

HOUSE BILL No. 6066

November 29, 2012, Introduced by Rep. McMillin and referred to the Committee on Appropriations.

A bill to amend 1943 PA 240, entitled
"State employees' retirement act,"
by amending section 68b (MCL 38.68b), as added by 2011 PA 264.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 68b. (1) A qualified participant or former qualified
2 participant who was first employed and entered upon the payroll of
3 his or her employer on or after January 1, 2012 or who made an
4 election under subsection (5) or (6) shall not receive any health
5 insurance coverage premium from this state under section 68. In
6 lieu of any health insurance coverage premium that might have been
7 paid by this state under section 68, a qualified participant's
8 employer shall make a matching contribution up to 2% of the
9 qualified participant's compensation to an appropriate tax-deferred
10 account for each qualified participant who was first employed and

1 entered upon the payroll of his or her employer on or after January
2 1, 2012 or who made an election under subsection (5) or (6). A
3 matching contribution under this subsection shall not be used as
4 the basis for a loan from an employee's Tier 2 or tax-deferred
5 account.

6 (2) A qualified participant who was first employed and entered
7 upon the payroll of his or her employer on or after January 1, 2012
8 or who made an election under subsection (5) or (6) may make a
9 contribution up to 2% of the qualified participant's compensation
10 to an appropriate tax-deferred account.

11 (3) Except as otherwise provided in this subsection, a
12 qualified participant is vested in contributions made to his or her
13 tax-deferred account under subsections (1) and (2) according to the
14 vesting provisions under section 64(1). A qualified participant who
15 is eligible for health insurance coverage under section 67a(4) or
16 (8) is not vested in any employer contributions under subsection
17 (1) and forfeits the contributions and earnings on the
18 contributions.

19 (4) The contributions described in this section shall begin
20 with the first payday after the qualified participant is employed
21 or on or after April 1, 2012 for a qualified participant who makes
22 an election under subsection (5) or (6) and end upon his or her
23 termination of employment.

24 (5) Except as otherwise provided in this subsection, beginning
25 January 3, 2012 and ending at 5 p.m. eastern standard time on March
26 2, 2012, the retirement system shall permit each qualified
27 participant who is a qualified participant on December 31, 2011 to

1 make an election to opt out of the health insurance coverage
2 premium that would have been paid by this state under section 68
3 and opt in to the tax-deferred account provisions of this section
4 effective April 1, 2012. A qualified participant who is a qualified
5 participant on December 31, 2011 and who does not make the election
6 under this subsection continues to be eligible for the health
7 insurance coverage premium paid by this state under section 68 and
8 is not eligible for the tax-deferred account provisions of this
9 section. A qualified participant who is a qualified participant on
10 December 31, 2011 and who makes the election under this subsection
11 shall cease accruing years of service credit for purposes of
12 calculating a portion of the health insurance coverage premium that
13 would have been paid by this state under section 68 as if that
14 section continued to apply and for the portion of the amount to be
15 calculated under subsection (7) for crediting to a tax-deferred
16 account. This subsection does not apply to any of the following:

17 (a) A former member who made an election to become a qualified
18 participant under section 50.

19 (b) A member who did not make the election under section 50a.

20 (c) A member who made the election under section 50a(1) and
21 the designation under section 50a(2), who has attained 30 years of
22 credited service, and who remains employed by this state.

23 (d) A former qualified participant who was a former qualified
24 participant on December 31, 2011.

25 (6) Except as otherwise provided in this subsection, a former
26 qualified participant who has 10 or more years of service on or
27 before December 31, 2011 and who is reemployed by this state on or

1 after January 1, 2012 and before January 1, 2014 may make an
2 election under this subsection and receive an amount, if any, as
3 determined under this section. Beginning on the date of the former
4 qualified participant's reemployment and ending 60 days after the
5 former qualified participant's first pay date, the retirement
6 system shall permit the former qualified participant to make an
7 election to opt out of the health insurance coverage premium that
8 would have been paid by this state under section 68 and opt in to
9 the tax-deferred account provisions of this section effective on or
10 after the former qualified participant's date of reemployment. If
11 the former qualified participant does not make the election under
12 this subsection, he or she continues to be eligible for the health
13 insurance coverage premium paid by this state under section 68 and
14 is not eligible for the tax-deferred account provisions of this
15 section. A former qualified participant who makes the election
16 under this subsection ceases to accrue years of service credit for
17 purposes of calculating a portion of the health insurance coverage
18 premium that would have been paid by this state under section 68 as
19 if that section continued to apply and for purposes of calculating
20 the portion of the amount to be credited to a tax-deferred account
21 under subsection (7). This subsection does not apply to any of the
22 following:

23 (a) A former member who made an election to become a qualified
24 participant under section 50.

25 (b) A member who did not make the election under section 50a.

26 (c) A member who made the election under section 50a(1) and
27 the designation under section 50a(2), who has attained 30 years of

1 credited service, and who remains employed by this state.

2 (7) Except as otherwise provided in this section, in lieu of
3 any health insurance coverage premium that might have been paid by
4 this state under section 68, the retirement system shall calculate
5 an amount to be credited at termination to an appropriate tax-
6 deferred account for each qualified participant who makes an
7 election under subsection (5) or (6). The amount described in this
8 subsection shall be an amount calculated to approximate the
9 actuarial present value as of 12 midnight March 31, 2012 of the
10 projected retirant health benefits based on the current benefit
11 structure under section 68 and the qualified participant's years of
12 service as of March 31, 2012. The amount calculated under this
13 subsection shall be equal to the product of all of the following as
14 determined by the retirement system in consultation with the
15 actuary for the system:

16 (a) An average monthly premium of \$1,000.00, payable for the
17 life of the qualified participant, which approximates the overall
18 average value of all types of premium coverages for single and
19 multiple lives during both pre-medicare and post-medicare periods.

20 (b) A frozen benefit accrual percent that is the product of 3%
21 and the qualified participant's years of service as of March 31,
22 2012, up to 30 years.

23 (c) A deferred life annuity factor equal to the actuarial
24 present value as of March 31, 2012 of \$1.00 per month payable for
25 the life of the qualified participant, based on the following
26 actuarial assumptions:

27 (i) An interest discount rate of 4% annually for all future

1 years, which approximates the use of an assumed rate of investment
2 return or interest discount rate of ~~8%~~5.4%, combined with an
3 assumption that the average premium is projected to increase 4%
4 annually for all future years.

5 (ii) Mortality rates based on a 50% male - 50% female blend of
6 the 1994 group annuity mortality table set forward 1 year for both
7 males and females.

8 (iii) Commencement of the \$1.00 per month deferred life annuity
9 based on an assumption that the qualified participant will
10 terminate employment upon reaching age 60 and that the qualified
11 participant would have received health insurance coverage
12 immediately upon termination of employment.

13 (8) The amount calculated under subsection (7) shall be
14 adjusted annually from March 31, 2012 to the date of the qualified
15 participant's actual termination of employment. Except as otherwise
16 provided in this subsection, the retirement system shall establish
17 the amount of the annual adjustment to be equal to the change in
18 the medical care component of the United States consumer price
19 index for the most recent 12-month period for which data are
20 available from the bureau of labor statistics of the United States
21 department of labor. The adjustment under this subsection shall not
22 be less than 0% and shall not be more than 4%.

23 (9) The amount calculated under subsection (7) and adjusted
24 under subsection (8) shall be credited at the qualified
25 participant's first termination of employment following December
26 31, 2011, to the qualified participant's tax-deferred account
27 according to the following schedule:

1 (a) One hundred percent of the calculated amount to a
2 qualified participant who is at least 60 years of age with at least
3 10 years of service or is at least 55 years of age with at least 30
4 years of service.

5 (b) Fifty percent of the calculated amount to a qualified
6 participant who has at least 10 years of service and who does not
7 meet the age and service qualifications of subdivision (a).

8 (10) An individual who is a former qualified participant on
9 December 31, 2011, who has 10 or more years of service on or before
10 December 31, 2011, and who is reemployed by this state on or after
11 January 1, 2014 shall be treated in the same manner as a qualified
12 participant under this section who made the election under
13 subsection (5) and shall receive an amount, if any, as determined
14 under this section. This subsection does not apply to any of the
15 following:

16 (a) A former member who made the election to become a
17 qualified participant under section 50.

18 (b) A member who did not make the election under section 50a.

19 (c) A member who made the election under section 50a(1) and
20 the designation under section 50a(2), who has attained 30 years of
21 credited service, and who remains employed by this state.

22 (11) In lieu of any other health insurance coverage that might
23 have been paid by this state, a credit to a health reimbursement
24 account within the trust created under the public employee
25 retirement health care funding act, 2010 PA 77, MCL 38.2731 to
26 38.2747, shall be made by this state in the amounts and to the
27 qualified participants or former qualified participants as follows:

1 (a) Two thousand dollars to a qualified participant who was
2 first employed and entered upon the payroll of his or her employer
3 on or after January 1, 2012, who is 60 years of age or older, and
4 who has at least 10 years of service at his or her first
5 termination of employment.

6 (b) One thousand dollars to a qualified participant who was
7 first employed and entered upon the payroll of his or her employer
8 on or after January 1, 2012, who is less than 60 years of age, and
9 who has at least 10 years of service at his or her first
10 termination of employment.

11 (c) Two thousand dollars to a former qualified participant who
12 has less than 10 years of service as of December 31, 2011, who is
13 reemployed by this state on or after January 1, 2012, who is 60
14 years of age or older, and who has at least 10 years of service at
15 his or her first termination of employment following December 31,
16 2011. This subdivision does not apply to an individual described in
17 subsection (10)(a), (b), or (c).

18 (d) One thousand dollars to a former qualified participant who
19 has less than 10 years of service as of December 31, 2011, who is
20 reemployed by this state on or after January 1, 2012, who is less
21 than 60 years of age, and who has at least 10 years of service at
22 his or her first termination of employment following December 31,
23 2011. This subdivision does not apply to an individual described in
24 subsection (10)(a), (b), or (c).

25 (e) Two thousand dollars shall be the minimum amount credited
26 to a qualified participant who made an election under subsection
27 (5) and who does not otherwise qualify for an amount or qualifies

1 for a lesser amount under this subsection at his or her first
2 termination of employment after December 31, 2011.

3 (12) The retirement system shall determine a method to
4 implement subsections (5) to (11), including a method for crediting
5 the amounts in subsection (9) to comply with any contribution
6 limits imposed by the internal revenue code, including, but not
7 limited to, crediting of payments before termination of employment.

8 (13) Subsections (5) to (11) do not apply to a qualified
9 participant who is eligible for health insurance coverage under
10 section 67a(4) or (8).

11 (14) On or before January 1, 2017, the retirement system shall
12 provide a report to the chair of the house and senate
13 appropriations committees that provides the projected impact of
14 subsection (11) as it applies to qualified participants entered
15 upon the payroll of this state on or after January 1, 2017 with
16 regard to the annual required contribution as used by the
17 governmental accounting standards board and for purposes of the
18 annual financial statements prepared under section 12(1).