIONS ORDER  
19 OF A COURT PERTAINING TO ALIMONY OR CHILD SUPPORT.

20 (4) IF AN AWARD OR ORDER DESCRIBED IN SUBSECTION (3)  
21 REQUIRES TIER 2 TO WITHHOLD PAYMENT OF A DISTRIBUTION DESCRIBED  
22 IN SUBSECTION (1) OR REQUIRES TIER 2 TO MAKE PAYMENT OR REQUIRES  
23 THE INDIVIDUAL TO REQUEST THAT TIER 2 MAKE PAYMENT OF A DISTRIBU-  
24 TION DESCRIBED IN SUBSECTION (1), FOR THE PURPOSE OF MEETING THE  
25 INDIVIDUAL'S OBLIGATIONS TO A SPOUSE, FORMER SPOUSE, OR CHILD, AS  
26 PROVIDED IN SUBSECTION (3), THE WITHHOLDING OR PAYMENT PROVISIONS  
27 OF THE AWARD OR ORDER ARE EFFECTIVE ONLY AGAINST SUCH AMOUNTS AS

1 THEY BECOME DUE AND PAYABLE TO THE INDIVIDUAL RECEIVING THE  
 2 DISTRIBUTION, UNLESS OTHERWISE PROVIDED IN AN ELIGIBLE DOMESTIC  
 3 RELATIONS ORDER UNDER ACT NO. 46 OF THE PUBLIC ACTS OF 1991. THE  
 4 LIMITATION CONTAINED IN THIS SUBSECTION DOES NOT APPLY TO THE  
 5 ACCUMULATED EMPLOYEE CONTRIBUTIONS OF A FORMER QUALIFIED PARTICI-  
 6 PANT WHO HAS TERMINATED EMPLOYMENT BEFORE ACQUIRING A VESTED  
 7 STATUS PURSUANT TO THIS ARTICLE.

8 (5) THE STATE TREASURER HAS THE RIGHT OF SETOFF TO RECOVER  
 9 OVERPAYMENTS MADE UNDER THIS ARTICLE AND TO SATISFY ANY CLAIMS  
 10 ARISING FROM EMBEZZLEMENT OR FRAUD COMMITTED BY A QUALIFIED PAR-  
 11 TICIPANT, FORMER QUALIFIED PARTICIPANT, REFUND BENEFICIARY, OR  
 12 OTHER PERSON WHO HAS A CLAIM TO A DISTRIBUTION OR ANY OTHER BENE-  
 13 FIT FROM TIER 2.

14 (6) THE STATE TREASURER SHALL CORRECT ERRORS IN THE RECORDS  
 15 AND ACTIONS UNDER THIS ARTICLE, AND SHALL SEEK TO RECOVER OVER-  
 16 PAYMENTS AND SHALL MAKE UP UNDERPAYMENTS.

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

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

24 (a) Senate Bill No. \_\_\_\_\_ or House Bill No. 6229  
 25 (request no. 08353'96).

26 (b) House Bill No. 6207.