

# SENATE BILL No. 132

January 29, 2009, Introduced by Senators KUIPERS, VAN WOERKOM, KAHN, BROWN, CROPEY, PAPPAGEORGE, JANSEN, HARDIMAN, RICHARDVILLE and GARCIA and referred to the Committee on Government Operations and Reform.

A bill to amend 1992 PA 234, entitled "The judges retirement act of 1992," by amending sections 715 and 719 (MCL 38.2665 and 38.2669), section 715 as amended by 1999 PA 215 and section 719 as added by 1996 PA 523.

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

1           Sec. 715. (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%.

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

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

3 (2) A qualified participant **WHO WAS FIRST ELIGIBLE TO BECOME A**  
4 **QUALIFIED PARTICIPANT ON OR BEFORE DECEMBER 31, 2008** is vested in  
5 the health insurance coverage provided in section 719 if the  
6 qualified participant meets 1 of the following requirements:

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

10 (b) The qualified participant was a member, deferred vested  
11 member, or former nonvested member of Tier 1 who made an election  
12 to participate in Tier 2 pursuant to section 701 or 701a, and who  
13 has met the service requirements he or she would have been required  
14 to meet in order to vest in health benefits under section 509.

15 (3) **A QUALIFIED PARTICIPANT WHO FIRST BECAME ELIGIBLE TO**  
16 **BECOME A QUALIFIED PARTICIPANT ON AND AFTER JANUARY 1, 2009 IS**  
17 **VESTED IN THE HEALTH INSURANCE COVERAGE PROVIDED IN SECTION 719 IF**  
18 **THE QUALIFIED PARTICIPANT HAS COMPLETED 4 YEARS OF SERVICE AND WAS**  
19 **NOT A MEMBER, DEFERRED VESTED MEMBER, OR FORMER NONVESTED MEMBER OF**  
20 **TIER 1.**

21 Sec. 719. (1) A former qualified participant may elect health  
22 insurance benefits in the manner prescribed in this section if he  
23 or she meets both of the following requirements:

24 (a) The former qualified participant is vested in health  
25 benefits under section 715(2) **OR (3)**.

26 (b) The former qualified participant meets or exceeds the  
27 benefit commencement age employed in the actuarial present value

1 calculation under section 702 and the service requirements that  
2 would have applied to that former participant under Tier 1 for  
3 receiving health insurance coverage under section 509, if that  
4 former participant was a member of Tier 1.

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 509, or in another plan as provided in subsection (6). A  
9 former qualified participant who is eligible to elect health  
10 insurance coverage under subsection (1) may also elect health  
11 insurance coverage for his or her health benefit dependents, if  
12 any. A surviving health benefit dependent of a deceased former  
13 qualified participant who is eligible to elect health insurance  
14 coverage under subsection (1) may elect health insurance coverage  
15 in the manner prescribed in this section.

16 (3) Except as otherwise provided in subsection ~~(6)~~-(7), an  
17 individual who elects health insurance coverage under this section  
18 shall become a member of a health insurance coverage group  
19 authorized pursuant to section 509.

20 (4) For a former qualified participant who is eligible to  
21 elect health insurance coverage under subsection (1) and who is  
22 vested in those benefits under section 715(2)(a), and for his or  
23 her health benefit dependents, this state shall pay a portion of  
24 the health insurance premium as calculated under this subsection on  
25 a cash disbursement method. An individual described in this  
26 subsection who elects health insurance coverage under this section  
27 shall pay to the retirement system the remaining portion of the

1 health insurance coverage premium not paid by this state under this  
2 subsection. The portion of the health insurance coverage premium  
3 paid by this state under this subsection shall be 50% of the  
4 payments for health insurance coverage under section 509 if the  
5 former qualified participant has 4 years of service; 75% of the  
6 payments for health insurance coverage under section 509 if the  
7 former qualified participant has 5 years of service; or 90% of the  
8 payments for health insurance coverage under section 509 if the  
9 former qualified participant has 6 years of service. If the  
10 individual elects the health insurance coverage provided under  
11 section 509, the state shall transfer its portion of the amount  
12 calculated under this subsection to the reserve for health benefits  
13 created by section 214.

14 (5) For a former qualified participant who is eligible to  
15 elect health insurance coverage under subsection (1) and who is  
16 vested in those benefits under section 715(2)(b), and for his or  
17 her health benefit dependents, this state shall pay a portion of  
18 the health insurance premium as calculated under this subsection on  
19 a cash disbursement method. An individual described in this  
20 subsection who elects health insurance coverage under this section  
21 shall pay to the retirement system the remaining portion of the  
22 health insurance coverage premium not paid by this state under this  
23 subsection. The portion of the health insurance coverage premium  
24 paid by this state under this subsection shall be equal to the  
25 premium amounts paid on behalf of retirants of Tier 1 for health  
26 insurance coverage under section 509. If the individual elects the  
27 health insurance coverage provided under section 509, the state

1 shall transfer its portion of the amount calculated under this  
2 subsection to the reserve for health benefits created by section  
3 214.

4 (6) FOR A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO  
5 ELECT HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) AND WHO IS  
6 VESTED IN THOSE BENEFITS UNDER SECTION 715(3), AND FOR HIS OR HER  
7 HEALTH BENEFIT DEPENDENTS, THIS STATE SHALL PAY A PORTION OF THE  
8 HEALTH INSURANCE PREMIUM AS CALCULATED UNDER THIS SUBSECTION ON A  
9 CASH DISBURSEMENT METHOD. AN INDIVIDUAL DESCRIBED IN THIS  
10 SUBSECTION WHO ELECTS HEALTH INSURANCE COVERAGE UNDER THIS SECTION  
11 SHALL PAY TO THE RETIREMENT SYSTEM THE REMAINING PORTION OF THE  
12 HEALTH INSURANCE PREMIUM NOT PAID BY THIS STATE UNDER THIS  
13 SUBSECTION. THE PORTION OF HEALTH INSURANCE COVERAGE PREMIUM PAID  
14 BY THIS STATE UNDER THIS SUBSECTION SHALL BE 30% OF THE PAYMENTS  
15 FOR HEALTH INSURANCE COVERAGE UNDER SECTION 509 IF THE FORMER  
16 QUALIFIED PARTICIPANT HAS COMPLETED 4 YEARS OF SERVICE. IF THE  
17 FORMER QUALIFIED PARTICIPANT HAS COMPLETED MORE THAN 4 YEARS, NOT  
18 TO EXCEED 14 YEARS OF SERVICE, THE PORTION OF THE PREMIUM PAID BY  
19 THIS STATE SHALL INCREASE 6% FOR EACH COMPLETED YEAR OF SERVICE  
20 THROUGH 14 YEARS OF SERVICE AND SHALL NOT EXCEED 90% OF THE  
21 PAYMENTS FOR HEALTH INSURANCE AND THE REMAINING PORTION OF THE  
22 PREMIUMS SHALL BE PAID BY THE FORMER QUALIFIED PARTICIPANT.

23 (7) ~~(6)~~—A former qualified participant or health benefit  
24 dependent who is eligible to elect health insurance coverage under  
25 this section and who elects health insurance coverage under a  
26 different plan than the plan authorized under section 509 may elect  
27 to have an amount up to the amount of the retirement system's share

1 of the monthly health insurance premium subsidy provided in this  
2 section paid by the retirement system directly to the other health  
3 insurance plan or to a medical savings account established pursuant  
4 to section 220 of the internal revenue code, to the extent allowed  
5 by law or under the provisions and procedures of Tier 2.

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