

SUBSTITUTE FOR
SENATE BILL NO. 1226

A bill to amend 1943 PA 240, entitled
"State employees' retirement act,"
by amending sections 20d and 68 (MCL 38.20d and 38.68), section 20d
as amended by 2002 PA 93 and section 68 as added by 1996 PA 487,
and by adding sections 35 and 68d.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 20d. (1) On and after July 1, 1974, hospitalization and
2 medical coverage insurance premium payable by any retirant or his
3 or her beneficiary and his or her dependents under any group health
4 plan authorized by the Michigan civil service commission and the
5 department of **TECHNOLOGY**, management, and budget shall be paid by
6 the retirement board from the health insurance reserve fund created
7 in section 11. The amount payable shall be in the same proportion
8 of premium payable by the state of Michigan for the classified

1 employees occupying positions in the state civil service **WHO**
2 **COMMENCED EMPLOYMENT WITH THE STATE BEFORE APRIL 1, 2010.** The
3 hospitalization and medical insurance premium payable shall be paid
4 from appropriations made for this purpose to the health insurance
5 reserve fund sufficient to cover the premium payment needed to be
6 made.

7 (2) Effective January 1, 1988, 90% of the premium payable by a
8 retirant or the retirant's beneficiary and his or her dependents
9 for dental coverage or vision coverage, or both, under any group
10 plan authorized by the Michigan civil service commission and the
11 department of management and budget shall be paid by the retirement
12 board from the health insurance reserve fund created in section 11.

13 (3) The department of **TECHNOLOGY**, management, and budget shall
14 calculate for each fiscal year any cost savings that have accrued
15 to this state as a result of the implementation of 1996 PA 487 over
16 the costs that would have been incurred by this state to fund
17 premiums payable pursuant to section 68 had 1996 PA 487 not been
18 implemented. The total amount of the cost savings, if any, shall be
19 allocated to the health advance funding subaccount created under
20 section 11(9).

21 (4) On and after March 31, 1997, the retirement system shall
22 also pay health insurance premiums described in this section in the
23 manner prescribed in section 68.

24 (5) For purposes of this section, "retirant" includes a person
25 who retires under section 306 or 410 of the Michigan military act,
26 1967 PA 150, MCL 32.706 and 32.810.

27 **SEC. 35. (1) BEGINNING OCTOBER 1, 2010, EACH TIER 1 MEMBER**

1 SHALL CONTRIBUTE AN AMOUNT EQUAL TO 3% OF HIS OR HER COMPENSATION
2 TO THE EMPLOYEES' SAVINGS FUND.

3 (2) THE RETIREMENT SYSTEM SHALL DETERMINE A METHOD OF
4 DEDUCTING THE CONTRIBUTIONS PROVIDED FOR IN THIS SECTION FROM THE
5 COMPENSATION OF EACH MEMBER FOR EACH PAYROLL AND EACH PAYROLL
6 PERIOD.

7 (3) THIS STATE SHALL PICK UP THE MEMBER CONTRIBUTIONS REQUIRED
8 BY SUBSECTION (1) FOR ALL COMPENSATION EARNED AFTER OCTOBER 1,
9 2010. CONTRIBUTIONS PICKED UP SHALL BE TREATED AS EMPLOYER
10 CONTRIBUTIONS IN DETERMINING TAX TREATMENT UNDER THE INTERNAL
11 REVENUE CODE. THIS STATE SHALL PAY THESE MEMBER CONTRIBUTIONS FROM
12 THE SAME SOURCE OF FUNDS THAT IS USED IN PAYING COMPENSATION TO THE
13 MEMBER. THIS STATE MAY PICK UP THESE CONTRIBUTIONS BY A REDUCTION
14 IN THE CASH SALARY OF THE MEMBER.

15 (4) ANY ADDITIONAL MEMBER CONTRIBUTIONS AS A RESULT OF THE
16 AMENDATORY ACT THAT ADDED THIS SECTION SHALL BE USED TO FUND
17 BENEFITS FOR SERVICE CREDIT EARNED BEGINNING ON AND AFTER OCTOBER
18 1, 2010 AND SHALL NOT BE USED TO FUND ANY UNFUNDED LIABILITY FOR
19 ANY ACCRUED FINANCIAL BENEFITS THAT HAVE BEEN EARNED BY MEMBERS
20 BEFORE OCTOBER 1, 2010. NOTWITHSTANDING ANY OTHER PROVISION OF THIS
21 ACT, A MEMBER SHALL ACCRUE SERVICE CREDIT FOR EACH YEAR OF SERVICE
22 FOR WHICH PAYMENT OF THE ADDITIONAL MEMBER CONTRIBUTIONS HAVE BEEN
23 PAID, BUT SHALL FORFEIT ANY SERVICE CREDIT IF PAYMENTS ARE NOT
24 INITIALLY MADE OR IF PAYMENTS ARE SUBSEQUENTLY REFUNDED TO THE
25 MEMBER.

26 Sec. 68. (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 64(2).

4 (b) The former qualified participant meets or exceeds the
5 benefit commencement age employed in the actuarial present value
6 calculation under section 51 and the service requirements that
7 would have applied to that former participant under Tier 1 for
8 receiving health insurance coverage under section 20d, if that
9 former participant was a member of Tier 1.

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

21 ~~(3) Except as otherwise provided in subsection (6), an~~ **AN**
22 individual who elects health insurance coverage under this section
23 shall become a member of a health insurance coverage group
24 authorized pursuant to section 20d.

25 (4) For a former qualified participant who is eligible to
26 elect health insurance coverage under subsection (1) and who is
27 vested in those benefits under section 64(2)(a), and for his or her

1 health benefit dependents, this state shall pay a portion of the
2 health insurance premium as calculated under this subsection on a
3 cash disbursement method. An individual described in this
4 subsection who elects health insurance coverage under this section
5 shall pay to the retirement system the remaining portion of the
6 health insurance coverage premium not paid by this state under this
7 subsection. ~~The~~ **FOR A FORMER QUALIFIED PARTICIPANT WHO COMMENCED**
8 **STATE EMPLOYMENT BEFORE APRIL 1, 2010 AND FOR HIS OR HER HEALTH**
9 **BENEFIT DEPENDENTS, THE** portion of the health insurance coverage
10 premium paid by this state under this subsection shall be equal to
11 the product of 3% and the former qualified participant's years of
12 service, up to 30 years, ~~and~~ **BUT** shall not exceed **THE LESSER OF 90%**
13 **of the payments for health insurance coverage OR THE PORTION OF THE**
14 **HEALTH INSURANCE COVERAGE PREMIUMS PAYABLE BY THIS STATE FOR A**
15 **RETIRANT, HIS OR HER BENEFICIARY, AND HIS OR HER DEPENDENTS** under
16 section 20d. If the individual elects the health insurance coverage
17 provided under section 20d, the state shall transfer its portion of
18 the amount calculated under this subsection to the health insurance
19 reserve fund created by section 11. **FOR A FORMER QUALIFIED**
20 **PARTICIPANT WHO COMMENCED STATE EMPLOYMENT ON OR AFTER APRIL 1,**
21 **2010 AND FOR HIS OR HER HEALTH BENEFIT DEPENDENTS, THE PORTION OF**
22 **THE HEALTH INSURANCE COVERAGE PREMIUM PAID BY THIS STATE UNDER THIS**
23 **SUBSECTION SHALL BE EQUAL TO THE PRODUCT OF 3% AND THE FORMER**
24 **QUALIFIED PARTICIPANT'S YEARS OF SERVICE, UP TO 30 YEARS, BUT SHALL**
25 **NOT EXCEED THE LESSER OF THE PORTION OF THE HEALTH INSURANCE**
26 **COVERAGE PREMIUMS PAYABLE BY THIS STATE FOR A RETIRANT, HIS OR HER**
27 **BENEFICIARY, AND HIS OR HER DEPENDENTS UNDER SECTION 20D OR THE**

1 PORTION OF THE HEALTH INSURANCE COVERAGE PREMIUMS PAYABLE BY THIS
2 STATE FOR A PERSON WHO OCCUPIES A POSITION IN THE CLASSIFIED STATE
3 CIVIL SERVICE OR HAS CLASSIFIED CIVIL SERVICE STATUS COMMENCING
4 STATE EMPLOYMENT ON OR AFTER APRIL 1, 2010.

5 (5) For a former qualified participant who is eligible to
6 elect health insurance coverage under subsection (1) and who is
7 vested in those benefits under section 64(2)(b), and for his or her
8 health benefit dependents, this state shall pay a portion of the
9 health insurance premium as calculated under this subsection on a
10 cash disbursement method. An individual described in this
11 subsection who elects health insurance coverage under this section
12 shall pay to the retirement system the remaining portion of the
13 health insurance coverage premium not paid by this state under this
14 subsection. The portion of the health insurance coverage premium
15 paid by this state under this subsection shall be equal to the
16 premium amounts paid on behalf of retirants of Tier 1 for health
17 insurance coverage under section 20d. If the individual elects the
18 health insurance coverage provided under section 20d, the state
19 shall transfer its portion of the amount calculated under this
20 subsection to the health insurance reserve fund created by section
21 11.

22 ~~(6) A former qualified participant or health benefit dependent~~
23 ~~who is eligible to elect health insurance coverage under this~~
24 ~~section and who elects health insurance coverage under a different~~
25 ~~plan than the plan authorized under section 20d may elect to have~~
26 ~~an amount up to the amount of the retirement system's share of the~~
27 ~~monthly health insurance premium subsidy provided in this section~~

1 ~~paid by the retirement system directly to the other health~~
2 ~~insurance plan or to a medical savings account established pursuant~~
3 ~~to section 220 of the internal revenue code, to the extent allowed~~
4 ~~by law or under the provisions and procedures of Tier 2. BEGINNING~~
5 **JANUARY 1, 2011, ANY FORMER QUALIFIED PARTICIPANT OR HEALTH BENEFIT**
6 **DEPENDENT WHO IS ELIGIBLE TO ELECT HEALTH INSURANCE COVERAGE UNDER**
7 **THIS SECTION AND WHO PREVIOUSLY ELECTED COVERAGE UNDER A DIFFERENT**
8 **PLAN THAN THE PLAN AUTHORIZED UNDER SECTION 20D MAY EITHER ELECT**
9 **COVERAGE UNDER THIS SECTION OR MAY AT HIS OR HER OWN COST**
10 **PARTICIPATE IN COVERAGE UNDER A DIFFERENT PLAN THAN THE PLAN**
11 **AUTHORIZED UNDER SECTION 20D.**

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

18 (8) **AS USED IN THIS SECTION, "HEALTH INSURANCE COVERAGE" MEANS**
19 **THE HOSPITALIZATION AND MEDICAL INSURANCE, DENTAL COVERAGE, VISION**
20 **COVERAGE, AND ANY OTHER HEALTH CARE INSURANCE PROVIDED IN SECTION**
21 **20D.**

22 **SEC. 68D. (1) THERE IS APPROPRIATED FOR THE FISCAL YEAR ENDING**
23 **SEPTEMBER 30, 2010, \$500,000.00 TO THE OFFICE OF RETIREMENT**
24 **SERVICES IN THE DEPARTMENT OF TECHNOLOGY, MANAGEMENT, AND BUDGET**
25 **FOR ADMINISTRATION OF THE CHANGES UNDER THE AMENDATORY ACT THAT**
26 **ADDED THIS SECTION.**

27 (2) **THE APPROPRIATION AUTHORIZED IN SUBSECTION (1) IS A WORK**

1 PROJECT APPROPRIATION, AND ANY UNENCUMBERED OR UNALLOTTED FUNDS ARE
2 CARRIED FORWARD INTO THE FOLLOWING FISCAL YEAR. THE FOLLOWING IS IN
3 COMPLIANCE WITH SECTION 451A(1) OF THE MANAGEMENT AND BUDGET ACT,
4 1984 PA 431, MCL 18.1451A:

5 (A) THE PURPOSE OF THE PROJECT IS TO ADMINISTER CHANGES UNDER
6 THE AMENDATORY ACT THAT ADDED THIS SECTION.

7 (B) THE WORK PROJECT WILL BE ACCOMPLISHED THROUGH A PLAN
8 UTILIZING INTERAGENCY AGREEMENTS, EMPLOYEES, AND CONTRACTS.

9 (C) THE TOTAL ESTIMATED COMPLETION COST OF THE WORK PROJECT IS
10 \$500,000.00.

11 (D) THE ESTIMATED COMPLETION DATE FOR THE WORK PROJECT IS
12 SEPTEMBER 30, 2011.