

SUBSTITUTE FOR
HOUSE BILL NO. 5857

A bill to amend 1992 PA 234, entitled
"The judges retirement act of 1992,"
by amending sections 104, 110a, 401a, 504, [508,] 701, 702, 705,
706,
and 711 (MCL 38.2104, 38.2110a, 38.2401a, 38.2504, [38.2508]
38.2651,
38.2652, 38.2655, 38.2656, and 38.2661), section 104 as amended
by 1995 PA 193, sections 110a, 401a, 705, 706, and 711 as added
by 1996 PA 523, and sections 701 and 702 as amended by 1998 PA
66, and by adding sections [512,] 701a, 707a, and 718a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

- 1 Sec. 104. (1) "Compensation" means 1 of the following:
2 (a) For a plan 1 member or plan 2 member, the salary paid by
3 this state.
4 (b) For a plan 3 member, the salary paid by this state,
5 except that for a plan 3 member who is a judge of the recorder's
6 court of the city of Detroit, compensation means an amount equal

1 to the salary paid by this state to a judge of the circuit court
2 and for a plan 3 member who is a judge of the probate court, com-
3 pensation means an amount equal to the salary paid ~~by this state~~
4 ~~to a judge of the district court~~ PURSUANT TO SECTION 821 OF THE
5 REVISED JUDICATURE ACT OF 1961, 1961 PA 236, MCL 600.821. In
6 addition, compensation for a plan 3 member includes salary stan-
7 dardization payments converted as an addition to the state base
8 salary as provided by section 504, if any.

9 (c) For a plan 4 member, the total judicial salary payable
10 from all sources.

11 (d) For a plan 5 member, the total salary paid by this state
12 and the district control unit of the district court in the
13 thirty-sixth district.

14 (e) For a plan 6 or 7 member, the salary approved by the
15 county board of commissioners and includes salary standardization
16 payments made to the member by the county.

17 (2) "County retirement plan" means a county retirement plan
18 established under section 12a of ~~Act No. 156 of the Public Acts~~
19 ~~of 1851, being section 46.12a of the Michigan Compiled Laws~~ 1851
20 PA 156, MCL 46.12A.

21 (3) "Court fees" means a court filing fee or costs earmarked
22 for the retirement system and collected by a county clerk, clerk
23 of the circuit court, or clerk of the district court pursuant to
24 sections 880, 2529, 5756, 8371, 8381, and 8420 of the revised
25 judiciary act of 1961, ~~Act No. 236 of the Public Acts of 1961,~~
26 ~~being sections 600.880, 600.2529, 600.5756, 600.8371, 600.8381,~~

HB5857, As Passed House, May 21, 1998

House Bill No. 5857

3

1 ~~and 600.8420 of the Michigan Compiled Laws~~ 1961 PA 236, MCL
2 600.880, 600.2529, 600.5756, 600.8371, 600.8381, AND 600.8420.

3 (4) "Credited service" means all of the following:

4 (a) Service credited to a member under this act, the former
5 judges retirement system, and the former probate judges retire-
6 ment system.

7 (b) Other public service purchased under section 403.

8 (c) Service purchased under section 404.

9 (5) "Department" means the department of management and
10 budget.

11 (6) "Direct rollover" means a payment by the retirement
12 system to the eligible retirement plan specified by the
13 distributee.

14 (7) "Distributee" includes a member or vested former
15 member. Distributee also includes the member's or vested former
16 member's surviving spouse or the member's or vested former
17 member's spouse or former spouse under an eligible domestic rela-
18 tions order, with regard to the interest of the spouse or former
19 spouse.

20 (8) "District control unit" means district control unit as
21 defined in section 8104 of the revised judicature act of 1961,
22 ~~Act No. 236 of the Public Acts of 1961, being section 600.8104~~
23 ~~of the Michigan Compiled Laws~~ 1961 PA 236, MCL 600.8104.

24 Sec. 110a. (1) "Tier 1" means the retirement plan available
25 under this act to a member who MEETS 1 OF THE FOLLOWING
26 REQUIREMENTS:

1 (A) THE INDIVIDUAL first became a judge or state official
2 before March 31, 1997 and ~~who~~ HE OR SHE does not elect to
3 become a qualified participant of Tier 2 UNDER SECTION 701.

4 (B) THE INDIVIDUAL FIRST BECOMES A JUDGE OR STATE OFFICIAL
5 ON OR AFTER MARCH 31, 1997 AND HE OR SHE ELECTS TO BECOME A
6 MEMBER OF TIER 1 UNDER SECTION 707A.

7 (2) "Tier 2" means the retirement plan established pursuant
8 to the internal revenue code that is available to qualified par-
9 ticipants under article VII.

10 Sec. 401a. (1) Notwithstanding section 401, an individual
11 described in this subsection is not a member of the Tier 1
12 retirement plan:

13 (a) An individual who first becomes a judge or state offi-
14 cial on or after March 31, 1997, UNLESS THAT INDIVIDUAL ELECTS TO
15 BECOME A MEMBER OF TIER 1 UNDER SECTION 707A.

16 (b) An individual who elects to terminate membership under
17 section 701 and who, but for that election, would otherwise be
18 eligible for membership in Tier 1 pursuant to section 401.

19 (2) An individual who first becomes a judge or state offi-
20 cial on or after March 31, 1997 AND WHO DOES NOT MAKE THE ELEC-
21 TION TO BECOME A MEMBER OF TIER 1 UNDER SECTION 707A, is eligible
22 to be a qualified participant in Tier 2 subject to article VII.

23 Sec. 504. (1) Except as otherwise provided in this subsec-
24 tion, a judge who is a plan 3 member shall convert \$2,250.00 of
25 the state salary standardization payment annually prescribed by
26 law for any state fiscal year beginning after September 30, 1981
27 as an addition to the judge's state base salary for purposes of

1 computation of a retirement allowance under this act. A judge
2 who, within 30 days from taking office, files a written notice
3 not to participate in the provisions of this subsection with the
4 retirement system is exempt from this subsection. A judge who
5 was serving on December 31, 1982 and who did not elect to convert
6 \$2,250.00 of the state salary standardization payment under sec-
7 tion 14a of former ~~Act No. 198 of the Public Acts of 1951,~~ 1951
8 PA 198 is exempt from this section. For the purposes of the cal-
9 culation of a judge's combined county, city, or district control
10 unit retirement benefit, a judge who has not filed a written
11 notice not to participate in the provisions of this subsection
12 with the retirement system under this subsection or the former
13 judges retirement system shall have the \$2,250.00 of the salary
14 standardization payment subtracted from the final average compen-
15 sation figure used to calculate the judge's county, city, or dis-
16 trict control unit retirement benefit.

17 (2) Except as otherwise provided in this subsection, a judge
18 who is a plan 3 member and who is not exempt from subsection (1)
19 shall convert the balance of the state salary standardization
20 payment annually prescribed by law but which, when added to
21 \$2,250.00, does not exceed 40% of the difference between the
22 state base salary and the maximum statutory salary established by
23 the revised judiciary act for any state fiscal year beginning
24 after September 30, 1982 as an addition to the judge's state base
25 salary for purposes of computation of a retirement allowance
26 under this act. A judge who, before April 1, 1983, or within 30
27 days from taking office, whichever is later, files a written

1 notice not to participate in the provisions of this subsection
2 with the retirement system is exempt from this subsection. For
3 the purposes of the calculation of a judge's combined county,
4 city, or district control unit retirement benefit, a judge who
5 has not filed a written notice not to participate in the provi-
6 sions of this subsection with the retirement system under this
7 subsection or the former judges retirement system shall have the
8 additional state salary standardization payment as an addition to
9 the judge's state base salary for computation of a retirement
10 allowance under this act subtracted from the final average com-
11 pensation figure used to calculate the judge's county, city, or
12 district control unit retirement benefit.

13 (3) The sum of the final compensation determined for each
14 plan 3 member and the final average compensation figure used as
15 the basis for determining the judge's retirement allowance as a
16 member of a county retirement plan or a retirement system that
17 was established pursuant to the municipal employees retirement
18 act of 1984, ~~Act No. 427 of the Public Acts of 1984, being sec-~~
19 ~~tions 38.1501 to 38.1557 of the Michigan Compiled Laws~~ 1984 PA
20 427, MCL 38.1501 TO 38.1555, or which is subject to ~~Act No. 443~~
21 ~~of the Public Acts of 1980, being sections 38.841 to 38.846 of~~
22 ~~the Michigan Compiled Laws~~ 1980 PA 443, MCL 38.841 TO 38.846,
23 shall not exceed the judge's total annual salary payable from all
24 sources at the time of his or her retirement.

25 (4) For purposes of subsections (1) and (2), the state base
26 salary of a judge of the probate court who is a plan 3 member is
27 equal to the salary paid ~~by this state to a judge of the~~

1 ~~district court~~ PURSUANT TO SECTION 821 OF THE REVISED JUDICATURE
2 ACT OF 1961, 1961 PA 236, MCL 600.821.

3 (5) The department or the reporting unit shall deduct the
4 member's required contribution for participation in the provi-
5 sions of subsections (1) and (2) from the member's compensation
6 and shall transfer the contributions to the retirement system.

[Sec. 508. (1) ~~if~~ PRIOR TO THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED SUBSECTION (6), IF a member who has 8 or more years of credited service dies while in office, if a vested former member dies before retirement, or if a retirant dies following retirement, the retirement system shall pay the following retirement allowance as applicable:

(a) To a surviving spouse, to which the deceased member, vested former member, or retirant was married at the time of his or her death, a retirement allowance equal to 1 of the following amounts, as applicable:

(i) For the surviving spouse of a deceased member, 1/2 the amount of the retirement allowance computed under section 503 based upon the deceased member's final compensation and credited service.

(ii) For the surviving spouse of a deceased retirant, 1/2 the amount of the retirement allowance being paid the retirant at time of death.

(iii) For the surviving spouse of a deceased vested former member, 1/2 the amount of the deferred vested service retirement allowance to which the vested former member would have been entitled to receive upon retirement. If the deceased vested former member had met the service requirements of section 501(1)(d), the surviving spouse may elect to receive a permanently reduced retirement allowance equal to 1/2 the amount the deceased vested former member would have received as reduced by section 501(1)(d).

(b) If the deceased member, vested former member, or retirant does not leave a surviving spouse or if the surviving spouse dies after the member's, vested former member's, or retirant's death, to each of the member's, vested former member's, or retirant's unmarried children under the age of 19 years a retirement allowance equal to an equal share of the amount of the retirement allowance payable to a surviving spouse under subdivision (a).

(2) The retirement system shall begin payment of a retirement allowance to a surviving spouse of a deceased member or retirant under subsection (1) on the first day of the month following the month in which the member or retirant dies. The retirement system shall begin payment of a retirement allowance to a surviving spouse of a deceased vested former member under subsection (1) on the first day of the month following the month in which the vested former member dies or the month in which the vested former member could have retired under section 501, whichever is later. The retirement system shall terminate payment of a retirement allowance to a surviving spouse under subsection (1) upon the surviving spouse's death.

(3) The retirement system shall begin payment of a retirement allowance to a child of a deceased member or retirant under subsection (1) on the first day of the month following the month in which the member or retirant dies without a surviving spouse or the first day of the month following the month in which the surviving spouse dies, whichever is later. The retirement system shall begin

payment of a retirement allowance to a child of a deceased vested former member under subsection (1) on the first day of the month

following the month in which the vested former member dies, the first day of the month following the month in which the vested former member could have retired under section 501 if there is no surviving spouse, or the first day of the month following the month in which the surviving spouse of the vested former member dies, whichever is later. The retirement system shall terminate payment of a retirement allowance to a child upon his or her adoption, marriage, becoming 19 years old, or death, whichever occurs first. However, the retirement board may continue paying the retirement allowance to a child who is attending school full-time during the period of full-time school attendance, but in no case beyond the child becoming 22 years old. Upon termination of a child's retirement allowance under this subsection, the retirement system shall divide that portion of the retirement allowance into equal shares and add it to the retirement allowance being paid to the remaining eligible children, if any, effective the first day of the month following termination of payment to the ineligible child.

(4) The retirement system shall not pay a retirement allowance under this section if an optional retirement allowance is being paid or will become payable to an option A beneficiary or option B beneficiary under section 506 or if a refund of accumulated contributions is paid under section 405.

(5) The surviving spouse of a deceased member may elect a refund of accumulated contributions in lieu of a retirement allowance under this section. The surviving spouse of a deceased retirant may elect to be paid a retirement allowance under this section in lieu of the survivor portion of the optional form of payment elected by the retirant under section 506.

(6) AFTER THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS SUBSECTION, IF A MEMBER WHO HAS 8 OR MORE YEARS OF CREDITED SERVICE DIES WHILE IN OFFICE, IF A VESTED FORMER MEMBER DIES BEFORE RETIREMENT, OR IF A RETIRANT DIES FOLLOWING RETIREMENT, THE RETIREMENT SYSTEM SHALL PAY THE FOLLOWING RETIREMENT ALLOWANCE AS APPLICABLE:

(A) TO A SURVIVING SPOUSE, TO WHICH THE DECEASED MEMBER, VESTED FORMER MEMBER, OR RETIRANT WAS MARRIED AT THE TIME OF HIS OR HER DEATH, A RETIREMENT ALLOWANCE EQUAL TO 1 OF THE FOLLOWING AMOUNTS, AS APPLICABLE:

(i) FOR THE SURVIVING SPOUSE OF A DECEASED MEMBER, THE AMOUNT OF THE RETIREMENT ALLOWANCE COMPUTED UNDER SECTION 503 BASED UPON THE DECEASED MEMBER'S FINAL COMPENSATION AND CREDITED SERVICE.

(ii) FOR THE SURVIVING SPOUSE OF A DECEASED RETIRANT, THE AMOUNT OF THE RETIREMENT ALLOWANCE BEING PAID THE RETIRANT AT TIME OF DEATH.

(iii) FOR THE SURVIVING SPOUSE OF A DECEASED VESTED FORMER MEMBER, THE AMOUNT OF THE DEFERRED VESTED SERVICE RETIREMENT ALLOWANCE TO WHICH THE VESTED FORMER MEMBER WOULD HAVE BEEN ENTITLED TO RECEIVE UPON RETIREMENT. IF THE DECEASED VESTED FORMER MEMBER HAD MET THE SERVICE REQUIREMENTS OF SECTION 501(1)(D), THE SURVIVING SPOUSE MAY ELECT TO RECEIVE A PERMANENTLY REDUCED RETIREMENT ALLOWANCE EQUAL TO THE AMOUNT THE DECEASED VESTED FORMER MEMBER WOULD HAVE RECEIVED AS REDUCED BY SECTION 501(1)(D).

(B) IF THE DECEASED MEMBER, VESTED FORMER MEMBER, OR RETIRANT DOES NOT LEAVE A SURVIVING SPOUSE OR IF THE SURVIVING SPOUSE DIES AFTER THE MEMBER'S, VESTED FORMER MEMBER'S, OR RETIRANT'S DEATH, TO EACH OF THE MEMBER'S, VESTED FORMER MEMBER'S, OR RETIRANT'S UNMARRIED CHILDREN UNDER THE AGE OF 19 YEARS A RETIREMENT ALLOWANCE EQUAL TO AN EQUAL SHARE OF THE AMOUNT OF THE RETIREMENT ALLOWANCE PAYABLE TO A SURVIVING SPOUSE UNDER SUBDIVISION (A).

(7) A PERSON RECEIVING A RETIREMENT ALLOWANCE UNDER SUBSECTION (1) PRIOR TO THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS SUBSECTION, SHALL HAVE THAT RETIREMENT ALLOWANCE RECALCULATED PURSUANT TO SUBSECTION (6) AND SHALL RECEIVE THE RETIREMENT ALLOWANCE AS CALCULATED UNDER SUBSECTION (6).

SEC. 512. (1) THE RETIREMENT ALLOWANCE PAYABLE TO A RETIRANT

OR BENEFICIARY OF A DECEASED RETIRANT OF TIER I, EXCEPT A RETIRANT OR BENEFICIARY OF A DECEASED RETIRANT WHO WAS A MEMBER OF THE FORMER JUDGES RETIREMENT SYSTEM BEFORE SEPTEMBER 8, 1961, SHALL BE INCREASED EACH OCTOBER 1 BEGINNING WITH THE LATER OF OCTOBER 1, 1997 OR THE FIRST OCTOBER 1 THAT IS AT LEAST 36 MONTHS AFTER THE EFFECTIVE DATE OF RETIREMENT. THE AMOUNT OF THE ANNUAL INCREASE SHALL BE EQUAL TO 3% OF THE RETIREMENT ALLOWANCE THAT IS PAYABLE AS OF THE DATE OF THE INCREASE. THE ANNUAL INCREASE SHALL NOT EXCEED \$900.00.

(2) THE PERCENTAGE OF FINAL COMPENSATION LIMITATION ON THE RETIREMENT ALLOWANCE PROVIDED BY SECTION 503 DOES NOT APPLY TO THE RETIREMENT ALLOWANCE AS INCREASED BY THIS SECTION.]

7 Sec. 701. (1) ~~The~~ EXCEPT AS OTHERWISE PROVIDED IN SUBSEC-
8 TION (3), THE retirement system shall provide an opportunity for
9 each member who is a member on March 30, 1997, to elect in writ-
10 ing to terminate membership in Tier 1 and elect to become a qual-
11 ified participant in Tier 2. An election made by a member under
12 this subsection is irrevocable. The retirement system shall
13 accept written elections under this subsection from members
14 during the period beginning on January 2, 1998 and ending on May
15 31, 1998. A member who does not make a written election or who
16 does not file the election during the period specified in this
17 subsection continues to be a member of Tier 1. ~~A~~ SUBJECT TO
18 SECTION 701A, A member who makes and files a written election
19 under this subsection elects to do all of the following:

20 (a) Cease to be a member of Tier 1 effective 12 midnight
21 ~~June 30~~ DECEMBER 31, 1998.

22 (b) Become a qualified participant in Tier 2 effective 12:01
23 a.m., ~~July 1, 1998~~ JANUARY 1, 1999.

24 (c) Except as otherwise provided in this subdivision, waive
25 all of his or her rights to a pension, an annuity, a retirement
26 allowance, an insurance benefit, or any other benefit under Tier
27 1 effective 12 midnight ~~June 30~~ DECEMBER 31, 1998. This

06353'98 (H-3)

House Bill No. 5857

8

1 subdivision does not affect a person's right to health benefits
2 provided under this act pursuant to section 719.

3 (2) If an individual who was a vested former member on March
4 30, 1997, or an individual who was a former nonvested member on
5 March 30, 1997 becomes a judge or state official and is again

6 eligible for membership in Tier 1, the individual shall elect in
7 writing to remain a member of Tier 1 or to terminate membership
8 in Tier 1 and become a qualified participant in Tier 2. An elec-
9 tion made by a vested former member or a former nonvested member
10 under this subsection is irrevocable. The retirement system
11 shall accept written elections under this subsection from a
12 vested former member or a former nonvested member during the
13 period beginning on the date of the individual's eligibility for
14 membership and ending upon the expiration of 60 days after the
15 date of that eligibility. A vested former member or former non-
16 vested member who makes and files a written election to remain a
17 member of Tier 1 retains all rights and is subject to all condi-
18 tions as a member of Tier 1 under this act. A vested former
19 member or former nonvested member who does not make a written
20 election or who does not file the election during the period
21 specified in this subsection continues to be a member of Tier 1.
22 ~~—A—~~ SUBJECT TO SECTION 701A, A vested former member or former
23 nonvested member who makes and files a written election to termi-
24 nate membership in Tier 1 elects to do all of the following:
25 (a) Cease to be a member of Tier 1 effective 12 midnight on
26 the last day of the payroll period that includes the date of the
27 election.

1 (b) Become a qualified participant in Tier 2 effective 12:01
2 a.m. on the first day of the payroll period immediately following
3 the date of the election.

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 last day of the payroll period
8 that includes the date of the election. This subdivision does
9 not affect an individual's right to health benefits provided
10 under this act pursuant to section 719.

11 (3) THIS SUBSECTION APPLIES TO AN INDIVIDUAL WHO WAS A
12 VESTED MEMBER OF TIER 1 ON MARCH 30, 1997 AND WHO TERMINATES THE
13 EMPLOYMENT UPON WHICH THAT MEMBERSHIP IS BASED AFTER JANUARY 1,
14 1998 BUT ON OR BEFORE DECEMBER 31, 1998. BEFORE THE TERMINATION
15 OF HIS OR HER EMPLOYMENT, AN INDIVIDUAL DESCRIBED IN THIS SUBSEC-
16 TION MAY ELECT IN WRITING TO TERMINATE MEMBERSHIP IN TIER 1 AND
17 BECOME A QUALIFIED PARTICIPANT IN TIER 2. AN ELECTION MADE BY A
18 MEMBER UNDER THIS SUBSECTION IS IRREVOCABLE. THE RETIREMENT
19 SYSTEM SHALL ACCEPT WRITTEN ELECTIONS UNDER THIS SUBSECTION FROM
20 A MEMBER DURING THE PERIOD BEGINNING ON JANUARY 2, 1998 AND
21 ENDING ON DECEMBER 31, 1998. A MEMBER DESCRIBED IN THIS SUBSEC-
22 TION WHO DOES NOT MAKE A WRITTEN ELECTION OR WHO DOES NOT FILE
23 THE ELECTION BEFORE THE TERMINATION OF HIS OR HER EMPLOYMENT CON-
24 TINUES TO BE A MEMBER OR VESTED FORMER MEMBER OF TIER 1. A
25 MEMBER WHO MAKES AND FILES A WRITTEN ELECTION UNDER THIS SUBSEC-
26 TION TO TERMINATE MEMBERSHIP IN TIER 1 ELECTS TO DO ALL OF THE
27 FOLLOWING:

HB5857, As Passed House, May 21, 1998

House Bill No. 5857

10

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

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

7 (C) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, WAIVE
8 ALL OF HIS OR HER RIGHTS TO A PENSION, AN ANNUITY, A RETIREMENT
9 ALLOWANCE, AN INSURANCE BENEFIT, OR ANY OTHER BENEFIT UNDER TIER
10 1 EFFECTIVE 12 MIDNIGHT ON THE DATE DESCRIBED IN SUBDIVISION
11 (A). THIS SUBDIVISION DOES NOT AFFECT AN INDIVIDUAL'S RIGHT TO
12 HEALTH BENEFITS PROVIDED UNDER THIS ACT PURSUANT TO SECTION 719.

13 (4) ~~-(3)-~~ After consultation with the retirement system's
14 actuary and the retirement board, the department of management
15 and budget shall determine the method by which a member, vested
16 former member, or former nonvested member shall make a written
17 election under this section. If the member, vested former
18 member, or former nonvested member is married at the time of the
19 election, the election is not effective unless the election is
20 signed by the individual's spouse. However, the retirement board
21 may waive this requirement if the spouse's signature cannot be
22 obtained because of extenuating circumstances.

23 (5) ~~-(4)-~~ An election under this section is subject to the
24 eligible domestic relations order act, 1991 PA 46, MCL 38.1701 to
25 38.1711.

26 (6) ~~-(5)-~~ If the department of management and budget
27 receives notification from the United States internal revenue

1 service that this section or any portion of this section will
2 cause the retirement system to be disqualified for tax purposes
3 under the internal revenue code, then the portion that will cause
4 the disqualification does not apply.

5 SEC. 701A. (1) A MEMBER WHO MAKES AND FILES A WRITTEN ELEC-
6 TION UNDER SECTION 701(1) OR AN INDIVIDUAL WHO MAKES AND FILES A
7 WRITTEN ELECTION UNDER SECTION 701(2) SHALL AT THE TIME OF THAT
8 ELECTION ALSO MAKE AN ELECTION TO DO 1 OF THE FOLLOWING:

9 (A) TO HAVE 100% OF HIS OR HER SALARY THAT IS PAID BOTH
10 DIRECTLY AND INDIRECTLY BY THIS STATE FOR THE POSITION HE OR SHE
11 HOLDS BE CONSIDERED HIS OR HER SALARY IN TIER 2.

12 (B) TO HAVE THE PORTION OF HIS OR HER SALARY THAT IS CONSID-
13 ERED COMPENSATION UNDER TIER 1 ON THE DAY BEFORE HIS OR HER ELEC-
14 TION CONTINUE TO BE THE PORTION THAT IS CONSIDERED HIS OR HER
15 SALARY IN TIER 2.

16 (2) A MEMBER OR INDIVIDUAL WHO DOES NOT MAKE THE ELECTION
17 DESCRIBED IN SUBSECTION (1) AT THE TIME HE OR SHE MAKES THE ELEC-
18 TION UNDER SECTION 701(1) OR (2) IS CONSIDERED TO HAVE MADE THE
19 ELECTION DESCRIBED IN SUBSECTION (1)(B). AN ELECTION MADE BY A
20 MEMBER OR INDIVIDUAL UNDER THIS SECTION IS IRREVOCABLE.

21 Sec. 702. (1) For a member who elects to terminate member-
22 ship in Tier 1 under section 701(1), the retirement system shall
23 direct the state treasurer to transfer a lump sum amount from the
24 appropriate fund created under this act to the qualified
25 participant's account in Tier 2 on or before ~~October 31, 1998~~
26 APRIL 30, 1999. The retirement system shall calculate the amount

HB5857, As Passed House, May 21, 1998

House Bill No. 5857

12

1 to be transferred, which shall be equal to the sum of the
2 following:

3 (a) The member's accumulated contributions, if any, from the
4 reserve for member contributions as of 12 midnight ~~June 30~~
5 DECEMBER 31, 1998.

6 (b) For a member who is vested under section 501(1) as of 12
7 midnight on ~~June 30~~ DECEMBER 31, 1998, the excess, if any, of
8 the actuarial present value of the member's accumulated benefit
9 obligation, over the amount specified in subdivision (a), from
10 the reserve for employer contributions. Except as provided in
11 subsection ~~(5)~~ (7), for the purposes of this subsection, the
12 present value of the member's accumulated benefit obligation is
13 based upon the member's estimated credited service and estimated
14 final salary as of 12 midnight on ~~June 30~~ DECEMBER 31, 1998.

15 The actuarial present value shall be computed as of 12 midnight
16 ~~June 30~~ DECEMBER 31, 1998 and shall be based on the following:

17 (i) Eight percent effective annual interest, compounded
18 annually.

19 (ii) A 50% male and 50% female gender neutral blend of the
20 mortality tables used to project retirant longevity in the most
21 recent actuarial valuation report.

22 (iii) A benefit commencement age, based upon the member's
23 estimated credited service as of 12 midnight ~~June 30~~ DECEMBER
24 31, 1998. The benefit commencement age shall be the younger of
25 the following, but shall not be younger than the member's age as
26 of 12 midnight ~~June 30~~ DECEMBER 31, 1998:

HB5857, As Passed House, May 21, 1998

House Bill No. 5857

13

1 (A) Age 60.

2 (B) Age 55, if the member's estimated credited service
3 equals or exceeds 18 years.

4 (C) The member's age, if the member's estimated credited
5 service equals or exceeds 25 years.

6 (c) Interest on any amounts determined in subdivisions (a)
7 and (b), from ~~July 1, 1998~~ JANUARY 1, 1999 to the date of the
8 transfer, based upon 8% annual interest, compounded annually.

9 (2) For each member who elects to terminate membership in
10 the retirement system under section 701(1), the retirement system
11 shall recompute the amount transferred under subsection (1) not
12 later than ~~December 31, 1998~~ JUNE 30, 1999 based upon the
13 member's actual credited service and actual final salary as of 12
14 midnight ~~June 30~~ DECEMBER 31, 1998. If the recomputed amount
15 differs from the amount transferred under subsection (1) by
16 \$10.00 or more, not later than ~~January~~ JULY 15, 1999, the
17 retirement system shall do all of the following:

18 (a) Direct the state treasurer to transfer from the reserve
19 for employer contributions to the qualified participant's account
20 in Tier 2 the excess, if any, of the recomputed amount over the
21 previously transferred amount together with interest from 12 mid-
22 night ~~June 30~~ DECEMBER 31, 1998 to the date of the transfer
23 under this subsection, based upon 8% effective annual interest,
24 compounded annually.

25 (b) Direct the state treasurer to transfer from the quali-
26 fied participant's account in Tier 2 to the reserve for employer
27 contributions the excess, if any, of the previously transferred

1 amount over the recomputed amount, together with interest, from
2 the date of the transfer made under subsection (1), based upon 8%
3 effective annual interest, compounded annually.

4 (3) For a vested former member who elects to terminate mem-
5 bership in this retirement system under section 701(2), the
6 retirement system shall direct the state treasurer to transfer a
7 lump sum amount from the appropriate fund created under this act
8 to the qualified participant's account in Tier 2 on or before the
9 expiration of 60 days after the date of the individual's termina-
10 tion of employment. The retirement system shall calculate the
11 amount to be transferred, which shall be equal to the sum of the
12 following:

13 (a) The vested former member's accumulated contributions, if
14 any, from the reserve for member contributions as of 12 midnight
15 on the last day of the payroll period that includes the date of
16 the election.

17 (b) The excess, if any, of the actuarial present value of
18 the vested former member's accumulated benefit obligation, over
19 the amount specified in subdivision (a), from the reserve for
20 employer contributions. Except as provided in subsection ~~-(5)-~~
21 (7), for the purposes of this subsection, the present value of
22 the vested former member's accumulated benefit obligation is
23 based upon the vested former member's estimated credited service
24 and estimated final salary as of 12 midnight on the last day of
25 the payroll period that includes the date of the election. The
26 actuarial present value shall be computed as of 12 midnight on
27 that date and shall be based on the following:

1 (i) Eight percent effective annual interest, compounded
2 annually.

3 (ii) A 50% male and 50% female gender neutral blend of the
4 mortality tables used to project retirant longevity in the most
5 recent annual actuarial valuation report.

6 (iii) A benefit commencement age, based upon the member's
7 estimated credited service as of 12 midnight on the last day of
8 the payroll period that includes the date of the election. The
9 benefit commencement age shall be the younger of the following,
10 but shall not be younger than the member's age as of 12 midnight
11 on the last day of the payroll period that includes the date of
12 the election:

13 (A) Age 60.

14 (B) Age 55, if the vested former member's estimated credited
15 service equals or exceeds 18 years.

16 (C) The vested former member's age, if the vested former
17 member's estimated credited service equals or exceeds 25 years.

18 (c) Interest on any amounts determined in subdivisions (a)
19 and (b), from the first day of the payroll period immediately
20 following the date of the election to the date of the transfer,
21 based upon 8% effective annual interest, compounded annually.

22 (4) For each vested former member who elects to terminate
23 membership in Tier 1 under section 701(2), the retirement system
24 shall recompute the amount transferred under subsection (3) not
25 later than the expiration of 90 days after the transfer occurs
26 under subsection (3) based upon the vested former member's actual
27 credited service and actual final salary as of 12 midnight on the

1 last day of the payroll period that includes the date of the
2 election. If the recomputed amount differs from the amount
3 transferred under subsection (3) by \$10.00 or more, the retire-
4 ment system shall do all of the following:

5 (a) Direct the state treasurer to transfer from the reserve
6 for employer contributions to the qualified participant's account
7 in Tier 2 the excess, if any, of the recomputed amount over the
8 previously transferred amount together with interest from 12 mid-
9 night on the last day of the payroll period that includes the
10 date of the election to the date of the transfer under this sub-
11 section, based upon 8% effective annual interest, compounded
12 annually.

13 (b) Direct the state treasurer to transfer from the quali-
14 fied participant's account in Tier 2 to the reserve for employer
15 contributions the excess, if any, of the previously transferred
16 amount over the recomputed amount, together with interest, from
17 the date of the transfer made under subsection (3), based upon 8%
18 effective annual interest, compounded annually.

19 (5) FOR A MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP IN THIS
20 RETIREMENT SYSTEM UNDER SECTION 701(3), THE RETIREMENT SYSTEM
21 SHALL DIRECT THE STATE TREASURER TO TRANSFER A LUMP SUM AMOUNT
22 FROM THE APPROPRIATE FUND CREATED UNDER THIS ACT TO THE FORMER
23 QUALIFIED PARTICIPANT'S ACCOUNT IN TIER 2 ON OR BEFORE THE EXPI-
24 RATION OF 60 DAYS AFTER THE DATE OF THE INDIVIDUAL'S TERMINATION
25 OF EMPLOYMENT. THE RETIREMENT SYSTEM SHALL CALCULATE THE AMOUNT
26 TO BE TRANSFERRED, WHICH SHALL BE EQUAL TO THE SUM OF THE
27 FOLLOWING:

1 (A) THE MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY, FROM THE
2 RESERVE FOR MEMBER CONTRIBUTIONS AS OF 12 MIDNIGHT ON THE DAY
3 IMMEDIATELY PRECEDING THE DATE OF THE TERMINATION OF EMPLOYMENT.

4 (B) THE EXCESS, IF ANY, OF THE ACTUARIAL PRESENT VALUE OF
5 THE MEMBER'S ACCUMULATED BENEFIT OBLIGATION, OVER THE AMOUNT
6 SPECIFIED IN SUBDIVISION (A), FROM THE RESERVE FOR EMPLOYER
7 CONTRIBUTIONS. EXCEPT AS PROVIDED IN SUBSECTION (7), FOR THE
8 PURPOSES OF THIS SUBSECTION, THE PRESENT VALUE OF THE MEMBER'S
9 ACCUMULATED BENEFIT OBLIGATION IS BASED UPON THE MEMBER'S ESTI-
10 MATED CREDITED SERVICE AND ESTIMATED FINAL SALARY AS OF 12 MID-
11 NIGHT ON THE DAY IMMEDIATELY PRECEDING THE DATE OF THE TERMINA-
12 TION OF EMPLOYMENT. THE ACTUARIAL PRESENT VALUE SHALL BE COM-
13 PUTED AS OF 12 MIDNIGHT ON THAT DATE AND SHALL BE BASED ON THE
14 FOLLOWING:

15 (i) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST, COMPOUNDED
16 ANNUALLY.

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

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

1 (A) AGE 60.

2 (B) AGE 55, IF THE MEMBER'S ESTIMATED CREDITED SERVICE

3 EQUALS OR EXCEEDS 18 YEARS.

4 (C) THE AGE OF THE MEMBER IF THE MEMBER'S ESTIMATED CREDITED

5 SERVICE EQUALS OR EXCEEDS 25 YEARS.

6 (C) INTEREST ON ANY AMOUNTS DETERMINED IN SUBDIVISIONS (A)

7 AND (B), FROM THE DAY IMMEDIATELY FOLLOWING THE DATE DESCRIBED IN

8 SUBDIVISION (A) TO THE DATE OF THE TRANSFER, BASED UPON 8% EFFEC-

9 TIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

10 (6) FOR EACH MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP IN

11 TIER 1 UNDER SECTION 701(3), THE RETIREMENT SYSTEM SHALL RECOM-

12 PUTE THE AMOUNT TRANSFERRED UNDER SUBSECTION (5) NOT LATER THAN

13 THE EXPIRATION OF 90 DAYS AFTER THE TRANSFER OCCURS UNDER SUBSEC-

14 TION (5) BASED UPON THE MEMBER'S ACTUAL CREDITED SERVICE AND

15 ACTUAL FINAL SALARY AS OF 12 MIDNIGHT ON THE DAY IMMEDIATELY PRE-

16 CEDING THE DATE OF THE TERMINATION OF EMPLOYMENT. IF THE RECOM-

17 PUTED AMOUNT DIFFERS FROM THE AMOUNT TRANSFERRED UNDER SUBSECTION

18 (5) BY \$10.00 OR MORE, THE RETIREMENT SYSTEM SHALL DO ALL OF THE

19 FOLLOWING:

20 (A) DIRECT THE STATE TREASURER TO TRANSFER FROM THE RESERVE

21 FOR EMPLOYER CONTRIBUTIONS TO THE FORMER QUALIFIED PARTICIPANT'S

22 ACCOUNT IN TIER 2 THE EXCESS, IF ANY, OF THE RECOMPUTED AMOUNT

23 OVER THE PREVIOUSLY TRANSFERRED AMOUNT TOGETHER WITH INTEREST

24 FROM 12 MIDNIGHT ON THE DAY IMMEDIATELY PRECEDING THE DATE OF THE

25 TERMINATION OF EMPLOYMENT TO THE DATE OF THE TRANSFER UNDER THIS

26 SUBSECTION, BASED UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED

27 ANNUALLY.

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

8 (7) ~~-(5)-~~ For the purposes of subsections (1) to ~~-(4)-~~ (6),
9 the calculation of estimated and actual present value of the
10 member's or vested former member's accumulated benefit obligation
11 shall be based upon methods adopted by the department of manage-
12 ment and budget and the retirement system's actuary in consulta-
13 tion with the retirement board. The retirement system shall uti-
14 lize the same actuarial valuation report used to calculate the
15 amount transferred under subsection (1), ~~-or-~~ (3), OR (5) when
16 making the recomputation required under subsection (2), ~~-or-~~ (4),
17 OR (6). Estimated and actual final salary shall be determined as
18 provided in section 105(4) as of 12 midnight on the date the
19 member or deferred member ceases to be a member of Tier 1 under
20 section 701.

21 (8) ~~-(6)-~~ For a former nonvested member who elects to termi-
22 nate membership in Tier 1 under section 701(2) and who has accu-
23 mulated contributions standing to his or her credit in the
24 reserve for member contributions, the retirement system shall
25 direct the state treasurer to transfer a lump sum amount from the
26 reserve for member contributions created under section 210 to the
27 qualified participant's account in Tier 2 on or before the

1 expiration of 60 days after the date of the individual's election
2 to terminate membership. The retirement system shall calculate
3 the amount to be transferred, which shall be equal to the sum of
4 the following:

5 (a) The former nonvested member's accumulated contributions,
6 if any, from the reserve for member contributions as of 12 mid-
7 night on the last day of the payroll period that includes the
8 date of the election.

9 (b) Interest on any amounts determined in subdivision (a),
10 from the first day of the payroll period immediately following
11 the date of the election to the date of the transfer, based upon
12 8% effective annual interest, compounded annually.

13 (9) ~~-(7)-~~ If the department of management and budget
14 receives notification from the United States internal revenue
15 service that this section or any portion of this section will
16 cause the retirement system to be disqualified for tax purposes
17 under the internal revenue code, then the portion that will cause
18 the disqualification does not apply.

19 Sec. 705. (1) "Employer" means ~~the qualified participant's~~
20 ~~reporting unit~~ THIS STATE.

21 (2) "Former qualified participant" means an individual who
22 was a qualified participant and who terminates the employment
23 upon which his or her participation is based for any reason.

24 (3) "Health benefit dependent" means the qualified or former
25 qualified participant's spouse, if any, and an unmarried child
26 who is considered a dependent of the qualified or former

HB5857, As Passed House, May 21, 1998

House Bill No. 5857

21

1 qualified participant under section 152 of the internal revenue
2 code, if any.

3 Sec. 706. (1) "Qualified participant" means an individual
4 who is a participant of Tier 2 and who meets 1 of the following
5 requirements:

6 (a) An individual who first becomes a judge or state offi-
7 cial on or after March 31, 1997, and who ~~before March 31, 1997~~
8 ~~would have been eligible~~ DOES NOT ELECT to be a member of Tier 1
9 UNDER SECTION 707A.

10 (b) An individual who elects to terminate membership in Tier
11 1 and who elects to participate in Tier 2 in the manner pre-
12 scribed in section 701.

13 (2) "Refund beneficiary" means an individual nominated by a
14 qualified participant or a former qualified participant under
15 section 717 to receive a distribution of the participant's accu-
16 mulated balance in the manner prescribed in section 718.

17 (3) "SALARY" MEANS 1 OF THE FOLLOWING:

18 (A) FOR AN INDIVIDUAL DESCRIBED IN SUBSECTION (1)(A), 100%
19 OF HIS OR HER SALARY THAT IS PAID BOTH DIRECTLY AND INDIRECTLY BY
20 THIS STATE FOR THE POSITION HE OR SHE HOLDS.

21 (B) FOR AN INDIVIDUAL DESCRIBED IN SUBSECTION (1)(B), THE
22 SALARY THAT HE OR SHE ELECTS OR IS CONSIDERED TO HAVE ELECTED
23 UNDER SECTION 701A.

24 (4) ~~-(3)-~~ "State treasurer" means the treasurer of this
25 state.

26 SEC. 707A. (1) AN INDIVIDUAL WHO FIRST BECOMES A JUDGE OR
27 STATE OFFICIAL ON OR AFTER THE EFFECTIVE DATE OF THIS SECTION

1 SHALL ELECT IN WRITING TO BECOME A MEMBER OF TIER 1 OR TO BECOME
2 A QUALIFIED PARTICIPANT IN TIER 2 WITHIN 30 DAYS OF HIS OR HER
3 EMPLOYMENT. AN ELECTION MADE BY AN INDIVIDUAL UNDER THIS SUBSEC-
4 TION IS IRREVOCABLE. AN INDIVIDUAL WHO DOES NOT MAKE A WRITTEN
5 ELECTION OR WHO DOES NOT FILE THE ELECTION DURING THE PERIOD
6 SPECIFIED IN THIS SUBSECTION IS CONSIDERED TO HAVE ELECTED TO
7 BECOME A MEMBER OF TIER 1.

8 (2) THE RETIREMENT SYSTEM SHALL PROVIDE AN OPPORTUNITY FOR
9 EACH QUALIFIED PARTICIPANT WHO IS A QUALIFIED PARTICIPANT ON THE
10 EFFECTIVE DATE OF THIS SECTION TO ELECT IN WRITING TO TERMINATE
11 PARTICIPATION IN TIER 2 AND ELECT TO BECOME A MEMBER IN TIER 1.
12 AN ELECTION MADE BY A QUALIFIED PARTICIPANT UNDER THIS SUBSECTION
13 IS IRREVOCABLE. THE RETIREMENT SYSTEM SHALL ACCEPT WRITTEN ELEC-
14 TIONS UNDER THIS SUBSECTION FROM QUALIFIED PARTICIPANTS DURING
15 THE PERIOD BEGINNING ON THE EFFECTIVE DATE OF THIS SECTION AND
16 ENDING UPON THE EXPIRATION OF 60 DAYS AFTER THE EFFECTIVE DATE OF
17 THIS SECTION. A QUALIFIED PARTICIPANT WHO DOES NOT MAKE A WRIT-
18 TEN ELECTION OR WHO DOES NOT FILE THE ELECTION DURING THE PERIOD
19 SPECIFIED IN THIS SUBSECTION CONTINUES TO BE A QUALIFIED PARTICI-
20 PANT OF TIER 2. A QUALIFIED PARTICIPANT WHO MAKES AND FILES A
21 WRITTEN ELECTION UNDER THIS SUBSECTION ELECTS TO DO ALL OF THE
22 FOLLOWING:

23 (A) CEASE TO BE A MEMBER OF TIER 2 EFFECTIVE 12 MIDNIGHT ON
24 THE DAY BEFORE THE FIRST DAY OF THE PAYROLL PERIOD THAT FOLLOWS
25 THE EXPIRATION OF 90 DAYS AFTER THE EFFECTIVE DATE OF THIS
26 SECTION.

HB5857, As Passed House, May 21, 1998

House Bill No. 5857

23

1 (B) BECOME A MEMBER OF TIER 1 EFFECTIVE 12:01 A.M. ON THE
2 FIRST DAY OF THE PAYROLL PERIOD DESCRIBED IN SUBDIVISION (A).

3 (C) WAIVE ALL OF HIS OR HER RIGHTS TO A BENEFIT UNDER TIER 2
4 ON THE DATE HE OR SHE BECOMES A MEMBER OF TIER 1.

5 (3) AFTER CONSULTATION WITH THE RETIREMENT SYSTEM'S ACTUARY
6 AND THE RETIREMENT BOARD, THE DEPARTMENT OF MANAGEMENT AND BUDGET
7 SHALL DETERMINE THE METHOD BY WHICH AN INDIVIDUAL SHALL MAKE A
8 WRITTEN ELECTION UNDER THIS SECTION. IF THE INDIVIDUAL IS MAR-
9 RIED AT THE TIME OF THE ELECTION, THE ELECTION IS NOT EFFECTIVE
10 UNLESS THE ELECTION IS SIGNED BY THE INDIVIDUAL'S SPOUSE.

11 HOWEVER, THE RETIREMENT BOARD MAY WAIVE THIS REQUIREMENT IF THE
12 SPOUSE'S SIGNATURE CANNOT BE OBTAINED BECAUSE OF EXTENUATING
13 CIRCUMSTANCES.

14 (4) AN ELECTION UNDER THIS SECTION IS SUBJECT TO THE ELIGI-
15 BLE DOMESTIC RELATIONS ORDER ACT, 1991 PA 46, MCL 38.1701 TO
16 38.1711.

17 (5) 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 (6) FOR A QUALIFIED PARTICIPANT WHO ELECTS TO TERMINATE PAR-
24 TICIPATION IN TIER 2 UNDER SUBSECTION (2), THE RETIREMENT SYSTEM
25 SHALL DIRECT THE STATE TREASURER TO TRANSFER THE QUALIFIED
26 PARTICIPANT'S ACCUMULATED BALANCE TO THE APPROPRIATE RESERVE
27 CREATED UNDER THIS ACT ON OR BEFORE THE EXPIRATION OF 120 DAYS

1 AFTER THE EFFECTIVE DATE OF THIS SECTION. THE RETIREMENT SYSTEM
2 SHALL CALCULATE THE AMOUNT TO BE TRANSFERRED, WHICH SHALL BE
3 EQUAL TO THE SUM OF THE FOLLOWING:

4 (A) THE PORTION OF THE PARTICIPANT'S ACCUMULATED BALANCE
5 ATTRIBUTABLE TO EMPLOYEE CONTRIBUTIONS AND EARNINGS ON THOSE CON-
6 TRIBUTIONS, IF ANY, AS OF THE DAY OF TRANSFER, TO THE RESERVE FOR
7 MEMBER CONTRIBUTIONS.

8 (B) THE PORTION OF THE PARTICIPANT'S ACCUMULATED BALANCE
9 ATTRIBUTABLE TO EMPLOYER CONTRIBUTIONS AND EARNINGS ON THOSE CON-
10 TRIBUTIONS, IF ANY, AS OF THE DAY OF TRANSFER, TO THE RESERVE FOR
11 EMPLOYER CONTRIBUTIONS.

12 Sec. 711. (1) A qualified participant shall not participate
13 in any other public sector retirement benefits plan for simulta-
14 neous service rendered to the same public sector employer. THIS
15 SUBSECTION DOES NOT APPLY TO A QUALIFIED PARTICIPANT WHO MAKES
16 THE ELECTION UNDER SECTION 701A(1)(B) FOR THAT PORTION OF HIS OR
17 HER COMPENSATION THAT IS NOT CONSIDERED SALARY FOR THE PURPOSES
18 OF TIER 2. Except as otherwise provided in this act, ~~or by the~~
19 ~~state treasurer,~~ this section does not prohibit a qualified par-
20 ticipant from participating in a retirement plan established
21 UNDER THE INTERNAL REVENUE CODE by this state or other public
22 sector employer. ~~under the internal revenue code.~~

23 (2) A QUALIFIED PARTICIPANT CONSENTS AS A CONDITION OF PAR-
24 TICIPATION IN TIER 2 THAT HE OR SHE SHALL NOT RECEIVE A RETIRE-
25 MENT ALLOWANCE OR OTHER BENEFIT FROM ANY OTHER PUBLIC SECTOR
26 RETIREMENT BENEFITS PLAN WHILE HOLDING THE POSITION THAT
27 QUALIFIES HIM OR HER FOR PARTICIPATION IN TIER 2 AND THE OTHER

1 PLAN. A QUALIFIED PARTICIPANT WHO RECEIVES A RETIREMENT
2 ALLOWANCE IN VIOLATION OF THIS SUBSECTION FORFEITS HIS OR HER
3 RIGHT TO EMPLOYER CONTRIBUTIONS UNDER SECTION 714. THE EMPLOYER
4 OF A QUALIFIED PARTICIPANT WHO VIOLATES THIS SUBSECTION SHALL
5 IMMEDIATELY SUSPEND EMPLOYER CONTRIBUTIONS UNDER SECTION 714. A
6 QUALIFIED PARTICIPANT WHO IS A CONTRIBUTING MEMBER IN A LOCAL
7 PUBLIC SECTOR RETIREMENT BENEFITS PLAN ON THE DAY BEFORE HE OR
8 SHE BECOMES A QUALIFIED PARTICIPANT IN TIER 2 AND WHO DOES NOT
9 HAVE A VESTED RIGHT TO A RETIREMENT BENEFIT UNDER THAT PLAN ON
10 THAT DATE MAY WITHDRAW THE CONTRIBUTIONS MADE BY THAT PARTICIPANT
11 TO THE LOCAL PLAN WITHOUT VIOLATING THIS SUBSECTION. THIS SUB-
12 SECTION DOES NOT APPLY TO A FORMER QUALIFIED PARTICIPANT.

13 (3) A PUBLIC SECTOR RETIREMENT BENEFITS PLAN SHALL NOT USE
14 THIS SECTION OR AN ELECTION MADE BY AN INDIVIDUAL UNDER SECTION
15 701 TO AFFECT, ALTER, OR DIMINISH THAT INDIVIDUAL'S RIGHT TO
16 HEALTH CARE BENEFITS OR A VESTED RIGHT TO A RETIREMENT BENEFIT
17 FOR SERVICE AS A JUDGE PROVIDED BY THAT PLAN AS OF THE DAY BEFORE
18 HE OR SHE BECOMES A QUALIFIED PARTICIPANT IN TIER 2.

19 SEC. 718A. (1) A QUALIFIED PARTICIPANT WHO HAS 8 OR MORE
20 YEARS OF CREDITED SERVICE AND WHO IS PHYSICALLY OR MENTALLY
21 TOTALLY DISABLED TO PERFORM HIS OR HER DUTIES AS DETERMINED IN
22 THE MANNER PRESCRIBED IN SECTION 507 SHALL BE GRANTED A SUPPLE-
23 MENTAL BENEFIT EQUIVALENT TO THE AMOUNT PROVIDED FOR IN SECTION
24 507 AS IF THE FORMER QUALIFIED PARTICIPANT HAD RETIRED UNDER THAT
25 SECTION. IF A QUALIFIED PARTICIPANT WHO HAS 8 OR MORE YEARS OF
26 CREDITED SERVICE DIES WHILE IN OFFICE, A SUPPLEMENTAL BENEFIT
27 EQUIVALENT TO THE AMOUNT PROVIDED FOR IN SECTION 508 SHALL BE

1 GRANTED TO A SURVIVOR DESCRIBED IN SECTION 508, IN THE MANNER
2 PRESCRIBED IN THAT SECTION. THE RETIREMENT SYSTEM SHALL OFFSET A
3 SUPPLEMENTAL BENEFIT PROVIDED UNDER THIS SECTION BY THE VALUE OF
4 THE DISTRIBUTION OF THE FORMER QUALIFIED PARTICIPANT'S OR
5 DECEASED QUALIFIED PARTICIPANT'S ACCUMULATED BALANCE PURSUANT TO
6 SECTION 718.

7 (2) A FORMER QUALIFIED PARTICIPANT OR BENEFICIARY OF A
8 DECEASED QUALIFIED PARTICIPANT WHO IS ELIGIBLE FOR A SUPPLEMENTAL
9 BENEFIT UNDER SUBSECTION (1) IS ELIGIBLE FOR HEALTH INSURANCE
10 COVERAGE UNDER SECTION 509 IN ALL RESPECTS AND UNDER THE SAME
11 TERMS AS WOULD BE A RETIRANT AND HIS OR HER BENEFICIARIES UNDER
12 TIER 1, BUT ONLY IF THE FORMER QUALIFIED PARTICIPANT OR DECEASED
13 QUALIFIED PARTICIPANT WOULD HAVE BEEN ELIGIBLE FOR HEALTH INSUR-
14 ANCE COVERAGE HAD HE OR SHE BEEN A MEMBER OF TIER 1.

15 Enacting section 1. This amendatory act does not take
16 effect unless House Bill No. 5807 of the 89th Legislature is
17 enacted into law.