

# SENATE BILL No. 868

November 1, 2007, Introduced by Senators KUIPERS and BISHOP and referred to the Committee on Government Operations and Reform.

A bill to amend 1957 PA 261, entitled "Michigan legislative retirement system act," by amending sections 50b, 75, and 79 (MCL 38.1050b, 38.1075, and 38.1079), sections 50b and 75 as amended by 1998 PA 501 and section 79 as amended by 2006 PA 614, and by adding section 79a.

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

1       Sec. 50b. (1) For a retirant or a survivor or beneficiary of a  
2       deceased retirant, or for a deferred vested member if that deferred  
3       vested member first became a member on or before January 1, 1995,  
4       the retirement system shall purchase and pay the premium for  
5       hospitalization and medical insurance coverage and dental and  
6       vision coverage for the retirant, deferred vested member, and the  
7       spouses, eligible children, and survivors of those retirants and  
8       deferred vested members. Except as otherwise provided in this

1 section, the retirement system shall provide hospitalization and  
2 medical insurance coverage and dental and vision insurance coverage  
3 under this section at a level that is equal to or greater than the  
4 level of insurance coverage under this section in effect on  
5 December 1, 1992. The retirement board may increase the amounts  
6 each person who is enrolled in insurance coverage under this  
7 section is required to pay for co-pays or deductibles under that  
8 insurance coverage.

9 (2) On and after March 31, 1997, the retirement system shall  
10 also pay health insurance premiums described in this section in the  
11 manner prescribed in section 79 **AND, ON AND AFTER JANUARY 1, 2008,**  
12 **IN THE MANNER PRESCRIBED IN SECTION 79 OR 79A, WHICHEVER IS**  
13 **APPLICABLE.**

14 Sec. 75. (1) A qualified participant is immediately 100%  
15 vested in his or her contributions made to Tier 2. A qualified  
16 participant shall vest in the employer contributions made on his or  
17 her behalf to Tier 2 according to the following schedule:

18 (a) Upon completion of 2 years of service, 50%.

19 (b) Upon completion of 3 years of service, 75%.

20 (c) Upon completion of 4 years of service, 100%.

21 (2) A qualified participant **WHO WAS FIRST ELECTED TO THE**  
22 **LEGISLATURE OR TO THE POSITION OF LIEUTENANT GOVERNOR BEFORE**  
23 **JANUARY 1, 2008** is vested in the health insurance coverage provided  
24 in section 79 if the qualified participant meets 1 of the following  
25 requirements:

26 (a) The qualified participant has completed 6 years of service  
27 as a qualified participant and was not a member, deferred vested

1 member, or former nonvested member of Tier 1.

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

7 (c) The qualified participant meets all of the following  
8 requirements:

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

11 (ii) Was first elected to fill a vacancy in the house of  
12 representatives for a period less than the full term but more than  
13 1/2 of the term of office.

14 (iii) Has completed 5 years of service as a qualified  
15 participant.

16 Sec. 79. (1) A former qualified participant **WHO WAS FIRST**  
17 **ELECTED TO THE LEGISLATURE OR TO THE POSITION OF LIEUTENANT**  
18 **GOVERNOR BEFORE JANUARY 1, 2008** may elect health insurance benefits  
19 in the manner prescribed in this section if he or she meets both of  
20 the following requirements:

21 (a) The former qualified participant is vested in health  
22 benefits under section 75(2).

23 (b) The former qualified participant meets 1 of the following  
24 requirements:

25 (i) He or she meets or exceeds the benefit commencement age  
26 employed in the actuarial present value calculation under section  
27 62 and the service requirements that would have applied to that

1 former participant under Tier 1 for receiving health insurance  
2 coverage under section 50b, if that former participant was a member  
3 of Tier 1.

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

5 (2) A former qualified participant who is eligible to elect  
6 health insurance coverage under subsection (1) may elect health  
7 insurance coverage in a health benefit plan or plans as authorized  
8 by section 50b. A former qualified participant who is eligible to  
9 elect health insurance coverage under subsection (1) may also elect  
10 health insurance coverage for his or her health benefit dependents,  
11 if any. A surviving health benefit dependent of a deceased former  
12 qualified participant who is eligible to elect health insurance  
13 coverage under subsection (1) may elect health insurance coverage  
14 to begin at the death of the deceased former qualified participant  
15 in the manner prescribed in this section.

16 (3) An individual who elects health insurance coverage under  
17 this section shall become a member of a health insurance coverage  
18 group authorized pursuant to section 50b.

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

1 subsection. The portion of the health insurance coverage premium  
2 paid by this state under this subsection shall be 90% of the  
3 payments for health insurance coverage under section 50b. If the  
4 individual elects the health insurance coverage provided under  
5 section 50b, this state shall transfer its portion of the amount  
6 calculated under this subsection to the health insurance fund  
7 created by section 22c.

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

24 (6) If the department of management and budget receives  
25 notification from the United States internal revenue service that  
26 this section or any portion of this section will cause the  
27 retirement system to be disqualified for tax purposes under the

1 internal revenue code, then the portion that will cause the  
2 disqualification does not apply.

3 SEC. 79A. (1) A FORMER QUALIFIED PARTICIPANT WHO WAS FIRST  
4 ELECTED TO THE LEGISLATURE OR TO THE POSITION OF LIEUTENANT  
5 GOVERNOR ON OR AFTER JANUARY 1, 2008 IS VESTED IN THE HEALTH  
6 INSURANCE COVERAGE IF THE QUALIFIED PARTICIPANT HAS COMPLETED 4  
7 YEARS OF SERVICE AS A QUALIFIED PARTICIPANT.

8 (2) FOR A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO  
9 ELECT HEALTH INSURANCE COVERAGE UNDER THIS SECTION AND FOR HIS OR  
10 HER HEALTH BENEFIT DEPENDENTS, THIS STATE SHALL PAY A PORTION OF  
11 THE HEALTH INSURANCE PREMIUM AS CALCULATED UNDER THIS SUBSECTION ON  
12 A CASH DISBURSEMENT METHOD. AN INDIVIDUAL DESCRIBED IN THIS  
13 SUBSECTION WHO HAS 4 OR MORE BUT LESS THAN 14 YEARS OF SERVICE AND  
14 WHO ELECTS HEALTH INSURANCE COVERAGE UNDER THIS SECTION SHALL PAY  
15 TO THE RETIREMENT SYSTEM THE REMAINING PORTION OF THE HEALTH  
16 INSURANCE PREMIUM NOT PAID BY THE STATE UNDER THIS SUBSECTION. THE  
17 PORTION PAID BY THE STATE UNDER THIS SUBSECTION SHALL BE 30% IF THE  
18 QUALIFIED PARTICIPANT HAS COMPLETED 4 YEARS OF SERVICE. IF THE  
19 QUALIFIED PARTICIPANT HAS COMPLETED MORE THAN 4 BUT LESS THAN 14  
20 YEARS OF SERVICE AS A QUALIFIED PARTICIPANT, THE PORTION PAID BY  
21 THE STATE UNDER THIS SUBSECTION SHALL INCREASE 6% FOR EACH YEAR OF  
22 SERVICE COMPLETED THROUGH 14 YEARS OF SERVICE AND SHALL NOT EXCEED  
23 90% OF THE PAYMENTS FOR HEALTH INSURANCE.