

# HOUSE BILL No. 5157

September 13, 2005, Introduced by Rep. Condino and referred to the Committee on Government Operations.

A bill to amend 1957 PA 261, entitled "Michigan legislative retirement system act," by amending sections 75 and 79 (MCL 38.1075 and 38.1079), as amended by 1998 PA 501.

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

- 1       Sec. 75. (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 or  
4 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 insurance

1 coverage provided in section 79 if the qualified participant meets  
2 1 of the following requirements:

3 (a) The qualified participant has completed 6 years of service  
4 as a qualified participant and was not a member, deferred vested  
5 member, or former nonvested member of Tier 1.

6 (b) The qualified participant was a member, deferred vested  
7 member, or former nonvested member of Tier 1 who made an election  
8 to participate in Tier 2 pursuant to section 61, and who has met  
9 the service requirements he or she would have been required to meet  
10 in order to vest in health benefits under section 50b.

11 (c) The qualified participant meets all of the following  
12 requirements:

13 (i) Was not a member, deferred vested member, or former  
14 nonvested member of Tier 1.

15 (ii) Was first elected to fill a vacancy in the house of  
16 representatives for a period less than the full term but more than  
17 1/2 of the term of office.

18 (iii) Has completed 5 years of service as a qualified  
19 participant.

20 **(3) A QUALIFIED PARTICIPANT WHO BECOMES A QUALIFIED**  
21 **PARTICIPANT ON OR AFTER JANUARY 1, 2001 IS VESTED IN THE HEALTH**  
22 **INSURANCE COVERAGE PROVIDED IN SECTION 79 IF THE FORMER QUALIFIED**  
23 **PARTICIPANT HAS COMPLETED 10 YEARS OF SERVICE AS A QUALIFIED**  
24 **PARTICIPANT AND WAS NOT A MEMBER, DEFERRED MEMBER, OR FORMER**  
25 **NONVESTED MEMBER OF TIER 1.**

26 Sec. 79. (1) A former qualified participant may elect health  
27 insurance benefits in the manner prescribed in this section if he

1 or she meets both of the following requirements:

2 (a) The former qualified participant is vested in health  
3 benefits under section 75(2) **OR (3)**.

4 (b) The former qualified participant meets 1 of the following  
5 requirements:

6 (i) He or she meets or exceeds the benefit commencement age  
7 employed in the actuarial present value calculation under section  
8 62 and the service requirements that would have applied to that  
9 former participant under Tier 1 for receiving health insurance  
10 coverage under section 50b, if that former participant was a member  
11 of Tier 1.

12 (ii) He or she is 55 years of age or older.

13 (2) A former qualified participant who is eligible to elect  
14 health insurance coverage under subsection (1) may elect health  
15 insurance coverage in a health benefit plan or plans as authorized  
16 by section 50b, or in another plan as provided in subsection (6). A  
17 former qualified participant who is eligible to elect health  
18 insurance coverage under subsection (1) may also elect health  
19 insurance coverage for his or her health benefit dependents, if  
20 any. A surviving health benefit dependent of a deceased former  
21 qualified participant who is eligible to elect health insurance  
22 coverage under subsection (1) may elect health insurance coverage  
23 in the manner prescribed in this section.

24 (3) Except as otherwise provided in subsection (6), an  
25 individual who elects health insurance coverage under this section  
26 shall become a member of a health insurance coverage group  
27 authorized pursuant to section 50b.

1           (4) For a former qualified participant who is eligible to  
2 elect health insurance coverage under subsection (1) and who is  
3 vested in those benefits under section 75(2)(a) or (c), and for his  
4 or her health benefit dependents, this state shall pay a portion of  
5 the health insurance premium as calculated under this subsection on  
6 a cash disbursement method. An individual described in this  
7 subsection who elects health insurance coverage under this section  
8 shall pay to the retirement system the remaining portion of the  
9 health insurance coverage premium not paid by this state under this  
10 subsection. The portion of the health insurance coverage premium  
11 paid by this state under this subsection shall be 90% of the  
12 payments for health insurance coverage under section 50b. If the  
13 individual elects the health insurance coverage provided under  
14 section 50b, this state shall transfer its portion of the amount  
15 calculated under this subsection to the health insurance fund  
16 created by section 22c.

17           (5) For a former qualified participant who is eligible to  
18 elect health insurance coverage under subsection (1) and who is  
19 vested in those benefits under section 75(2)(b), and for his or her  
20 health benefit dependents, this state shall pay a portion of the  
21 health insurance premium as calculated under this subsection on a  
22 cash disbursement method. An individual described in this  
23 subsection who elects health insurance coverage under this section  
24 shall pay to the retirement system the remaining portion of the  
25 health insurance coverage premium not paid by this state under this  
26 subsection. The portion of the health insurance coverage premium  
27 paid by this state under this subsection shall be equal to the

1 premium amounts paid on behalf of retirants of Tier 1 for health  
2 insurance coverage under section 50b. If the individual elects the  
3 health insurance coverage provided under section 50b, the state  
4 shall transfer its portion of the amount calculated under this  
5 subsection to the health insurance fund created by section 22c.

6       **(6) FOR A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO**  
7 **ELECT HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) AND IS VESTED**  
8 **IN THOSE BENEFITS UNDER SECTION 75(3) AND FOR HIS OR HER HEALTH**  
9 **BENEFIT DEPENDENTS, THIS STATE SHALL PAY A PORTION OF THE HEALTH**  
10 **INSURANCE PREMIUM AS CALCULATED UNDER THIS SUBSECTION ON A CASH**  
11 **DISBURSEMENT METHOD. AN INDIVIDUAL DESCRIBED IN THIS SUBSECTION WHO**  
12 **ELECTS HEALTH INSURANCE COVERAGE UNDER THIS SECTION SHALL PAY TO**  
13 **THE RETIREMENT SYSTEM THE REMAINING PORTION OF THE HEALTH INSURANCE**  
14 **COVERAGE PREMIUM NOT PAID BY THIS STATE UNDER THIS SUBSECTION. THE**  
15 **PORTION OF THE HEALTH INSURANCE COVERAGE PREMIUM PAID BY THIS STATE**  
16 **UNDER THIS SUBSECTION SHALL BE EQUAL TO THE PRODUCT OF 3% AND THE**  
17 **FORMER QUALIFIED PARTICIPANT'S YEARS OF SERVICE, UP TO 30 YEARS,**  
18 **AND SHALL NOT EXCEED 90% OF THE PAYMENTS FOR HEALTH INSURANCE**  
19 **COVERAGE UNDER SECTION 50B.**

20       **(7) ~~(6)~~** A former qualified participant or health benefit  
21 dependent who is eligible to elect health insurance coverage under  
22 this section and who elects health insurance coverage under a  
23 different plan than the plan authorized under section 50b may elect  
24 to have an amount up to the amount of the retirement system's share  
25 of the monthly health insurance premium subsidy provided in this  
26 section paid by the retirement system directly to the other health  
27 insurance plan or to a medical savings account established pursuant

1 to section 220 of the internal revenue code, to the extent allowed  
2 by law or under the provisions and procedures of Tier 2.

3       **(8)** ~~—(7)—~~ If the department of management and budget receives  
4 notification from the United States internal revenue service that  
5 this section or any portion of this section will cause the  
6 retirement system to be disqualified for tax purposes under the  
7 internal revenue code, then the portion that will cause the  
8 disqualification does not apply.