

# SENATE BILL No. 593

September 7, 2011, Introduced by Senators JONES, SCHUITMAKER, HILDENBRAND, COLBECK, PAPPAGEORGE, ROBERTSON, MARLEAU and WALKER and referred to the Committee on Appropriations.

A bill to amend 1980 PA 300, entitled  
"The public school employees retirement act of 1979,"  
by amending sections 8, 25, 26, 34, 41b, 43a, 81, 81c, 86, 87,  
91, and 124 (MCL 38.1308, 38.1325, 38.1326, 38.1334, 38.1341b,  
38.1343a, 38.1381, 38.1381c, 38.1386, 38.1387, 38.1391, and  
38.1424), section 8 as amended by 1997 PA 143, sections 25, 26,  
81, 86, 87, and 91 as amended and sections 41b, 81c, and 124 as  
added by 2010 PA 75, section 34 as amended by 2002 PA 94, and  
section 43a as amended by 2007 PA 111, and by adding sections  
41c, 92b, 110, 111, 112, 151, 152, 153, 154, 155, 156, 157, 158,  
159, 160, 161, 162, 163, 164, 165, 165a, 166, and 167.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 8. (1) "Service" means personal service performed as a  
2 public school employee or creditable under this act.

3       (2) "Simple interest" means interest at 1 or more rates per  
4 annum determined by the retirement board.

5       (3) "State of Michigan service" means service performed as a  
6 state employee in the classified or unclassified service under  
7 the state employees' retirement act, 1943 PA 240, MCL 38.1 to  
8 38.69.

9       (4) "Teacher" means a person employed by a reporting unit  
10 who is engaged in teaching, who is engaged in administering and  
11 supervising teaching, or who is under a teacher's contract with a  
12 reporting unit.

13       (5) **"TIER 1" MEANS THE RETIREMENT PLAN AVAILABLE TO A MEMBER**  
14 **UNDER THIS ACT WHO WAS FIRST EMPLOYED BY A REPORTING UNIT BEFORE**  
15 **JULY 1, 2011 AND WHO DOES NOT ELECT TO BECOME A QUALIFIED**  
16 **PARTICIPANT OF TIER 3.**

17       (6) **"TIER 2" MEANS THE RETIREMENT PLAN ESTABLISHED AND**  
18 **ADMINISTERED UNDER ARTICLE 7.**

19       (7) **"TIER 3" MEANS THE RETIREMENT PLAN ESTABLISHED AND**  
20 **ADMINISTERED UNDER ARTICLE 8.**

21       (8) ~~(5)~~—"Transitional public employment program" means  
22 participation in public service employment programs in the areas  
23 of environmental quality, health care, education, public safety,  
24 crime prevention and control, prison rehabilitation,  
25 transportation, recreation, maintenance of parks, streets, and  
26 other public facilities, solid waste removal, pollution control,  
27 housing and neighborhood improvements, rural development,

1 conservation, beautification, veterans' outreach, and other  
2 fields of human betterment and community improvement as part of a  
3 program of comprehensive manpower services authorized,  
4 undertaken, and financed under the comprehensive employment and  
5 training act of 1973, former Public Law 93-203, 87 Stat. 839.

6       Sec. 25. (1) The board shall have only the rights,  
7 authority, and discretion in the proper discharge of its duties  
8 provided in this act and former 1945 PA 136.

9       (2) The retirement board may promulgate rules pursuant to  
10 the administrative procedures act of 1969, 1969 PA 306, MCL  
11 24.201 to 24.328, for the implementation and administration of  
12 this act. The retirement board shall not promulgate rules for the  
13 establishment, implementation, administration, operation,  
14 investment, or distribution of ~~a Tier 2 retirement plan.~~ **OR TIER**  
15 **3.**

16       Sec. 26. (1) This section does not apply to Tier 2 **OR TIER**  
17 **3.**

18       (2) The state treasurer shall be treasurer of the retirement  
19 system and shall have investment authority, including the  
20 custodianship of the funds of the retirement system, and shall  
21 have fiduciary responsibility with regard to the investment of  
22 funds of the retirement system.

23       (3) The state treasurer shall deposit the funds of the  
24 retirement system in the same manner and subject to the law  
25 governing the deposit of state funds by the treasurer. Income  
26 earned by the retirement system's funds shall be credited to the  
27 respective reserves under this act that earned the income.

1       Sec. 34. (1) The reserve for health benefits is the account  
2 to which payments of reporting units, **SUBSCRIBER COPAYMENTS, AND**  
3 **PAYMENTS BY THE RETIREMENT SYSTEM UNDER SECTION 166** for health  
4 benefits are credited. Benefits payable pursuant to ~~section~~  
5 **SECTIONS 91 AND 166** shall be paid from the reserve for health  
6 benefits. The assets and any earnings on the assets contained in  
7 the reserve for health benefits and the health advance funding  
8 subaccount are not to be treated as pension assets for any  
9 purpose.

10       (2) The health advance funding subaccount is the account to  
11 which amounts transferred pursuant to section 41 are credited.  
12 Except as otherwise provided in this section, any amounts  
13 received in the health advance funding subaccount and accumulated  
14 earnings on those amounts shall not be expended until the  
15 actuarial accrued liability for health benefits under section 91  
16 is at least 100% funded. The department may expend funds or  
17 transfer funds to another account to expend for health benefits  
18 under section 91 if the actuarial accrued liability for health  
19 benefits under section 91 is at least 100% funded. For each  
20 fiscal year that begins after the first fiscal year in which the  
21 actuarial accrued liability for health benefits under section 91  
22 is at least 100% funded by the health advance funding subaccount,  
23 the amounts may be expended or credited to fund health benefits  
24 provided under section 91 as provided in section 41(2).

25       (3) Notwithstanding any other provision of this section, the  
26 department may transfer amounts from the health advance funding  
27 subaccount to the reserve for employer contributions established

1 in section 30 if the department does both of the following:

2 (a) At least 45 days before the intended transfer, submits a  
3 request to the chairs of the senate and house appropriations  
4 committees and, at least 15 days before the intended transfer,  
5 obtains the approval of both the senate and house appropriations  
6 committees.

7 (b) Ensures that the request submitted to the senate and  
8 house appropriations committees contains an actuarial valuation  
9 prepared pursuant to section 41 that demonstrates that as of the  
10 beginning of a fiscal year, and after all credits and transfers  
11 required by this act for the previous fiscal year have been made,  
12 the sum of the actuarial value of assets and the actuarial  
13 present value of future normal cost contributions does not exceed  
14 the actuarial present value of benefits.

15 Sec. 41b. (1) Beginning July 1, 2010, the retirement system  
16 may determine a separate employer contribution rate for members  
17 who first became a member on or after July 1, 2010. Except as  
18 provided in this section, the retirement system shall determine  
19 the separate employer contribution rate in the manner prescribed  
20 in section 41.

21 (2) To the extent and upon approval by the internal revenue  
22 service, the retirement system for ~~the Tier 1 plan~~ and the plan  
23 administrator for ~~the Tier 2 plan~~ **OR TIER 3** may also determine  
24 the extent to which some or all of the individuals performing  
25 services for an entity not participating in the retirement system  
26 that receives any funding from the state school aid fund  
27 established in section 11 of article IX of the state constitution

1 of 1963 may participate in ~~the Tier 1, and Tier 2, plans.~~ **AND TIER**  
2 3.

3       **SEC. 41C. FOR FISCAL YEARS THAT BEGIN ON OR AFTER THE**  
4 **EFFECTIVE DATE OF THIS SECTION, THE ANNUAL LEVEL PERCENTAGE OF**  
5 **PAYROLL CONTRIBUTION RATE AS IT APPLIES TO THE UNFUNDED ACTUARIAL**  
6 **ACCRUED LIABILITY DETERMINED UNDER SECTION 41 SHALL BE BASED UPON**  
7 **AND APPLIED TO THE COMBINED PAYROLLS FOR MEMBERS OF TIER 1 AND**  
8 **QUALIFIED PARTICIPANTS OF TIER 2 AND TIER 3.**

9       Sec. 43a. (1) The contributions of a member who contributes  
10 to the member investment plan shall be deducted by the employer  
11 and remitted as employer contributions to the retirement system  
12 pursuant to section 42. A member who contributes to the member  
13 investment plan is entitled to the benefits provided in sections  
14 43b and 43c.

15       (2) Until December 31, 1989, a member who first became a  
16 member on or before December 31, 1989, and who elected or elects  
17 on or before December 31, 1989 to contribute to the member  
18 investment plan shall contribute 4% of the member's compensation  
19 to the member investment plan and beginning January 1, 1990 shall  
20 contribute 3.9% of the member's compensation to the member  
21 investment plan.

22       (3) On or before January 1, 1993, a member who first became  
23 a member on or before December 31, 1989, except as otherwise  
24 provided in subsection (4), and who did not elect to make  
25 contributions to the member investment plan, may irrevocably  
26 elect to make the contributions described in subsection (2). In  
27 addition to making the contributions required under subsection

1 (2), a member who elects to make contributions to the member  
2 investment plan under this subsection shall make a contribution  
3 of 4% of the compensation received on or after January 1, 1987 to  
4 December 31, 1989, and 3.9% of the compensation received on or  
5 after January 1, 1990 to the date of the election, plus an amount  
6 equal to the compound interest that would have accumulated on  
7 those contributions as described in section 33, plus an amount  
8 equal to the net actuarial cost of the additional benefits  
9 attributable to service credited before January 1, 1987, as  
10 determined by the retirement board. The method and timing of  
11 payment by a member under this subsection shall be determined by  
12 the retirement board. The contributions made under this  
13 subsection shall be deposited into the reserve for employee  
14 contributions.

15 (4) A member who first became a member on or before December  
16 31, 1986 but did not perform membership service between December  
17 31, 1986 and January 1, 1990, and who returns to membership  
18 service on or after January 1, 1990 and before July 1, 2008 shall  
19 make the contributions described in subsection (7).

20 (5) A member who first became a member on or after January  
21 1, 1990 and before July 1, 2008 shall make the contributions  
22 described in subsection (7).

23 (6) A member who first became a member on or after January  
24 1, 1987 but before January 1, 1990 shall have 30 days from his or  
25 her first date of employment to irrevocably elect to make the  
26 contributions described in subsection (2).

27 (7) A member who first became a member on or after January

1 1, 1990 and before July 1, 2008 shall contribute the following  
 2 amounts to the member investment plan:

3 <u>Member's annual school fiscal</u>	<u>Amount payable to the member</u>
4 <u>year earned compensation</u>	<u>investment plan</u>
5 Not over \$5,000.00	3% of member's compensation
6 Over \$5,000.00 but not over	\$150.00, plus 3.6% of the
7 \$15,000.00	excess over \$5,000.00
8 Over \$15,000.00	\$510.00, plus 4.3% of the
9	excess over \$15,000.00

10

11 (8) A member who first became a member on or after July 1,  
 12 2008 **AND BEFORE JULY 1, 2011** shall contribute the following  
 13 amounts to the member investment plan:

14 <u>Member's annual school</u>	<u>Amount payable to the member</u>
15 <u>fiscal year earned compensation</u>	<u>investment plan</u>
16 Not over \$5,000.00	3% of member's compensation
17 Over \$5,000.00 but not over	\$150.00, plus 3.6% of excess
18 \$15,000.00	over \$5,000.00
19 Over \$15,000.00	\$510.00, plus 6.4% of the
20	excess over \$15,000.00



1       Sec. 81. (1) Except as **OTHERWISE** provided in **THIS** section,  
2 ~~81c,~~—a member who no longer is working as a public school  
3 employee or in any other capacity for which service credit  
4 performed in this state is allowed under this act, upon the  
5 member's written application to the retirement system, shall be  
6 entitled to a retirement allowance provided for in section 84 if  
7 1 of the following applies:

8       (a) The member is 55 years of age or older and has 30 or  
9 more years of credited service as provided under this act of  
10 which at least 15 years were served as a public school employee.

11       (b) The member is 60 years of age or older and has  
12 accumulated 10 or more years of credited service as a public  
13 school employee.

14       (c) The member is 55 years of age or older and has 15 or  
15 more years of credited service, but less than 30 years of  
16 credited service of which the last 5 consecutive years are  
17 immediately preceding the member's retirement allowance effective  
18 date.

19       (2) Except as **OTHERWISE** provided in **THIS** section, ~~81c,~~—for a  
20 member who contributes to the member investment plan, the  
21 eligibility requirements of subsection (1) shall be modified as  
22 provided in section 43b.

23       **(3) THIS SECTION DOES NOT APPLY TO A MEMBER DESCRIBED IN**  
24 **SECTION 81C OR A QUALIFIED PARTICIPANT UNDER TIER 3.**

25       Sec. 81c. (1) A member who first becomes a member on or  
26 after July 1, 2010 **AND BEFORE JULY 1, 2011 AND** who no longer is

1 working as a public school employee or in any other capacity for  
2 which service credit performed in this state is allowed under  
3 this act, upon the member's written application to the retirement  
4 system, shall be entitled to a retirement allowance provided for  
5 in section 84(1) if the member is 60 years of age or older and  
6 has accumulated 10 or more years of credited service pursuant to  
7 section 68 as a public school employee.

8 (2) The eligibility requirements of subsection (1) shall not  
9 be modified as provided in section 43b.

10 (3) The reduction provided for in section 84(2) shall not  
11 apply to a person who retires pursuant to this section.

12 (4) Notwithstanding any other provision of this act, a  
13 member who first becomes a member on or after July 1, 2010 **AND**  
14 **BEFORE JULY 1, 2011** shall not purchase or transfer service credit  
15 under article 4 and shall not have any purchased or transferred  
16 service credit included in the calculation of a retirement  
17 allowance upon retirement.

18 Sec. 86. (1) ~~A—EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION,~~  
19 **A** member whom the retirement board finds to have become totally  
20 and permanently disabled for purposes of employment by his or her  
21 reporting unit by reason of personal injury or mental or physical  
22 illness before termination of reporting unit service and  
23 employment shall receive a disability allowance if all of the  
24 following requirements are met:

25 (a) The member has not met age and service requirements of  
26 section 81(1)(a) or (b) or, if the member first became a member  
27 on or after July 1, 2010 **AND BEFORE JULY 1, 2011**, the member has

1 not met age and service requirements of section 81c(1).

2 (b) The member has at least 10 years of credited service in  
3 effect before termination of employment.

4 (c) The member or reporting unit makes written application  
5 to the retirement board not more than 12 months after the date  
6 the member terminated public school employment.

7 (d) The person undergoes an examination by 1 or more  
8 practicing physicians or medical officers designated by the  
9 retirement board who certify to the retirement board that the  
10 member is totally and permanently disabled for performing the  
11 duties for the member's position or similar position for which  
12 the member is qualified by reason of training, experience, or  
13 both.

14 (2) The retirement board may extend the application time  
15 limit provided in subsection (1) not more than 24 months for a  
16 member or deferred member who satisfies the other requirements of  
17 subsection (1), if evidence of extenuating circumstances is  
18 presented to the satisfaction of the retirement board.

19 (3) The member's disability retirement allowance **UNDER THIS**  
20 **SECTION** shall be computed pursuant to section 84. The effective  
21 date of the disability retirant's allowance **UNDER THIS SECTION**  
22 shall be determined pursuant to section 83.

23 (4) **THIS SECTION DOES NOT APPLY TO A QUALIFIED PARTICIPANT**  
24 **UNDER TIER 3.**

25 Sec. 87. (1) ~~A~~ **EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION,**  
26 **A** member whom the retirement board finds to have become totally  
27 and permanently disabled from any gainful employment by reason of

1 personal injury or mental or physical illness while serving as an  
2 employee of that reporting unit shall receive a duty disability  
3 retirement allowance if all of the following requirements are  
4 met:

5 (a) The member has not met age and service requirements of  
6 section 81(1)(a) or (b) or, if the member first became a member  
7 on or after July 1, 2010 **AND BEFORE JULY 1, 2011**, the member has  
8 not met age and service requirements of section 81c(1).

9 (b) The member is in receipt of weekly worker's disability  
10 compensation on account of employment by a reporting unit.

11 (c) The member or reporting unit makes written application  
12 to the retirement board not more than 12 months after the date  
13 the member terminated public school employment.

14 (d) The member undergoes an examination by 1 or more  
15 practicing physicians or medical officers designated by the  
16 retirement board who certify to the retirement board that the  
17 member is totally and permanently disabled for performing the  
18 duties for the member's position for which the member is  
19 qualified by reason of training, or experience, or both.

20 (2) The member's duty disability retirement allowance **UNDER**  
21 **THIS SECTION** shall be computed pursuant to section 84. The  
22 effective date of the duty disability retirant's allowance **UNDER**  
23 **THIS SECTION** shall be the first of the month following the month  
24 in which the member terminates employment and is in receipt of  
25 weekly worker's disability compensation. The years of service  
26 credit used in computing the retirant's duty disability  
27 retirement allowance **UNDER THIS SECTION** shall not be less than 10

1 years. If the member has less than 5 consecutive years of  
2 credited service, the average of the member's annual compensation  
3 shall be used.

4 (3) Upon recovery and return to reporting unit service or  
5 upon termination of the statutory period for the payment of a  
6 disability retirant's worker's disability compensation, if any,  
7 arising on account of the retirant's reporting unit service, the  
8 retirant shall be given service credit for the period and the  
9 retirant's disability retirement allowance **UNDER THIS SECTION**  
10 shall be adjusted to include the additional credit.

11 (4) **THIS SECTION DOES NOT APPLY TO A QUALIFIED PARTICIPANT**  
12 **UNDER TIER 3.**

13 Sec. 91. (1) Except as otherwise provided in this section,  
14 the retirement system shall pay the entire monthly premium or  
15 membership or subscription fee for hospital, medical-surgical,  
16 and sick care benefits for the benefit of a retirant or  
17 retirement allowance beneficiary who elects coverage in the plan  
18 authorized by the retirement board and the department. Except as  
19 otherwise provided in subsection (8), this subsection does not  
20 apply to a retirant who first becomes a member after June 30,  
21 2008.

22 (2) The retirement system may pay up to the maximum of the  
23 amount payable under subsection (1) toward the monthly premium  
24 for hospital, medical-surgical, and sick care benefits for the  
25 benefit of a retirant or retirement allowance beneficiary  
26 enrolled in a group health insurance or prepaid service plan not  
27 authorized by the retirement board and the department, if

1 enrolled before June 1, 1975, for whom the retirement system on  
2 July 18, 1983 was making a payment towards his or her monthly  
3 premium.

4 (3) A retirant or retirement allowance beneficiary receiving  
5 hospital, medical-surgical, and sick care benefits coverage under  
6 subsection (1) or (2), until eligible for medicare, shall have an  
7 amount equal to the cost chargeable to a medicare recipient for  
8 part B of medicare deducted from his or her retirement allowance.

9 (4) The retirement system shall pay 90% of the monthly  
10 premium or membership or subscription fee for dental, vision, and  
11 hearing benefits for the benefit of a retirant or retirement  
12 allowance beneficiary who elects coverage in the plan authorized  
13 by the retirement board and the department. Payments shall begin  
14 under this subsection upon approval by the retirement board and  
15 the department of plan coverage and a plan provider. Except as  
16 otherwise provided in subsection (8), this subsection does not  
17 apply to a retirant who first becomes a member after June 30,  
18 2008.

19 (5) The retirement system shall pay up to 90% of the maximum  
20 of the amount payable under subsection (1) toward the monthly  
21 premium or membership or subscription fee for hospital, medical-  
22 surgical, and sick care benefits coverage described in  
23 subsections (1) and (2) for each health insurance dependent of a  
24 retirant receiving benefits under subsection (1) or (2). Payment  
25 shall not exceed 90% of the actual monthly premium or membership  
26 or subscription fee. The retirement system shall pay 90% of the  
27 monthly premium or membership or subscription fee for dental,

1 vision, and hearing benefits described in subsection (4) for the  
2 benefit of each health insurance dependent of a retirant  
3 receiving benefits under subsection (4). Payment for health  
4 benefits coverage for a health insurance dependent of a retirant  
5 shall not be made after the retirant's death, unless the retirant  
6 designated a retirement allowance beneficiary as provided in  
7 section 85 and the dependent was covered or eligible for coverage  
8 as a health insurance dependent of the retirant on the retirant's  
9 date of death. Payment for health benefits coverage shall not be  
10 made for a health insurance dependent after the later of the  
11 retirant's death or the retirement allowance beneficiary's death.  
12 Payment under this subsection and subsection (6) began October 1,  
13 1985 for health insurance dependents who on July 10, 1985 were  
14 covered by the hospital, medical-surgical, and sick care benefits  
15 plan authorized by the retirement board and the department.  
16 Payment under this subsection and subsection (6) for other health  
17 insurance dependents shall not begin before January 1, 1986.  
18 Except as otherwise provided in subsection (8), this subsection  
19 does not apply to a retirant who first becomes a member after  
20 June 30, 2008.

21 (6) The payment described in subsection (5) **OR (8)** shall  
22 also be made for each health insurance dependent of a deceased  
23 member or deceased duty disability retirant if a retirement  
24 allowance is being paid to a retirement allowance beneficiary  
25 because of the death of the member or duty disability retirant as  
26 provided in section 43c(c), 89, ~~ex-90~~, **OR 165A**. Payment for  
27 health benefits coverage for a health insurance dependent shall

1 not be made after the retirement allowance beneficiary's death.

2 (7) The payments provided by this section shall not be made  
3 on behalf of a retiring section 82 deferred member or health  
4 insurance dependent of a deferred member having less than 21 full  
5 years of attained credited service or the retiring deferred  
6 member's retirement allowance beneficiary, and shall not be made  
7 on behalf of a retirement allowance beneficiary of a deferred  
8 member who dies before retiring. The retirement system shall pay,  
9 on behalf of a retiring section 82 deferred member or health  
10 insurance dependent of a deferred member or a retirement  
11 allowance beneficiary of a deceased deferred member, either of  
12 whose allowance is based upon not less than 21 years of attained  
13 credited service, 10% of the payments provided by this section,  
14 increased by 10% for each attained full year of credited service  
15 beyond 21 years, not to exceed 100%. This subsection applies to  
16 any member who first became a member on or before June 30, 2008  
17 and attains deferred status under section 82 after October 31,  
18 1980.

19 (8) For a member or deferred member who first becomes a  
20 member after June 30, 2008, the retirement system shall pay up to  
21 90% of the monthly premium or membership or subscription fee for  
22 the hospital, medical-surgical, and sick care benefits plan, the  
23 dental plan, vision plan, and hearing plan, or any combination of  
24 the plans for the benefit of the retirant and his or her  
25 retirement allowance beneficiary and health insurance dependents,  
26 or for the benefit of the deceased member's retirement allowance  
27 beneficiary if the retirant or deceased member has 25 years or



1 more of service credit under this act, and the retirant, deceased  
2 retirant, or deceased member was at least 60 years of age at the  
3 time of application for benefits under this section. If the  
4 retirant or deceased member is less than 60 years of age at the  
5 time of application for benefits under this section, the  
6 retirement system shall pay 90% of the monthly premium or  
7 membership or subscription fee for the hospital, medical-  
8 surgical, and sick care benefits plan, the dental plan, vision  
9 plan, and hearing plan, or any combination of the plans for the  
10 benefit of the retirant and his or her retirement allowance  
11 beneficiary and the retirant's health insurance dependents, or  
12 for the benefit of the deceased member's retirement allowance  
13 beneficiary if the retirant or deceased member has 25 or more  
14 years of service credit granted under section 68. If a retirant,  
15 deceased retirant, or deceased member described in this  
16 subsection has 10 or more but less than 25 years of service  
17 credit under this act and the retirant was at least 60 years of  
18 age at the time of application for benefits under this section,  
19 the retirement system shall pay a portion of the monthly premium  
20 or membership or subscription fee for the plans or combination of  
21 plans equal to the product of 3% and the retirant's, deceased  
22 retirant's, or deceased member's years of service for the first  
23 10 years and 4% for each year after the first 10 years. This  
24 subsection does not apply to a member who receives a disability  
25 retirement allowance under section 86, ~~or~~ 87, **OR 165A** or to a  
26 deceased member's retirement allowance beneficiary under section  
27 90.

1       (9) The retirement system shall not pay the premiums or  
2 membership or subscription fees under subsection (8) until the  
3 retirant or retirement allowance beneficiary requests enrollment  
4 in the plans or combination of plans in writing in the manner  
5 prescribed by the retirement system. Not more than 1 year's  
6 service credit shall be counted for purposes of subsection (8)  
7 and this subsection in any school fiscal year.

8       (10) A member who retires under section 43b or 81 and who  
9 elects to purchase service credit on or after July 1, 2008 is not  
10 eligible for payments under this section for the hospital,  
11 medical-surgical, and sick care benefits plan, the dental plan,  
12 vision plan, or hearing plan, or any combination of the plans  
13 described in this section until the first date that the member  
14 would have been eligible to retire under section 43b or 81 if he  
15 or she had not purchased the service credit and had accrued a  
16 sufficient amount of service credit under section 68. A member  
17 who first becomes a member on or after July 1, 2008 shall not be  
18 eligible for health benefits under this subsection until at least  
19 the time of application under subsection (8). The retirement  
20 system shall apply a method that enables it to make the  
21 determination under this subsection.

22       (11) Except for a member who retires under section 86 or 87  
23 or a member who meets the requirements under subsection (7) or  
24 (8), the retirement system shall not pay the benefits provided in  
25 subsection (1) or (4) unless the member was employed and has  
26 received a minimum total of 1/2 of a year of service credit  
27 granted pursuant to section 68 during the 2 school fiscal years

1 immediately preceding the member's retirement allowance effective  
2 date or the member has received a minimum of 1/10 of a year of  
3 service credit granted pursuant to section 68 during each of the  
4 5 school fiscal years immediately preceding the member's  
5 retirement allowance effective date. This subsection does not  
6 apply to a member who is unable to meet the service credit  
7 requirements of this subsection because of 1 or more periods of  
8 unpaid leaves of absence approved by the reporting unit during  
9 the period of leave of absence, as a result of a mental or  
10 physical disability supported by the member's doctor during the  
11 period of leave of absence.

12 (12) Any retirant or retirement allowance beneficiary  
13 excluded from payments under this section may participate in the  
14 hospital, medical-surgical, and sick care benefits plan, the  
15 dental plan, vision plan, or hearing plan, or any combination of  
16 the plans described in this section in the manner prescribed by  
17 the retirement system at his or her own cost.

18 (13) The hospital, medical-surgical, and sick care benefits  
19 plan, dental plan, vision plan, and hearing plan that covers  
20 retirants, retirement allowance beneficiaries, and health  
21 insurance dependents pursuant to this section shall contain a  
22 coordination of benefits provision that provides all of the  
23 following:

24 (a) If the person covered under the hospital, medical-  
25 surgical, and sick care benefits plan is also eligible for  
26 medicare or medicaid, or both, then the benefits under medicare  
27 or medicaid, or both, shall be determined before the benefits of

1 the hospital, medical-surgical, and sick care benefits plan  
2 provided pursuant to this section.

3 (b) If the person covered under any of the plans provided by  
4 this section is also covered under another plan that contains a  
5 coordination of benefits provision, the benefits shall be  
6 coordinated as provided by the coordination of benefits act, 1984  
7 PA 64, MCL 550.251 to 550.255.

8 (c) If the person covered under any of the plans provided by  
9 this section is also covered under another plan that does not  
10 contain a coordination of benefits provision, the benefits under  
11 the other plan shall be determined before the benefits of the  
12 plan provided pursuant to this section.

13 (14) Beginning January 1, 2009, upon the death of the  
14 retirant, a retirement allowance beneficiary who became a  
15 retirement allowance beneficiary under section 85(8) or (9) is  
16 not a health insurance dependent and is not entitled to health  
17 benefits under this section except as provided in this  
18 subsection. Beginning January 1, 2009, a surviving spouse  
19 selected as a retirement allowance beneficiary under section  
20 85(8) or (9) may elect the insurance coverages provided in this  
21 section ~~provided that~~ **IF** payment for the elected coverages is the  
22 responsibility of the surviving spouse and is paid in a manner  
23 prescribed by the retirement system.

24 (15) For purposes of this section:

25 (a) "Health insurance dependent" means any of the following:

26 (i) Except as provided in subsection (14), the spouse of the  
27 retirant or the surviving spouse to whom the retirant or deceased

1 member was married at the time of the retirant's or deceased  
2 member's death.

3 (ii) An unmarried child, by birth or adoption, of the  
4 retirant or deceased member, until December 31 of the calendar  
5 year in which the child becomes 19 years of age.

6 (iii) An unmarried child, by birth or adoption, of the  
7 retirant or deceased member, until December 31 of the calendar  
8 year in which the child becomes 25 years of age, who is enrolled  
9 as a full-time student, and who is or was at the time of the  
10 retirant's or deceased member's death a dependent of the retirant  
11 or deceased member as defined in section 152 of the internal  
12 revenue code, **26 USC 152**.

13 (iv) An unmarried child, by birth or adoption, of the  
14 retirant or deceased member who is incapable of self-sustaining  
15 employment because of mental or physical disability, and who is  
16 or was at the time of the retirant's or deceased member's death a  
17 dependent of the retirant or deceased member as defined in  
18 section 152 of the internal revenue code, **26 USC 152**.

19 (v) The parents of the retirant or deceased member, or the  
20 parents of his or her spouse, who are residing in the household  
21 of the retirant or retirement allowance beneficiary.

22 (vi) An unmarried child who is not the child by birth or  
23 adoption of the retirant or deceased member but who otherwise  
24 qualifies to be a health insurance dependent under subparagraph  
25 (ii), (iii), or (iv), if the retirant or deceased member is the legal  
26 guardian of the unmarried child.

27 (b) "Medicaid" means benefits under the federal medicaid

1 program established under title XIX of the social security act,  
2 42 USC 1396 to ~~1396v~~-1396W-5.

3 (c) "Medicare" means benefits under the federal medicare  
4 program established under title XVIII of the social security act,  
5 42 USC 1395 to ~~1395hhh~~-1395KKK-1.

6 SEC. 92B. (1) THERE IS APPROPRIATED FOR THE FISCAL YEAR  
7 ENDING SEPTEMBER 30, 2011, \$1.00 TO THE OFFICE OF RETIREMENT  
8 SERVICES IN THE DEPARTMENT FOR ADMINISTRATION OF THE CHANGES  
9 UNDER THE AMENDATORY ACT THAT ADDED THIS SECTION.

10 (2) THE APPROPRIATION AUTHORIZED IN SUBSECTION (1) IS A WORK  
11 PROJECT APPROPRIATION AND ANY UNENCUMBERED OR UNALLOTTED FUNDS  
12 ARE CARRIED FORWARD INTO THE FOLLOWING FISCAL YEAR. THE FOLLOWING  
13 IS IN COMPLIANCE WITH SECTION 451A(1) OF THE MANAGEMENT AND  
14 BUDGET ACT, 1984 PA 431, MCL 18.1451A:

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

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

19 (C) THE TOTAL ESTIMATED COMPLETION COST OF THE WORK PROJECT  
20 IS \$1.00.

21 (D) THE ESTIMATED COMPLETION DATE FOR THE WORK PROJECT IS  
22 SEPTEMBER 30, 2012.

23 SEC. 110. (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION  
24 (2), THE RETIREMENT SYSTEM SHALL PROVIDE AN OPPORTUNITY FOR EACH  
25 MEMBER WHO IS A TIER 1 MEMBER OR TIER 2 QUALIFIED PARTICIPANT ON  
26 JUNE 30, 2011, TO ELECT IN WRITING TO TERMINATE MEMBERSHIP IN  
27 TIER 1 OR TIER 2, AS APPLICABLE, AND ELECT TO BECOME A QUALIFIED

1 PARTICIPANT IN TIER 3. AN ELECTION MADE BY A MEMBER OR QUALIFIED  
2 PARTICIPANT UNDER THIS SUBSECTION IS IRREVOCABLE. THE RETIREMENT  
3 SYSTEM SHALL ACCEPT WRITTEN ELECTIONS UNDER THIS SUBSECTION FROM  
4 MEMBERS DURING THE PERIOD BEGINNING ON JANUARY 3, 2012 AND ENDING  
5 ON APRIL 30, 2012. A MEMBER OR QUALIFIED PARTICIPANT WHO DOES NOT  
6 MAKE A WRITTEN ELECTION OR WHO DOES NOT FILE THE ELECTION DURING  
7 THE PERIOD SPECIFIED IN THIS SUBSECTION CONTINUES TO BE A MEMBER  
8 OF TIER 1 OR QUALIFIED PARTICIPANT OF TIER 2, AS APPLICABLE. A  
9 MEMBER OR QUALIFIED PARTICIPANT WHO MAKES AND FILES A WRITTEN  
10 ELECTION UNDER THIS SUBSECTION ELECTS TO DO ALL OF THE FOLLOWING:

11 (A) CEASE TO BE A MEMBER OF TIER 1 OR QUALIFIED PARTICIPANT  
12 OF TIER 2, AS APPLICABLE, EFFECTIVE 12 MIDNIGHT MAY 31, 2012.

13 (B) BECOME A QUALIFIED PARTICIPANT IN TIER 3 EFFECTIVE 12:01  
14 A.M., JUNE 1, 2012.

15 (C) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, WAIVE  
16 ALL OF HIS OR HER RIGHTS TO A PENSION, AN ANNUITY, A RETIREMENT  
17 ALLOWANCE, AN INSURANCE BENEFIT, OR ANY OTHER BENEFIT UNDER TIER  
18 1 OR TIER 2, AS APPLICABLE, EFFECTIVE 12 MIDNIGHT ON THE DAY  
19 DESCRIBED IN SUBDIVISION (A). THIS SUBDIVISION DOES NOT AFFECT AN  
20 INDIVIDUAL'S RIGHT TO HEALTH BENEFITS PROVIDED UNDER THIS ACT  
21 PURSUANT TO SECTION 166.

22 (2) THIS SUBSECTION APPLIES TO AN INDIVIDUAL WHO WAS A  
23 VESTED MEMBER OF TIER 1 ON JUNE 30, 2011 OR WAS A QUALIFIED  
24 PARTICIPANT OF TIER 2 WHO HAS ACCUMULATED 10 OR MORE YEARS OF  
25 CREDITED SERVICE PURSUANT TO SECTION 68 AS A PUBLIC SCHOOL  
26 EMPLOYEE ON JUNE 30, 2011 AND WHO TERMINATES THE EMPLOYMENT UPON  
27 WHICH THAT MEMBERSHIP IS BASED ON OR AFTER JUNE 30, 2011 BUT ON

1 OR BEFORE MAY 31, 2012. BEFORE THE TERMINATION OF HIS OR HER  
2 EMPLOYMENT, AN INDIVIDUAL DESCRIBED IN THIS SUBSECTION MAY ELECT  
3 IN WRITING TO TERMINATE MEMBERSHIP IN TIER 1 OR PARTICIPATION IN  
4 TIER 2 AND BECOME A QUALIFIED PARTICIPANT IN TIER 3. AN ELECTION  
5 MADE BY A MEMBER UNDER THIS SUBSECTION IS IRREVOCABLE. THE  
6 RETIREMENT SYSTEM SHALL ACCEPT WRITTEN ELECTIONS UNDER THIS  
7 SUBSECTION FROM A MEMBER DURING THE PERIOD BEGINNING ON JULY 1,  
8 2011 AND ENDING ON MAY 31, 2012. A MEMBER DESCRIBED IN THIS  
9 SUBSECTION WHO DOES NOT MAKE A WRITTEN ELECTION OR WHO DOES NOT  
10 FILE THE ELECTION BEFORE THE TERMINATION OF HIS OR HER EMPLOYMENT  
11 CONTINUES TO BE A MEMBER OR DEFERRED MEMBER OF TIER 1 OR FORMER  
12 QUALIFIED PARTICIPANT OF TIER 2, AS APPLICABLE. A MEMBER OR  
13 QUALIFIED PARTICIPANT WHO MAKES AND FILES A WRITTEN ELECTION  
14 UNDER THIS SUBSECTION TO TERMINATE MEMBERSHIP IN TIER 1 OR  
15 PARTICIPATION IN TIER 2 ELECTS TO DO ALL OF THE FOLLOWING:

16 (A) CEASE TO BE A MEMBER OF TIER 1 OR QUALIFIED PARTICIPANT  
17 OF TIER 2 AND BECOME A QUALIFIED PARTICIPANT IN TIER 3 EFFECTIVE  
18 12 MIDNIGHT ON THE DAY IMMEDIATELY PRECEDING THE DATE OF THE  
19 TERMINATION OF EMPLOYMENT.

20 (B) BECOME A FORMER QUALIFIED PARTICIPANT IN TIER 3  
21 EFFECTIVE 12:01 A.M. ON THE DAY IMMEDIATELY FOLLOWING THE DATE  
22 DESCRIBED IN SUBDIVISION (A).

23 (C) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, WAIVE  
24 ALL OF HIS OR HER RIGHTS TO A PENSION, AN ANNUITY, A RETIREMENT  
25 ALLOWANCE, AN INSURANCE BENEFIT, OR ANY OTHER BENEFIT UNDER TIER  
26 1 EFFECTIVE 12 MIDNIGHT ON THE DATE DESCRIBED IN SUBDIVISION (A).  
27 THIS SUBDIVISION DOES NOT AFFECT AN INDIVIDUAL'S RIGHT TO HEALTH



1 BENEFITS PROVIDED UNDER THIS ACT PURSUANT TO SECTION 166.

2 (3) IF AN INDIVIDUAL WHO WAS A DEFERRED MEMBER ON JUNE 30,  
3 2011 OR AN INDIVIDUAL WHO WAS A FORMER NONVESTED MEMBER ON JUNE  
4 30, 2011 IS REEMPLOYED AND BY VIRTUE OF THAT EMPLOYMENT IS AGAIN  
5 ELIGIBLE FOR MEMBERSHIP IN TIER 1, THE INDIVIDUAL SHALL ELECT IN  
6 WRITING TO REMAIN A MEMBER OF TIER 1 OR TO TERMINATE MEMBERSHIP  
7 IN TIER 1 AND BECOME A QUALIFIED PARTICIPANT IN TIER 3. AN  
8 ELECTION MADE BY A DEFERRED MEMBER OR A FORMER NONVESTED MEMBER  
9 UNDER THIS SUBSECTION IS IRREVOCABLE. THE RETIREMENT SYSTEM SHALL  
10 ACCEPT WRITTEN ELECTIONS UNDER THIS SUBSECTION FROM A DEFERRED  
11 MEMBER OR A FORMER NONVESTED MEMBER DURING THE PERIOD BEGINNING  
12 ON THE DATE OF THE INDIVIDUAL'S REEMPLOYMENT AND ENDING UPON THE  
13 EXPIRATION OF 60 DAYS AFTER THE DATE OF THAT REEMPLOYMENT. A  
14 DEFERRED MEMBER OR FORMER NONVESTED MEMBER WHO MAKES AND FILES A  
15 WRITTEN ELECTION TO REMAIN A MEMBER OF TIER 1 RETAINS ALL RIGHTS  
16 AND IS SUBJECT TO ALL CONDITIONS AS A MEMBER OF TIER 1 UNDER THIS  
17 ACT. A DEFERRED MEMBER OR FORMER NONVESTED MEMBER WHO DOES NOT  
18 MAKE A WRITTEN ELECTION OR WHO DOES NOT FILE THE ELECTION DURING  
19 THE PERIOD SPECIFIED IN THIS SUBSECTION CONTINUES TO BE A MEMBER  
20 OF TIER 1. A DEFERRED MEMBER OR FORMER NONVESTED MEMBER WHO MAKES  
21 AND FILES A WRITTEN ELECTION TO TERMINATE MEMBERSHIP IN TIER 1  
22 ELECTS TO DO ALL OF THE FOLLOWING:

23 (A) CEASE TO BE A MEMBER OF TIER 1 EFFECTIVE 12 MIDNIGHT ON  
24 THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF THE  
25 ELECTION.

26 (B) BECOME A QUALIFIED PARTICIPANT IN TIER 3 EFFECTIVE 12:01  
27 A.M. ON THE FIRST DAY OF THE PAYROLL PERIOD IMMEDIATELY FOLLOWING

1 THE DATE OF THE ELECTION.

2 (C) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, WAIVE  
3 ALL OF HIS OR HER RIGHTS TO A PENSION, AN ANNUITY, A RETIREMENT  
4 ALLOWANCE, AN INSURANCE BENEFIT, OR ANY OTHER BENEFIT UNDER TIER  
5 1 EFFECTIVE 12 MIDNIGHT ON THE LAST DAY OF THE PAYROLL PERIOD  
6 THAT INCLUDES THE DATE OF THE ELECTION. THIS SUBDIVISION DOES NOT  
7 AFFECT AN INDIVIDUAL'S RIGHT TO HEALTH BENEFITS PROVIDED UNDER  
8 THIS ACT PURSUANT TO SECTION 166.

9 (4) AFTER CONSULTATION WITH THE RETIREMENT SYSTEM'S ACTUARY  
10 AND THE RETIREMENT BOARD, THE DEPARTMENT SHALL DETERMINE THE  
11 METHOD BY WHICH A MEMBER OR TIER 2, QUALIFIED PARTICIPANT OF TIER  
12 2, DEFERRED MEMBER, OR FORMER NONVESTED MEMBER SHALL MAKE A  
13 WRITTEN ELECTION UNDER THIS SECTION. IF THE MEMBER, QUALIFIED  
14 PARTICIPANT, DEFERRED MEMBER, OR FORMER NONVESTED MEMBER IS  
15 MARRIED AT THE TIME OF THE ELECTION, THE ELECTION IS NOT  
16 EFFECTIVE UNLESS THE ELECTION IS SIGNED BY THE INDIVIDUAL'S  
17 SPOUSE. HOWEVER, THE RETIREMENT BOARD MAY WAIVE THIS REQUIREMENT  
18 IF THE SPOUSE'S SIGNATURE CANNOT BE OBTAINED BECAUSE OF  
19 EXTENUATING CIRCUMSTANCES.

20 (5) AN ELECTION UNDER THIS SECTION IS SUBJECT TO THE  
21 ELIGIBLE DOMESTIC RELATIONS ORDER ACT, 1991 PA 46, MCL 38.1701 TO  
22 38.1711.

23 (6) IF AN INDIVIDUAL WHO WAS A DEFERRED MEMBER OF THE STATE  
24 EMPLOYEES' RETIREMENT SYSTEM UNDER THE STATE EMPLOYEES'  
25 RETIREMENT ACT, 1943 PA 240, MCL 38.1 TO 38.69, ON JUNE 30, 2011  
26 IS FIRST EMPLOYED AND ENTERED UPON THE PAYROLL OF HIS OR HER  
27 EMPLOYER ON OR AFTER JULY 1, 2011, THE RETIREMENT SYSTEM SHALL

1 PROVIDE AN OPPORTUNITY FOR THAT INDIVIDUAL TO ELECT IN WRITING TO  
2 BECOME A MEMBER OF TIER 1 OR TO BECOME A QUALIFIED PARTICIPANT OF  
3 TIER 3. THE RETIREMENT SYSTEM AND THE INDIVIDUAL SHALL FOLLOW THE  
4 PROVISIONS AND PROCEDURES PROVIDED IN THIS SECTION AND BY THE  
5 STATE TREASURER AS IF THE INDIVIDUAL WERE A DEFERRED MEMBER OF  
6 THIS RETIREMENT SYSTEM ON JUNE 30, 2011.

7 SEC. 111. (1) FOR A MEMBER OF TIER 1 OR QUALIFIED  
8 PARTICIPANT OF TIER 2 WHO ELECTS TO TERMINATE MEMBERSHIP OR  
9 PARTICIPATION UNDER SECTION 110(1), THE RETIREMENT SYSTEM SHALL  
10 DIRECT THE STATE TREASURER TO TRANSFER A LUMP SUM AMOUNT FROM THE  
11 APPROPRIATE RESERVE CREATED UNDER ARTICLE 2 TO THE QUALIFIED  
12 PARTICIPANT'S ACCOUNT IN TIER 3 ON OR BEFORE OCTOBER 1, 2012. THE  
13 RETIREMENT SYSTEM SHALL CALCULATE THE AMOUNT TO BE TRANSFERRED,  
14 WHICH SHALL BE EQUAL TO THE SUM OF THE FOLLOWING:

15 (A) THE MEMBER'S OR QUALIFIED PARTICIPANT'S ACCUMULATED  
16 CONTRIBUTIONS, IF ANY, FROM THE RESERVE FOR EMPLOYEE  
17 CONTRIBUTIONS AS OF 12 MIDNIGHT MAY 31, 2012.

18 (B) FOR A MEMBER OR QUALIFIED PARTICIPANT WHO IS A  
19 PARTICIPANT IN THE MEMBER INVESTMENT PLAN, THE MEMBER'S  
20 ACCUMULATED CONTRIBUTIONS, IF ANY, FROM THE RESERVE FOR MEMBER  
21 INVESTMENT PLAN AS OF 12 MIDNIGHT MAY 31, 2012.

22 (C) FOR A MEMBER WHO IS VESTED UNDER SECTION 81 AS OF 12  
23 MIDNIGHT ON MAY 31, 2012, THE EXCESS, IF ANY, OF THE ACTUARIAL  
24 PRESENT VALUE OF THE MEMBER'S ACCUMULATED BENEFIT OBLIGATION,  
25 OVER THE AMOUNT SPECIFIED IN SUBDIVISIONS (A) AND (B), FROM THE  
26 RESERVE FOR EMPLOYER CONTRIBUTIONS. EXCEPT AS PROVIDED IN  
27 SUBSECTION (7), FOR THE PURPOSES OF THIS SUBSECTION, THE PRESENT

1 VALUE OF THE MEMBER'S ACCUMULATED BENEFIT OBLIGATION IS BASED  
2 UPON THE MEMBER'S ESTIMATED CREDITED SERVICE AND ESTIMATED FINAL  
3 AVERAGE COMPENSATION AS OF 12 MIDNIGHT ON MAY 31, 2012. THE  
4 ACTUARIAL PRESENT VALUE SHALL BE COMPUTED AS OF 12 MIDNIGHT MAY  
5 31, 2012 AND SHALL BE BASED ON THE FOLLOWING:

6 (i) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
7 ANNUALLY.

8 (ii) A 50% MALE AND 50% FEMALE GENDER NEUTRAL BLEND OF THE  
9 MORTALITY TABLES USED TO PROJECT RETIRANT LONGEVITY IN THE MOST  
10 RECENT ACTUARIAL VALUATION REPORT.

11 (iii) A BENEFIT COMMENCEMENT AGE, BASED UPON THE MEMBER'S  
12 ESTIMATED CREDITED SERVICE AS OF 12 MIDNIGHT MAY 31, 2012. THE  
13 BENEFIT COMMENCEMENT AGE SHALL BE THE YOUNGER OF THE FOLLOWING,  
14 BUT SHALL NOT BE YOUNGER THAN THE MEMBER'S AGE AS OF 12 MIDNIGHT  
15 MAY 31, 2012:

16 (A) AGE 60.

17 (B) AGE 55, IF THE MEMBER'S ESTIMATED CREDITED SERVICE  
18 EQUALS OR EXCEEDS 30 YEARS.

19 (C) THE AGE OF THE MEMBER IF THE MEMBER'S CREDITED SERVICE  
20 EQUALS OR EXCEEDS 30 YEARS AND THE MEMBER IS A PARTICIPANT OF THE  
21 MEMBER INVESTMENT PLAN.

22 (D) INTEREST ON ANY AMOUNTS DETERMINED IN SUBDIVISIONS (A),  
23 (B), AND (C) FROM JUNE 1, 2012 TO THE DATE OF THE TRANSFER, BASED  
24 UPON 8% ANNUAL INTEREST, COMPOUNDED ANNUALLY.

25 (2) FOR A MEMBER OF TIER 1 OR QUALIFIED PARTICIPANT OF TIER  
26 2 WHO ELECTS TO TERMINATE MEMBERSHIP OR PARTICIPATION UNDER  
27 SECTION 110(1), THE RETIREMENT SYSTEM SHALL RECOMPUTE THE AMOUNT

1 TRANSFERRED UNDER SUBSECTION (1) NOT LATER THAN NOVEMBER 30, 2012  
2 BASED UPON THE MEMBER'S OR PARTICIPANT'S ACTUAL CREDITED SERVICE  
3 AND ACTUAL FINAL AVERAGE COMPENSATION AS OF 12 MIDNIGHT MAY 31,  
4 2012. IF THE RECOMPUTED AMOUNT DIFFERS FROM THE AMOUNT  
5 TRANSFERRED UNDER SUBSECTION (1) BY \$10.00 OR MORE, NOT LATER  
6 THAN DECEMBER 15, 2012, THE RETIREMENT SYSTEM SHALL DO ALL OF THE  
7 FOLLOWING:

8 (A) DIRECT THE STATE TREASURER TO TRANSFER FROM THE RESERVE  
9 FOR EMPLOYER CONTRIBUTIONS TO THE QUALIFIED PARTICIPANT'S ACCOUNT  
10 IN TIER 3 THE EXCESS, IF ANY, OF THE RECOMPUTED AMOUNT OVER THE  
11 PREVIOUSLY TRANSFERRED AMOUNT TOGETHER WITH INTEREST FROM 12  
12 MIDNIGHT MAY 31, 2012 TO THE DATE OF THE TRANSFER UNDER THIS  
13 SUBSECTION, BASED UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
14 ANNUALLY.

15 (B) DIRECT THE STATE TREASURER TO TRANSFER FROM THE  
16 QUALIFIED PARTICIPANT'S ACCOUNT IN TIER 3 TO THE RESERVE FOR  
17 EMPLOYER CONTRIBUTIONS THE EXCESS, IF ANY, OF THE PREVIOUSLY  
18 TRANSFERRED AMOUNT OVER THE RECOMPUTED AMOUNT, TOGETHER WITH  
19 INTEREST, FROM THE DATE OF THE TRANSFER MADE UNDER SUBSECTION  
20 (1), BASED UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
21 ANNUALLY.

22 (3) FOR A MEMBER OF TIER 1 OR QUALIFIED PARTICIPANT OF TIER  
23 2 WHO ELECTS TO TERMINATE MEMBERSHIP OR PARTICIPATION UNDER  
24 SECTION 110(2), THE RETIREMENT SYSTEM SHALL DIRECT THE STATE  
25 TREASURER TO TRANSFER A LUMP SUM AMOUNT FROM THE APPROPRIATE  
26 RESERVE CREATED UNDER ARTICLE 2 TO THE FORMER QUALIFIED  
27 PARTICIPANT'S ACCOUNT IN TIER 3 ON OR BEFORE THE EXPIRATION OF 60

1 DAYS AFTER THE DATE OF THE INDIVIDUAL'S TERMINATION OF  
2 EMPLOYMENT. THE RETIREMENT SYSTEM SHALL CALCULATE THE AMOUNT TO  
3 BE TRANSFERRED, WHICH SHALL BE EQUAL TO THE SUM OF THE FOLLOWING:

4 (A) THE MEMBER'S OR QUALIFIED PARTICIPANT'S ACCUMULATED  
5 CONTRIBUTIONS, IF ANY, FROM THE RESERVE FOR EMPLOYEE  
6 CONTRIBUTIONS AS OF 12 MIDNIGHT ON THE DAY IMMEDIATELY PRECEDING  
7 THE DATE OF THE TERMINATION OF EMPLOYMENT.

8 (B) FOR A MEMBER OR QUALIFIED PARTICIPANT WHO IS A  
9 PARTICIPANT IN THE MEMBER INVESTMENT PLAN, THE MEMBER'S OR  
10 PARTICIPANT'S ACCUMULATED CONTRIBUTIONS, IF ANY, FROM THE RESERVE  
11 FOR MEMBER INVESTMENT PLAN AS OF 12 MIDNIGHT ON THE DAY  
12 IMMEDIATELY PRECEDING THE DATE OF THE TERMINATION OF EMPLOYMENT.

13 (C) THE EXCESS, IF ANY, OF THE ACTUARIAL PRESENT VALUE OF  
14 THE MEMBER'S OR QUALIFIED PARTICIPANT'S ACCUMULATED BENEFIT  
15 OBLIGATION, OVER THE AMOUNT SPECIFIED IN SUBDIVISIONS (A) AND  
16 (B), FROM THE RESERVE FOR EMPLOYER CONTRIBUTIONS. EXCEPT AS  
17 PROVIDED IN SUBSECTION (7), FOR THE PURPOSES OF THIS SUBSECTION,  
18 THE PRESENT VALUE OF THE MEMBER'S OR QUALIFIED PARTICIPANT'S  
19 ACCUMULATED BENEFIT OBLIGATION IS BASED UPON THE MEMBER'S OR  
20 QUALIFIED PARTICIPANT'S ESTIMATED CREDITED SERVICE AND ESTIMATED  
21 FINAL AVERAGE COMPENSATION AS OF 12 MIDNIGHT ON THE DAY  
22 IMMEDIATELY PRECEDING THE DATE OF THE TERMINATION OF EMPLOYMENT.  
23 THE ACTUARIAL PRESENT VALUE SHALL BE COMPUTED AS OF 12 MIDNIGHT  
24 ON THAT DATE AND SHALL BE BASED ON THE FOLLOWING:

25 (i) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
26 ANNUALLY.

27 (ii) A 50% MALE AND 50% FEMALE GENDER NEUTRAL BLEND OF THE

1 MORTALITY TABLES USED TO PROJECT RETIRANT LONGEVITY IN THE MOST  
2 RECENT ANNUAL ACTUARIAL VALUATION REPORT.

3 (iii) A BENEFIT COMMENCEMENT AGE, BASED UPON THE MEMBER'S OR  
4 QUALIFIED PARTICIPANT'S ESTIMATED CREDITED SERVICE AS OF 12  
5 MIDNIGHT ON THE DAY IMMEDIATELY PRECEDING THE DATE OF THE  
6 TERMINATION OF EMPLOYMENT. THE BENEFIT COMMENCEMENT AGE SHALL BE  
7 THE YOUNGER OF THE FOLLOWING, BUT SHALL NOT BE YOUNGER THAN THE  
8 MEMBER'S OR QUALIFIED PARTICIPANT'S AGE AS OF 12 MIDNIGHT ON THE  
9 DAY IMMEDIATELY PRECEDING THE DATE OF THE TERMINATION OF  
10 EMPLOYMENT:

11 (A) AGE 60.

12 (B) AGE 55, IF THE MEMBER'S OR QUALIFIED PARTICIPANT'S  
13 ESTIMATED CREDITED SERVICE EQUALS OR EXCEEDS 30 YEARS.

14 (C) THE AGE OF THE MEMBER OR QUALIFIED PARTICIPANT IF THE  
15 MEMBER'S OR QUALIFIED PARTICIPANT'S CREDITED SERVICE EQUALS OR  
16 EXCEEDS 30 YEARS AND THE MEMBER OR QUALIFIED PARTICIPANT IS A  
17 PARTICIPANT OF THE MEMBER INVESTMENT PLAN.

18 (D) INTEREST ON ANY AMOUNTS DETERMINED IN SUBDIVISIONS (A),  
19 (B), AND (C) FROM THE DAY IMMEDIATELY FOLLOWING THE DATE  
20 DESCRIBED IN SUBDIVISION (A) TO THE DATE OF THE TRANSFER, BASED  
21 UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

22 (4) FOR A MEMBER OF TIER 1 OR QUALIFIED PARTICIPANT OF TIER  
23 2 WHO ELECTS TO TERMINATE MEMBERSHIP OR PARTICIPATION UNDER  
24 SECTION 110(2), THE RETIREMENT SYSTEM SHALL RECOMPUTE THE AMOUNT  
25 TRANSFERRED UNDER SUBSECTION (3) NOT LATER THAN THE EXPIRATION OF  
26 90 DAYS AFTER THE TRANSFER OCCURS UNDER SUBSECTION (3) BASED UPON  
27 THE MEMBER'S OR QUALIFIED PARTICIPANT'S ACTUAL CREDITED SERVICE

1 AND ACTUAL FINAL AVERAGE COMPENSATION AS OF 12 MIDNIGHT ON THE  
2 DAY IMMEDIATELY PRECEDING THE DATE OF THE TERMINATION OF  
3 EMPLOYMENT. IF THE RECOMPUTED AMOUNT DIFFERS FROM THE AMOUNT  
4 TRANSFERRED UNDER SUBSECTION (3) BY \$10.00 OR MORE, THE  
5 RETIREMENT SYSTEM SHALL DO ALL OF THE FOLLOWING:

6 (A) DIRECT THE STATE TREASURER TO TRANSFER FROM THE RESERVE  
7 FOR EMPLOYER CONTRIBUTIONS TO THE FORMER QUALIFIED PARTICIPANT'S  
8 ACCOUNT IN TIER 3 THE EXCESS, IF ANY, OF THE RECOMPUTED AMOUNT  
9 OVER THE PREVIOUSLY TRANSFERRED AMOUNT TOGETHER WITH INTEREST  
10 FROM 12 MIDNIGHT ON THE DAY IMMEDIATELY PRECEDING THE DATE OF THE  
11 TERMINATION OF EMPLOYMENT TO THE DATE OF THE TRANSFER UNDER THIS  
12 SUBSECTION, BASED UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
13 ANNUALLY.

14 (B) DIRECT THE STATE TREASURER TO TRANSFER FROM THE FORMER  
15 QUALIFIED PARTICIPANT'S ACCOUNT IN TIER 3 TO THE RESERVE FOR  
16 EMPLOYER CONTRIBUTIONS THE EXCESS, IF ANY, OF THE PREVIOUSLY  
17 TRANSFERRED AMOUNT OVER THE RECOMPUTED AMOUNT, TOGETHER WITH  
18 INTEREST, FROM THE DATE OF THE TRANSFER MADE UNDER SUBSECTION  
19 (3), BASED UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
20 ANNUALLY.

21 (5) FOR A DEFERRED MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP  
22 IN TIER 1 UNDER SECTION 110(3), THE RETIREMENT SYSTEM SHALL  
23 DIRECT THE STATE TREASURER TO TRANSFER A LUMP SUM AMOUNT FROM THE  
24 APPROPRIATE RESERVE CREATED UNDER ARTICLE 2 TO THE QUALIFIED  
25 PARTICIPANT'S ACCOUNT IN TIER 3 ON OR BEFORE THE EXPIRATION OF 60  
26 DAYS AFTER THE DATE OF THE INDIVIDUAL'S ELECTION TO TERMINATE  
27 MEMBERSHIP. THE RETIREMENT SYSTEM SHALL CALCULATE THE AMOUNT TO



1 BE TRANSFERRED, WHICH SHALL BE EQUAL TO THE SUM OF THE FOLLOWING:

2 (A) THE DEFERRED MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY,  
3 FROM THE RESERVE FOR EMPLOYEE CONTRIBUTIONS AS OF 12 MIDNIGHT ON  
4 THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF THE  
5 ELECTION.

6 (B) FOR A DEFERRED MEMBER WHO IS A PARTICIPANT IN THE MEMBER  
7 INVESTMENT PLAN, THE MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY,  
8 FROM THE RESERVE FOR MEMBER INVESTMENT PLAN AS OF 12 MIDNIGHT ON  
9 THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF THE  
10 ELECTION.

11 (C) THE EXCESS, IF ANY, OF THE ACTUARIAL PRESENT VALUE OF  
12 THE DEFERRED MEMBER'S ACCUMULATED BENEFIT OBLIGATION, OVER THE  
13 AMOUNT SPECIFIED IN SUBDIVISIONS (A) AND (B), FROM THE RESERVE  
14 FOR EMPLOYER CONTRIBUTIONS. EXCEPT AS PROVIDED IN SUBSECTION (7),  
15 FOR THE PURPOSES OF THIS SUBSECTION, THE PRESENT VALUE OF THE  
16 DEFERRED MEMBER'S ACCUMULATED BENEFIT OBLIGATION IS BASED UPON  
17 THE DEFERRED MEMBER'S ESTIMATED CREDITED SERVICE AND ESTIMATED  
18 FINAL AVERAGE COMPENSATION AS OF 12 MIDNIGHT ON THE LAST DAY OF  
19 THE PAYROLL PERIOD THAT INCLUDES THE DATE OF THE ELECTION. THE  
20 ACTUARIAL PRESENT VALUE SHALL BE COMPUTED AS OF 12 MIDNIGHT ON  
21 THAT DATE AND SHALL BE BASED ON THE FOLLOWING:

22 (i) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
23 ANNUALLY.

24 (ii) A 50% MALE AND 50% FEMALE GENDER NEUTRAL BLEND OF THE  
25 MORTALITY TABLES USED TO PROJECT RETIRANT LONGEVITY IN THE MOST  
26 RECENT ANNUAL ACTUARIAL VALUATION REPORT.

27 (iii) A BENEFIT COMMENCEMENT AGE, BASED UPON THE MEMBER'S

1 ESTIMATED CREDITED SERVICE AS OF 12 MIDNIGHT ON THE LAST DAY OF  
2 THE PAYROLL PERIOD THAT INCLUDES THE DATE OF THE ELECTION. THE  
3 BENEFIT COMMENCEMENT AGE SHALL BE THE YOUNGER OF THE FOLLOWING,  
4 BUT SHALL NOT BE YOUNGER THAN THE MEMBER'S AGE AS OF 12 MIDNIGHT  
5 ON THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF  
6 THE ELECTION:

7 (A) AGE 60.

8 (B) AGE 55, IF THE DEFERRED MEMBER'S ESTIMATED CREDITED  
9 SERVICE EQUALS OR EXCEEDS 30 YEARS.

10 (C) THE AGE OF THE DEFERRED MEMBER IF THE DEFERRED MEMBER'S  
11 CREDITED SERVICE EQUALS OR EXCEEDS 30 YEARS AND THE DEFERRED  
12 MEMBER IS A PARTICIPANT OF THE MEMBER INVESTMENT PLAN.

13 (D) INTEREST ON ANY AMOUNTS DETERMINED IN SUBDIVISIONS (A),  
14 (B), AND (C) FROM THE FIRST DAY OF THE PAYROLL PERIOD IMMEDIATELY  
15 FOLLOWING THE DATE OF THE ELECTION TO THE DATE OF THE TRANSFER,  
16 BASED UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

17 (6) FOR EACH DEFERRED MEMBER WHO ELECTS TO TERMINATE  
18 MEMBERSHIP IN TIER 1 UNDER SECTION 110(3), THE RETIREMENT SYSTEM  
19 SHALL RECOMPUTE THE AMOUNT TRANSFERRED UNDER SUBSECTION (5) NOT  
20 LATER THAN THE EXPIRATION OF 90 DAYS AFTER THE TRANSFER OCCURS  
21 UNDER SUBSECTION (5) BASED UPON THE DEFERRED MEMBER'S ACTUAL  
22 CREDITED SERVICE AND ACTUAL FINAL AVERAGE COMPENSATION AS OF 12  
23 MIDNIGHT ON THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE  
24 DATE OF THE ELECTION. IF THE RECOMPUTED AMOUNT DIFFERS FROM THE  
25 AMOUNT TRANSFERRED UNDER SUBSECTION (5) BY \$10.00 OR MORE, THE  
26 RETIREMENT SYSTEM SHALL DO ALL OF THE FOLLOWING:

27 (A) DIRECT THE STATE TREASURER TO TRANSFER FROM THE RESERVE

1 FOR EMPLOYER CONTRIBUTIONS TO THE QUALIFIED PARTICIPANT'S ACCOUNT  
2 IN TIER 3 THE EXCESS, IF ANY, OF THE RECOMPUTED AMOUNT OVER THE  
3 PREVIOUSLY TRANSFERRED AMOUNT TOGETHER WITH INTEREST FROM 12  
4 MIDNIGHT ON THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE  
5 DATE OF THE ELECTION TO THE DATE OF THE TRANSFER UNDER THIS  
6 SUBSECTION, BASED UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
7 ANNUALLY.

8 (B) DIRECT THE STATE TREASURER TO TRANSFER FROM THE  
9 QUALIFIED PARTICIPANT'S ACCOUNT IN TIER 3 TO THE RESERVE FOR  
10 EMPLOYER CONTRIBUTIONS THE EXCESS, IF ANY, OF THE PREVIOUSLY  
11 TRANSFERRED AMOUNT OVER THE RECOMPUTED AMOUNT, TOGETHER WITH  
12 INTEREST, FROM THE DATE OF THE TRANSFER MADE UNDER SUBSECTION  
13 (5), BASED UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
14 ANNUALLY.

15 (7) FOR THE PURPOSES OF SUBSECTIONS (1) TO (6), THE  
16 CALCULATION OF ESTIMATED AND ACTUAL PRESENT VALUE OF THE  
17 MEMBER'S, QUALIFIED PARTICIPANT'S, OR DEFERRED MEMBER'S  
18 ACCUMULATED BENEFIT OBLIGATION SHALL BE BASED UPON METHODS  
19 ADOPTED BY THE DEPARTMENT AND THE RETIREMENT SYSTEM'S ACTUARY IN  
20 CONSULTATION WITH THE RETIREMENT BOARD. THE RETIREMENT SYSTEM  
21 SHALL UTILIZE THE SAME ACTUARIAL VALUATION REPORT USED TO  
22 CALCULATE THE AMOUNT TRANSFERRED UNDER SUBSECTION (1), (3), OR  
23 (5) WHEN MAKING THE RECOMPUTATION REQUIRED UNDER SUBSECTION (2),  
24 (4), OR (6). ESTIMATED AND ACTUAL FINAL AVERAGE COMPENSATION  
25 SHALL BE DETERMINED AS PROVIDED IN SECTIONS 3A AND 4(12) AS OF 12  
26 MIDNIGHT ON THE DATE UNDER SECTION 110 THAT THE MEMBER OR  
27 DEFERRED MEMBER CEASES TO BE A MEMBER OF TIER 1 OR THE QUALIFIED

1 PARTICIPANT CEASES TO BE A PARTICIPANT OF TIER 2.

2 (8) FOR A FORMER NONVESTED MEMBER WHO ELECTS TO TERMINATE  
3 MEMBERSHIP IN TIER 1 UNDER SECTION 110(3) AND WHO HAS ACCUMULATED  
4 CONTRIBUTIONS STANDING TO HIS OR HER CREDIT IN THE RESERVE FOR  
5 EMPLOYEE CONTRIBUTIONS OR THE RESERVE FOR MEMBER INVESTMENT PLAN,  
6 THE RETIREMENT SYSTEM SHALL DIRECT THE STATE TREASURER TO  
7 TRANSFER A LUMP SUM AMOUNT FROM THE APPROPRIATE RESERVE CREATED  
8 UNDER ARTICLE 2 TO THE QUALIFIED PARTICIPANT'S ACCOUNT IN TIER 3  
9 ON OR BEFORE THE EXPIRATION OF 60 DAYS AFTER THE DATE OF THE  
10 INDIVIDUAL'S ELECTION TO TERMINATE MEMBERSHIP. THE RETIREMENT  
11 SYSTEM SHALL CALCULATE THE AMOUNT TO BE TRANSFERRED, WHICH SHALL  
12 BE EQUAL TO THE SUM OF THE FOLLOWING:

13 (A) THE FORMER NONVESTED MEMBER'S ACCUMULATED CONTRIBUTIONS,  
14 IF ANY, FROM THE RESERVE FOR EMPLOYEE CONTRIBUTIONS AS OF 12  
15 MIDNIGHT ON THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE  
16 DATE OF THE ELECTION.

17 (B) FOR A FORMER NOVESTED MEMBER WHO IS A PARTICIPANT IN THE  
18 MEMBER INVESTMENT PLAN, THE FORMER NONVESTED MEMBER'S ACCUMULATED  
19 CONTRIBUTIONS, IF ANY, FROM THE RESERVE FOR MEMBER INVESTMENT  
20 PLAN AS OF 12 MIDNIGHT ON THE LAST DAY OF THE PAYROLL PERIOD THAT  
21 INCLUDES THE DATE OF THE ELECTION.

22 (C) INTEREST ON ANY AMOUNTS DETERMINED IN SUBDIVISIONS (A)  
23 AND (B) FROM THE FIRST DAY OF THE PAYROLL PERIOD IMMEDIATELY  
24 FOLLOWING THE DATE OF THE ELECTION TO THE DATE OF THE TRANSFER,  
25 BASED UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

26 (9) FOR A QUALIFIED PARTICIPANT OF TIER 2 WHO ELECTS TO  
27 TERMINATE PARTICIPATION UNDER SECTION 110(1), THE RETIREMENT

1 SYSTEM SHALL DIRECT THE STATE TREASURER TO TRANSFER THE TOTAL  
2 AMOUNT FROM THE QUALIFIED PARTICIPANT'S ACCOUNT IN TIER 2 TO THE  
3 QUALIFIED PARTICIPANT'S ACCOUNT IN TIER 3 ON OR BEFORE OCTOBER 1,  
4 2012. FOR A QUALIFIED PARTICIPANT OF TIER 2 WHO ELECTS TO  
5 TERMINATE PARTICIPATION UNDER SECTION 110(2), THE RETIREMENT  
6 SYSTEM SHALL DIRECT THE STATE TREASURER TO TRANSFER THE TOTAL  
7 AMOUNT FROM THE QUALIFIED PARTICIPANT'S ACCOUNT IN TIER 2 TO THE  
8 QUALIFIED PARTICIPANT'S ACCOUNT IN TIER 3 ON OR BEFORE THE  
9 EXPIRATION OF 60 DAYS AFTER THE DATE OF THE INDIVIDUAL'S  
10 TERMINATION OF EMPLOYMENT.

11 SEC. 112. AFTER CONSULTING THE RETIREMENT SYSTEM'S ACTUARY,  
12 THE DEPARTMENT SHALL CALCULATE FOR EACH FISCAL YEAR ANY COST  
13 SAVINGS THAT HAVE ACCRUED TO THIS STATE AS A RESULT OF THE  
14 IMPLEMENTATION OF THE AMENDATORY ACT THAT ADDED THIS SECTION OVER  
15 THE COSTS THAT WOULD HAVE BEEN INCURRED BY THIS STATE TO FUND  
16 THIS RETIREMENT SYSTEM HAD THE AMENDATORY ACT THAT ADDED THIS  
17 SECTION NOT BEEN IMPLEMENTED. THE TOTAL AMOUNT OF THE COST  
18 SAVINGS SHALL NOT BE USED TO DECREASE THE ACTUARIAL RATE CHARGED  
19 TO REPORTING UNITS, AND THE TOTAL AMOUNT OF THE SAVINGS SHALL BE  
20 DEPOSITED INTO THE RESERVE FOR HEALTH BENEFITS CREATED UNDER  
21 SECTION 34. ANY AMOUNT DEPOSITED IN THE RESERVE FOR HEALTH  
22 BENEFITS UNDER THIS SECTION SHALL NOT BE EXPENDED UNTIL THE  
23 ACTUARIAL ACCRUED LIABILITY FOR HEALTH BENEFITS UNDER SECTION 91  
24 IS 100% FUNDED.

25 Sec. 124. (1) "Plan document" means the document that  
26 contains the provisions and procedures of Tier 2 in conformity  
27 with this act and the internal revenue code.

1       (2) "Qualified participant" means an individual who is a  
2 participant of Tier 2 and who is first employed and entered upon  
3 the payroll of his or her employer on or after July 1, 2010 **AND**  
4 **BEFORE JULY 1, 2011**, and who also qualifies to be a member of  
5 Tier 1.

6       (3) "Refund beneficiary" means an individual nominated by a  
7 qualified participant or a former qualified participant under  
8 section 134 to receive a distribution of the participant's  
9 accumulated balance in the manner prescribed in section 135.

10       (4) "State treasurer" means the treasurer of this state.

11                                   **ARTICLE 8**

12       **SEC. 151. (1) FOR THE PURPOSES OF THIS ARTICLE, THE WORDS**  
13 **AND PHRASES DEFINED IN SECTIONS 152 TO 154 HAVE THE MEANINGS**  
14 **ASCRIBED TO THEM IN THOSE SECTIONS.**

15       (2) **NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT, THE**  
16 **DEPARTMENT SHALL IMPLEMENT THE TIER 3 RETIREMENT PLAN UNDER THIS**  
17 **ARTICLE AS SOON AS ADMINISTRATIVELY FEASIBLE BUT NOT LATER THAN**  
18 **JULY 1, 2011.**

19       **SEC. 152. (1) "ACCUMULATED BALANCE" MEANS THE TOTAL BALANCE**  
20 **IN A QUALIFIED PARTICIPANT'S, FORMER QUALIFIED PARTICIPANT'S, OR**  
21 **REFUND BENEFICIARY'S INDIVIDUAL ACCOUNT IN TIER 3.**

22       (2) **"COMPENSATION" MEANS THE REMUNERATION PAID A QUALIFIED**  
23 **PARTICIPANT ON ACCOUNT OF THE QUALIFIED PARTICIPANT'S SERVICES**  
24 **RENDERED TO HIS OR HER EMPLOYER EQUAL TO THE SUM OF THE**  
25 **FOLLOWING:**

26       **(A) A PARTICIPANT'S W-2 EARNINGS FOR SERVICES PERFORMED FOR**  
27 **THE EMPLOYER.**

(B) ANY AMOUNT CONTRIBUTED OR DEFERRED AT THE ELECTION OF THE PARTICIPANT THAT IS EXCLUDED FROM GROSS INCOME UNDER SECTION 125, 132(F)(4), 401(K), 403(B), OR 457 OF THE INTERNAL REVENUE CODE, 26 USC 125, 132, 401, 403, AND 457.

(3) "DIRECTOR" MEANS THE DIRECTOR OF THE DEPARTMENT OR HIS OR HER DESIGNEE.

SEC. 153. (1) "EMPLOYER" MEANS A REPORTING UNIT.

(2) "FORMER QUALIFIED PARTICIPANT" MEANS AN INDIVIDUAL WHO WAS A QUALIFIED PARTICIPANT OF TIER 3 AND WHO TERMINATES THE EMPLOYMENT UPON WHICH HIS OR HER PARTICIPATION IS BASED FOR ANY REASON.

(3) "HEALTH BENEFIT DEPENDENT" MEANS AN INDIVIDUAL WHO WOULD HAVE BEEN ELIGIBLE FOR HEALTH INSURANCE COVERAGE AS A HEALTH INSURANCE DEPENDENT UNDER SECTION 91(15)(A) IF THE FORMER QUALIFIED PARTICIPANT HAD BECOME A RETIRANT OF TIER 1.

SEC. 154. (1) "PLAN DOCUMENT" MEANS THE DOCUMENT THAT CONTAINS THE PROVISIONS AND PROCEDURES OF TIER 3 IN CONFORMITY WITH THIS ACT AND THE INTERNAL REVENUE CODE.

(2) "QUALIFIED PARTICIPANT" MEANS AN INDIVIDUAL WHO IS A PARTICIPANT OF TIER 3 AND WHO MEETS 1 OF THE FOLLOWING REQUIREMENTS:

(A) IS FIRST EMPLOYED AND ENTERED UPON THE PAYROLL OF A REPORTING UNIT ON OR AFTER JULY 1, 2011.

(B) ELECTED TO TERMINATE MEMBERSHIP IN TIER 1 OR PARTICIPATION IN TIER 2 IN THE MANNER PRESCRIBED IN SECTION 110.

(3) "REFUND BENEFICIARY" MEANS AN INDIVIDUAL NOMINATED BY A QUALIFIED PARTICIPANT OR A FORMER QUALIFIED PARTICIPANT UNDER

SECTION 164 TO RECEIVE A DISTRIBUTION OF THE PARTICIPANT'S  
ACCUMULATED BALANCE IN THE MANNER PRESCRIBED IN SECTION 165.

(4) "STATE TREASURER" MEANS THE TREASURER OF THIS STATE.

SEC. 155. (1) THE DEPARTMENT SHALL DESIGNATE 3 OR MORE TIER  
3 CONTRACTS OR ACCOUNT PLANS PROVIDED BY AT LEAST 3 DIFFERENT  
ENTITIES, TO BE OFFERED TO PARTICIPANTS IN TIER 3. NO TIER 3 PLAN  
OPTION SHALL BE DESIGNATED UNDER THIS SECTION UNLESS THE ENTITY  
MEETS ALL OF THE FOLLOWING REQUIREMENTS:

(A) IT IS AUTHORIZED TO CONDUCT BUSINESS IN THIS STATE WITH  
REGARD TO ANY ANNUITY CONTRACTS OR CERTIFICATES TO BE OFFERED  
UNDER THE PLAN.

(B) IT PROVIDES A DEFINED CONTRIBUTION PENSION PLAN AND  
ASSOCIATED PLAN SERVICES TO PUBLIC SECTOR EMPLOYEES IN AT LEAST  
10 OTHER STATES.

(C) IT PROVIDES A TIER 3 OPTION THAT IS AN ANNUITY CONTRACT  
OR CUSTODIAL ACCOUNT THAT IS NOT REQUIRED TO BE HELD BY A  
SEPARATE PLAN TRUSTEE.

(2) IN DESIGNATING TIER 3 PLANS UNDER THIS SECTION, THE  
DEPARTMENT SHALL CONSIDER ALL OF THE FOLLOWING:

(A) THE EXPERIENCE OF THE ENTITY IN PROVIDING THE PLAN IN  
OTHER STATES.

(B) THE POTENTIAL EFFECTIVENESS OF THE PLAN IN THE  
RECRUITMENT AND RETENTION OF ACADEMIC OR ADMINISTRATIVE  
EMPLOYEES.

(C) THE NATURE AND EXTENT OF THE RIGHTS AND BENEFITS TO BE  
PROVIDED UNDER THE PLAN.

(D) THE RELATIONSHIP BETWEEN THE RIGHTS AND BENEFITS UNDER



1 THE PLAN AND THE AMOUNT OF THE CONTRIBUTIONS MADE UNDER THAT  
2 PLAN.

3 (E) THE SUITABILITY OF THE RIGHTS AND BENEFITS UNDER THE  
4 PLAN TO THE NEEDS AND INTERESTS OF ACADEMIC OR ADMINISTRATIVE  
5 EMPLOYEES.

6 (F) THE CAPABILITY OF THE ENTITY OFFERING THE PLAN TO  
7 PROVIDE THE RIGHTS AND BENEFITS UNDER THE PLAN, AND TO MONITOR  
8 COMPLIANCE UNDER THE CONTRACT OR ACCOUNT WITH APPLICABLE FEDERAL  
9 TAX REQUIREMENTS INCORPORATED INTO THE CONTRACT OR ACCOUNT.

10 (G) ANY OTHER SUPPLEMENTAL MATTERS IT CONSIDERS RELEVANT.

11 (3) THE DEPARTMENT SHALL CONSULT WITH THE STATE TREASURER IN  
12 DETERMINING APPROPRIATE INVESTMENT VEHICLES OFFERED WITHIN THE  
13 DESIGNATED TIER 3 OPTION PLANS. THE DEPARTMENT IN CONSULTATION  
14 WITH THE STATE TREASURER SHALL PERIODICALLY REVIEW EACH TIER 3  
15 PLAN DESIGNATED UNDER THIS SECTION AND THE ENTITY OFFERING THE  
16 PLAN TO ENSURE THAT THE REQUIREMENTS AND PURPOSES OF THIS ARTICLE  
17 ARE BEING MET. IF THE DEPARTMENT FINDS THAT THE ENTITY OFFERING A  
18 TIER 3 PLAN IS NOT IN COMPLIANCE WITH ANY REQUIREMENT OF THIS  
19 SECTION OR THE PLAN IS NOT SATISFACTORILY MEETING THE PURPOSES OF  
20 THIS ARTICLE, IT MAY RESCIND ITS DESIGNATION OF THE PLAN.

21 (4) THE DEPARTMENT SHALL DETERMINE THE PROVISIONS AND  
22 PROCEDURES OF TIER 3 IN CONFORMITY WITH THIS ARTICLE AND THE  
23 REQUIREMENTS OF THE INTERNAL REVENUE CODE.

24 (5) THE DIRECTOR SHALL USE A COMPETITIVE BIDDING PROCESS TO  
25 SELECT ANY MANAGERIAL, PROFESSIONAL, OR ADMINISTRATIVE SERVICES  
26 FOR THE PROPER ADMINISTRATION AND INVESTMENT OF ASSETS OF TIER 3.  
27 THE COMPETITIVE BIDDING PROCESS SHALL INCLUDE A REQUIREMENT THAT

1 ANY SERVICE PROVIDER SELECTED UNDER THIS SECTION SHALL PAY FOR  
2 THE COST OF ANY NOTIFICATION OF MEMBERS OF TIER 1 OR QUALIFIED  
3 PARTICIPANTS OF TIER 2 WHO ARE ENTITLED TO MAKE AN ELECTION UNDER  
4 SECTION 110.

5 SEC. 156. (1) A QUALIFIED PARTICIPANT, FORMER QUALIFIED  
6 PARTICIPANT, HEALTH BENEFIT DEPENDENT, OR REFUND BENEFICIARY MAY  
7 REQUEST A HEARING ON A CLAIM INVOLVING HIS OR HER RIGHTS UNDER  
8 TIER 3. UPON WRITTEN REQUEST, THE DEPARTMENT SHALL PROVIDE FOR A  
9 HEARING THAT SHALL BE CONDUCTED PURSUANT TO CHAPTER 4 OF THE  
10 ADMINISTRATIVE PROCEDURES ACT OF 1969, 1969 PA 306, MCL 24.271 TO  
11 24.287. AN INDIVIDUAL MAY BE REPRESENTED BY COUNSEL OR OTHER  
12 AUTHORIZED AGENT AT A HEARING CONDUCTED UNDER THIS SECTION.

13 (2) CHAPTERS 2, 3, AND 5 OF THE ADMINISTRATIVE PROCEDURES  
14 ACT OF 1969, 1969 PA 306, MCL 24.224 TO 24.228, 24.231 TO 24.264,  
15 AND 24.291 TO 24.292, DO NOT APPLY TO THE ESTABLISHMENT,  
16 IMPLEMENTATION, ADMINISTRATION, OPERATION, INVESTMENT, OR  
17 DISTRIBUTION OF TIER 3.

18 SEC. 157. EACH QUALIFIED PARTICIPANT, FORMER QUALIFIED  
19 PARTICIPANT, AND REFUND BENEFICIARY SHALL DIRECT THE INVESTMENT  
20 OF THE INDIVIDUAL'S ACCUMULATED EMPLOYER AND EMPLOYEE  
21 CONTRIBUTIONS AND EARNINGS TO 1 OR MORE INVESTMENT CHOICES WITHIN  
22 AVAILABLE CATEGORIES OF INVESTMENT PROVIDED BY THE STATE  
23 TREASURER. THE LIMITATIONS ON THE PERCENTAGE OF TOTAL ASSETS FOR  
24 INVESTMENTS PROVIDED IN THE PUBLIC EMPLOYEE RETIREMENT SYSTEM  
25 INVESTMENT ACT, 1965 PA 314, MCL 38.1132 TO 38.1140M, DO NOT  
26 APPLY TO TIER 3.

27 SEC. 158. THE ADMINISTRATIVE EXPENSES OF TIER 3 SHALL BE

1 PAID BY THE QUALIFIED PARTICIPANTS, FORMER QUALIFIED  
2 PARTICIPANTS, AND REFUND BENEFICIARIES WHO HAVE NOT CLOSED THEIR  
3 ACCOUNTS IN A MANNER DETERMINED BY THE DEPARTMENT.

4 SEC. 159. A QUALIFIED PARTICIPANT SHALL NOT PARTICIPATE IN  
5 ANY OTHER PUBLIC SECTOR RETIREMENT BENEFITS PLAN FOR SIMULTANEOUS  
6 SERVICE RENDERED TO THE SAME PUBLIC SECTOR EMPLOYER. EXCEPT AS  
7 OTHERWISE PROVIDED IN THIS ACT OR BY THE DEPARTMENT, THIS SECTION  
8 DOES NOT PROHIBIT A QUALIFIED PARTICIPANT FROM PARTICIPATING IN A  
9 RETIREMENT PLAN ESTABLISHED BY A PUBLIC SECTOR EMPLOYER UNDER THE  
10 INTERNAL REVENUE CODE. FOR THE PURPOSES OF THIS SECTION, PUBLIC  
11 SECTOR EMPLOYER INCLUDES, BUT IS NOT LIMITED TO, A REPORTING  
12 UNIT.

13 SEC. 160. (1) THE DEPARTMENT SHALL PROMPTLY CREDIT THE TIER  
14 3 ACCOUNT OF A QUALIFIED PARTICIPANT OR FORMER QUALIFIED  
15 PARTICIPANT WHO MAKES AN ELECTION UNDER SECTION 110 TO TERMINATE  
16 MEMBERSHIP IN TIER 1 OR PARTICIPATION IN TIER 2 WITH ANY AMOUNT  
17 TRANSFERRED FROM TIER 1 OR TIER 2 UNDER SECTION 111.

18 (2) NOT LATER THAN 30 DAYS AFTER RECEIPT OF A RECOMPUTED  
19 AMOUNT, THE DEPARTMENT SHALL CHARGE THE PARTICIPANT'S TIER 3  
20 ACCOUNT FOR ANY AMOUNT OF EXCESS TRANSFERS AND TRANSFER THAT  
21 AMOUNT TO THE APPROPRIATE RESERVE PURSUANT TO SECTION 111. THE  
22 DIRECTOR MAY DETERMINE WHICH INVESTMENT CHOICE OR CHOICES WITHIN  
23 A PARTICIPANT'S TIER 3 ACCOUNT WILL BE USED FOR THIS PURPOSE.

24 SEC. 161. (1) THIS SECTION IS SUBJECT TO THE VESTING  
25 REQUIREMENTS OF SECTION 162.

26 (2) A QUALIFIED PARTICIPANT'S EMPLOYER SHALL CONTRIBUTE TO  
27 THE QUALIFIED PARTICIPANT'S TIER 3 ACCOUNT AN AMOUNT EQUAL TO 4%

1 OF THE QUALIFIED PARTICIPANT'S COMPENSATION.

2 (3) A QUALIFIED PARTICIPANT MAY PERIODICALLY ELECT TO  
3 CONTRIBUTE UP TO 3% OF HIS OR HER COMPENSATION TO HIS OR HER TIER  
4 3 ACCOUNT. THE QUALIFIED PARTICIPANT'S EMPLOYER SHALL MAKE AN  
5 ADDITIONAL CONTRIBUTION TO THE QUALIFIED PARTICIPANT'S TIER 3  
6 ACCOUNT IN AN AMOUNT EQUAL TO THE CONTRIBUTION MADE BY THE  
7 QUALIFIED PARTICIPANT UNDER THIS SUBSECTION.

8 (4) A QUALIFIED PARTICIPANT MAY MAKE CONTRIBUTIONS IN  
9 ADDITION TO CONTRIBUTIONS MADE UNDER SUBSECTION (3) TO HIS OR HER  
10 TIER 3 ACCOUNT AS PERMITTED BY THE DEPARTMENT AND THE INTERNAL  
11 REVENUE CODE. THE QUALIFIED PARTICIPANT'S EMPLOYER SHALL NOT  
12 MATCH CONTRIBUTIONS MADE BY THE QUALIFIED PARTICIPANT UNDER THIS  
13 SUBSECTION.

14 SEC. 162. (1) A QUALIFIED PARTICIPANT IS IMMEDIATELY 100%  
15 VESTED IN HIS OR HER CONTRIBUTIONS MADE TO TIER 3. A QUALIFIED  
16 PARTICIPANT SHALL VEST IN THE EMPLOYER CONTRIBUTIONS MADE ON HIS  
17 OR HER BEHALF TO TIER 3 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 IS VESTED IN THE HEALTH  
22 INSURANCE COVERAGE PROVIDED IN SECTION 166 IF THE QUALIFIED  
23 PARTICIPANT MEETS 1 OF THE FOLLOWING REQUIREMENTS:

24 (A) THE QUALIFIED PARTICIPANT HAS COMPLETED 10 YEARS OF  
25 SERVICE AS A QUALIFIED PARTICIPANT OF TIER 3 AND WAS NOT A  
26 MEMBER, DEFERRED MEMBER, OR FORMER NONVESTED MEMBER OF TIER 1 OR  
27 A QUALIFIED PARTICIPANT OF TIER 2.

1 (B) THE QUALIFIED PARTICIPANT WAS A MEMBER, DEFERRED MEMBER,  
2 OR FORMER NONVESTED MEMBER OF TIER 1 OR A QUALIFIED PARTICIPANT  
3 OF TIER 2 WHO MADE AN ELECTION TO PARTICIPATE IN TIER 3 UNDER  
4 SECTION 110, AND WHO HAS MET THE SERVICE REQUIREMENTS HE OR SHE  
5 WOULD HAVE BEEN REQUIRED TO MEET IN ORDER TO VEST IN HEALTH  
6 BENEFITS UNDER SECTION 91.

7 SEC. 163. A QUALIFIED PARTICIPANT WHO WAS A MEMBER, DEFERRED  
8 MEMBER, OR FORMER NONVESTED MEMBER OF TIER 1 OR A QUALIFIED  
9 PARTICIPANT OF TIER 2 WHO MAKES AN ELECTION TO PARTICIPATE IN  
10 TIER 3 UNDER SECTION 110, SHALL BE CREDITED WITH THE YEARS OF  
11 SERVICE ACCRUED UNDER TIER 1 OR TIER 2, AS APPLICABLE, ON THE  
12 EFFECTIVE DATE OF PARTICIPATION IN TIER 3 FOR THE PURPOSE OF  
13 MEETING THE VESTING REQUIREMENTS FOR BENEFITS UNDER SECTION 162.

14 SEC. 164. A QUALIFIED PARTICIPANT OR FORMER QUALIFIED  
15 PARTICIPANT MAY NOMINATE 1 OR MORE INDIVIDUALS AS A REFUND  
16 BENEFICIARY BY FILING WRITTEN NOTICE OF NOMINATION WITH THE  
17 DEPARTMENT. IF THE QUALIFIED PARTICIPANT OR FORMER QUALIFIED  
18 PARTICIPANT IS MARRIED AT THE TIME OF THE NOMINATION AND THE  
19 PARTICIPANT'S SPOUSE IS NOT THE REFUND BENEFICIARY FOR 100% OF  
20 THE ACCOUNT, THE NOMINATION IS NOT EFFECTIVE UNLESS THE  
21 NOMINATION IS SIGNED BY THE PARTICIPANT'S SPOUSE. HOWEVER, THE  
22 DEPARTMENT MAY WAIVE THIS REQUIREMENT IF THE SPOUSE'S SIGNATURE  
23 CANNOT BE OBTAINED BECAUSE OF EXTENUATING CIRCUMSTANCES.

24 SEC. 165. (1) A QUALIFIED PARTICIPANT IS ELIGIBLE TO RECEIVE  
25 DISTRIBUTION OF HIS OR HER ACCUMULATED BALANCE IN TIER 3 UPON  
26 BECOMING A FORMER QUALIFIED PARTICIPANT.

27 (2) UPON THE DEATH OF A QUALIFIED PARTICIPANT OR FORMER

1 QUALIFIED PARTICIPANT, THE ACCUMULATED BALANCE OF THAT DECEASED  
2 PARTICIPANT IS CONSIDERED TO BELONG TO THE REFUND BENEFICIARY, IF  
3 ANY, OF THAT DECEASED PARTICIPANT. IF A VALID NOMINATION OF  
4 REFUND BENEFICIARY IS NOT ON FILE WITH THE DEPARTMENT, THE  
5 DEPARTMENT, IN A LUMP SUM DISTRIBUTION, SHALL DISTRIBUTE THE  
6 ACCUMULATED BALANCE TO THE LEGAL REPRESENTATIVE, IF ANY, OF THE  
7 DECEASED PARTICIPANT OR, IF THERE IS NO LEGAL REPRESENTATIVE, TO  
8 THE DECEASED PARTICIPANT'S ESTATE.

9 (3) A FORMER QUALIFIED PARTICIPANT OR REFUND BENEFICIARY MAY  
10 ELECT 1 OR A COMBINATION OF SEVERAL OF THE FOLLOWING METHODS OF  
11 DISTRIBUTION OF THE ACCUMULATED BALANCE:

12 (A) A LUMP SUM DISTRIBUTION TO THE RECIPIENT.

13 (B) A LUMP SUM DIRECT ROLLOVER TO ANOTHER QUALIFIED PLAN, TO  
14 THE EXTENT ALLOWED BY FEDERAL LAW.

15 (C) PERIODIC DISTRIBUTIONS, AS AUTHORIZED BY THE DEPARTMENT.

16 (D) NO CURRENT DISTRIBUTION, IN WHICH CASE THE ACCUMULATED  
17 BALANCE SHALL REMAIN IN TIER 3 UNTIL THE FORMER QUALIFIED  
18 PARTICIPANT OR REFUND BENEFICIARY ELECTS A METHOD OR METHODS OF  
19 DISTRIBUTION UNDER SUBDIVISIONS (A) TO (C), TO THE EXTENT ALLOWED  
20 BY FEDERAL LAW.

21 SEC. 165A. (1) A QUALIFIED PARTICIPANT WHOM THE RETIREMENT  
22 BOARD FINDS TO HAVE BECOME TOTALLY AND PERMANENTLY DISABLED FROM  
23 ANY GAINFUL EMPLOYMENT BY REASON OF PERSONAL INJURY OR MENTAL OR  
24 PHYSICAL ILLNESS WHILE SERVING AS AN EMPLOYEE OF THAT REPORTING  
25 UNIT SHALL BE GRANTED A SUPPLEMENTAL BENEFIT EQUIVALENT TO THE  
26 AMOUNT PROVIDED FOR IN SECTION 84 AS IF THE FORMER QUALIFIED  
27 PARTICIPANT HAD RETIRED UNDER SECTION 87, WHICH SUPPLEMENTAL

1 BENEFIT SHALL BE OFFSET BY THE VALUE OF THE DISTRIBUTION OF HIS  
2 OR HER ACCUMULATED BALANCE UPON BECOMING A FORMER QUALIFIED  
3 PARTICIPANT PURSUANT TO SECTION 165.

4 (2) IF A QUALIFIED PARTICIPANT DIES AS A RESULT OF INJURY OR  
5 ILLNESS ARISING OUT OF AND IN THE COURSE OF THE QUALIFIED  
6 PARTICIPANT'S REPORTING UNIT SERVICE FOR WHICH WORKER'S  
7 DISABILITY COMPENSATION IS PAID, OR A DUTY DISABILITY RETIRANT  
8 WHO IS IN RECEIPT OF WEEKLY WORKER'S DISABILITY COMPENSATION ON  
9 ACCOUNT OF THE RETIRANT'S REPORTING UNIT SERVICE DIES FROM THE  
10 SAME CAUSES FOR WHICH THE FORMER QUALIFIED PARTICIPANT RETIRED  
11 WITHIN 36 MONTHS AFTER THE FORMER QUALIFIED PARTICIPANT'S  
12 RETIREMENT, AND IN EITHER CASE THE DEATH OR THE ILLNESS OR INJURY  
13 RESULTING IN DEATH IS FOUND BY THE RETIREMENT BOARD TO HAVE  
14 RESULTED, WITHOUT THE QUALIFIED PARTICIPANT'S OR FORMER QUALIFIED  
15 PARTICIPANT'S WILLFUL NEGLIGENCE, FROM THE PERFORMANCE OF THE  
16 QUALIFIED PARTICIPANT'S OR FORMER QUALIFIED PARTICIPANT'S  
17 REPORTING UNIT SERVICE, A SUPPLEMENTAL BENEFIT SHALL BE GRANTED  
18 EQUIVALENT TO THE AMOUNT PROVIDED FOR IN SECTION 84 HAD THE  
19 FORMER QUALIFIED PARTICIPANT BEEN CONSIDERED RETIRED UNDER  
20 SECTION 90, WHICH SUPPLEMENTAL BENEFIT SHALL BE OFFSET BY THE  
21 VALUE OF THE DISTRIBUTION OF HIS OR HER ACCUMULATED BALANCE UPON  
22 BECOMING A FORMER QUALIFIED PARTICIPANT PURSUANT TO SECTION 165.

23 (3) A QUALIFIED PARTICIPANT WHO HAS AT LEAST 10 YEARS OF  
24 CREDITED SERVICE WHOM THE RETIREMENT BOARD FINDS TO HAVE BECOME  
25 TOTALLY AND PERMANENTLY DISABLED FOR PURPOSES OF EMPLOYMENT BY  
26 HIS OR HER REPORTING UNIT BY REASON OF PERSONAL INJURY OR MENTAL  
27 OR PHYSICAL ILLNESS BEFORE TERMINATION OF REPORTING UNIT SERVICE

1 AND EMPLOYMENT SHALL BE GRANTED A SUPPLEMENTAL BENEFIT EQUIVALENT  
2 TO THE AMOUNT PROVIDED FOR IN SECTION 84 AS IF THE FORMER  
3 QUALIFIED PARTICIPANT HAD RETIRED UNDER SECTION 86, WHICH  
4 SUPPLEMENTAL BENEFIT SHALL BE OFFSET BY THE VALUE OF THE  
5 DISTRIBUTION OF HIS OR HER ACCUMULATED BALANCE UPON BECOMING A  
6 FORMER QUALIFIED PARTICIPANT PURSUANT TO SECTION 165.

7 (4) IF A QUALIFIED PARTICIPANT WHO MEETS THE SERVICE  
8 REQUIREMENTS OF SECTION 89 DIES AS A RESULT OF INJURY OR ILLNESS  
9 THAT DOES NOT ARISE OUT OF AND IN THE COURSE OF THE QUALIFIED  
10 PARTICIPANT'S REPORTING UNIT SERVICE, A SUPPLEMENTAL BENEFIT  
11 SHALL BE GRANTED EQUIVALENT TO THE AMOUNT PROVIDED FOR IN SECTION  
12 89 HAD THE FORMER QUALIFIED PARTICIPANT BEEN CONSIDERED RETIRED  
13 UNDER SECTION 89, WHICH SUPPLEMENTAL BENEFIT SHALL BE OFFSET BY  
14 THE VALUE OF THE DISTRIBUTION OF HIS OR HER ACCUMULATED BALANCE  
15 UPON BECOMING A FORMER QUALIFIED PARTICIPANT PURSUANT TO SECTION  
16 165.

17 (5) A QUALIFIED PARTICIPANT, FORMER QUALIFIED PARTICIPANT,  
18 OR BENEFICIARY OF A DECEASED PARTICIPANT, WHICH PARTICIPANT IS  
19 ELIGIBLE FOR A DISABILITY RETIREMENT ALLOWANCE UNDER THIS  
20 SECTION, IS ELIGIBLE FOR HEALTH INSURANCE COVERAGE UNDER SECTION  
21 91 IN ALL RESPECTS AND UNDER THE SAME TERMS AS A RETIRANT AND HIS  
22 OR HER BENEFICIARIES UNDER TIER 1.

23 SEC. 166. (1) A FORMER QUALIFIED PARTICIPANT MAY ELECT  
24 HEALTH INSURANCE BENEFITS IN THE MANNER PRESCRIBED IN THIS  
25 SECTION IF HE OR SHE MEETS BOTH OF THE FOLLOWING REQUIREMENTS:

26 (A) THE FORMER QUALIFIED PARTICIPANT IS VESTED IN HEALTH  
27 BENEFITS UNDER SECTION 162(2).



1 (B) THE FORMER QUALIFIED PARTICIPANT IS AT LEAST 60 YEARS OF  
2 AGE OR HAS AT LEAST 25 YEARS OF CREDITED SERVICE.

3 (2) A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT  
4 HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) MAY ELECT HEALTH  
5 INSURANCE COVERAGE IN A HEALTH BENEFIT PLAN OR PLANS AS  
6 AUTHORIZED BY SECTION 91 OR IN ANOTHER PLAN AS PROVIDED IN  
7 SUBSECTION (6). A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO  
8 ELECT HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) MAY ALSO  
9 ELECT HEALTH INSURANCE COVERAGE FOR HIS OR HER HEALTH BENEFIT  
10 DEPENDENTS, IF ANY. A SURVIVING HEALTH BENEFIT DEPENDENT OF A  
11 DECEASED FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT  
12 HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) MAY ELECT HEALTH  
13 INSURANCE COVERAGE IN THE MANNER PRESCRIBED IN THIS SECTION.

14 (3) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (6), AN  
15 INDIVIDUAL WHO ELECTS HEALTH INSURANCE COVERAGE UNDER THIS  
16 SECTION SHALL BECOME A MEMBER OF A HEALTH INSURANCE COVERAGE  
17 GROUP AUTHORIZED UNDER SECTION 91.

18 (4) FOR A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO  
19 ELECT HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) AND WHO IS  
20 VESTED IN THOSE BENEFITS UNDER SECTION 162(2)(A), AND FOR HIS OR  
21 HER HEALTH BENEFIT DEPENDENTS, THE RETIREMENT SYSTEM SHALL PAY A  
22 PORTION OF THE HEALTH INSURANCE PREMIUM AS CALCULATED UNDER  
23 SECTION 91(8) ON A CASH DISBURSEMENT METHOD. AN INDIVIDUAL  
24 DESCRIBED IN THIS SUBSECTION WHO ELECTS HEALTH INSURANCE COVERAGE  
25 UNDER THIS SECTION SHALL PAY TO THE RETIREMENT SYSTEM THE  
26 REMAINING PORTION OF THE HEALTH INSURANCE COVERAGE PREMIUM NOT  
27 PAID BY THE RETIREMENT SYSTEM UNDER THIS SUBSECTION. THIS

1 SUBSECTION DOES NOT APPLY TO AN INDIVIDUAL DESCRIBED IN THIS  
2 SUBSECTION WHO RECEIVES A DISABILITY RETIREMENT ALLOWANCE UNDER  
3 SECTION 165A OR TO A HEALTH BENEFIT DEPENDENT BENEFICIARY UNDER  
4 SECTION 165A.

5 (5) A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT  
6 HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) AND WHO IS VESTED  
7 IN THOSE BENEFITS UNDER SECTION 162(2)(B) MAY ELECT HEALTH  
8 INSURANCE COVERAGE UNDER SECTION 91 FOR HIMSELF OR HERSELF AND  
9 FOR HIS OR HER HEALTH BENEFIT DEPENDENTS, IN ALL RESPECTS AND  
10 UNDER THE SAME TERMS AS WOULD A RETIRANT AND HIS OR HER HEALTH  
11 INSURANCE DEPENDENTS UNDER TIER 1.

12 (6) A FORMER QUALIFIED PARTICIPANT OR HEALTH BENEFIT  
13 DEPENDENT WHO IS ELIGIBLE TO ELECT HEALTH INSURANCE COVERAGE  
14 UNDER THIS SECTION AND WHO ELECTS HEALTH INSURANCE COVERAGE UNDER  
15 A DIFFERENT PLAN THAN THE PLAN AUTHORIZED UNDER SECTION 91 MAY  
16 ELECT TO HAVE AN AMOUNT UP TO THE AMOUNT OF THE RETIREMENT  
17 SYSTEM'S SHARE OF THE MONTHLY HEALTH INSURANCE PREMIUM SUBSIDY  
18 PROVIDED IN THIS SECTION PAID BY THE RETIREMENT SYSTEM DIRECTLY  
19 TO THE OTHER HEALTH INSURANCE PLAN OR TO A MEDICAL SAVINGS  
20 ACCOUNT ESTABLISHED PURSUANT TO SECTION 220 OF THE INTERNAL  
21 REVENUE CODE, 26 USC 220, TO THE EXTENT ALLOWED BY LAW OR UNDER  
22 THE PROVISIONS AND PROCEDURES OF TIER 3.

23 SEC. 167. (1) THE RIGHT OF A QUALIFIED PARTICIPANT OR A  
24 FORMER QUALIFIED PARTICIPANT, OR HIS OR HER BENEFICIARIES, TO  
25 DISTRIBUTIONS FROM EMPLOYER CONTRIBUTIONS MADE PURSUANT TO  
26 SECTION 161(2) AND (3) AND EARNINGS ON THOSE EMPLOYER  
27 CONTRIBUTIONS, AND DISTRIBUTIONS FROM EMPLOYEE CONTRIBUTIONS MADE

1 PURSUANT TO SECTION 161(3) AND (4) AND EARNINGS ON THOSE EMPLOYEE  
2 CONTRIBUTIONS, ARE SUBJECT TO FORFEITURE PURSUANT TO THE PUBLIC  
3 EMPLOYEE RETIREMENT BENEFITS FORFEITURE ACT, 1994 PA 350, MCL  
4 38.2701 TO 38.2705.

5 (2) THE DIRECTOR HAS THE RIGHT OF SETOFF TO RECOVER  
6 OVERPAYMENTS MADE UNDER THIS ARTICLE AND TO SATISFY ANY CLAIMS  
7 ARISING FROM EMBEZZLEMENT OR FRAUD COMMITTED BY A QUALIFIED  
8 PARTICIPANT, FORMER QUALIFIED PARTICIPANT, REFUND BENEFICIARY, OR  
9 OTHER PERSON WHO HAS A CLAIM TO A DISTRIBUTION OR ANY OTHER  
10 BENEFIT FROM TIER 3.

11 (3) THE DIRECTOR SHALL CORRECT ERRORS IN THE RECORDS AND  
12 ACTIONS UNDER THIS ARTICLE, AND SHALL SEEK TO RECOVER  
13 OVERPAYMENTS AND SHALL MAKE UP UNDERPAYMENTS.

14 Enacting section 1. If the office of retirement services in  
15 the department of technology, management, and budget receives  
16 notification from the United States internal revenue service that  
17 any section or any portion of a section of this amendatory act  
18 will cause the retirement system to be disqualified for tax  
19 purposes under the internal revenue code, then the portion that  
20 will cause the disqualification does not apply.