

# SENATE BILL NO. 700

October 21, 2021, Introduced by Senator STAMAS and referred to the Committee on Appropriations.

A bill to amend 1943 PA 240, entitled "State employees' retirement act," by amending sections 7, 20g, 38, 49, and 68b (MCL 38.7, 38.20g, 38.38, 38.49, and 38.68b), section 20g as amended by 1987 PA 241, section 38 as amended and section 68b as added by 2011 PA 264, and section 49 as amended by 2018 PA 336.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1           Sec. 7. The retirement board shall collect and keep in  
2 convenient form ~~such the~~ data as shall be ~~necessary~~ **necessary** for  
3 an actuarial valuation of the assets and liabilities of the

1 retirement system; and for making an actuarial investigation into  
 2 the mortality, service, compensation, and other experience of the  
 3 members, retirants, and beneficiaries of the retirement system. At  
 4 least once in each 5 year period, the retirement board shall cause  
 5 an actuarial investigation to be made into the mortality, service,  
 6 compensation, and other experience of the members and beneficiaries  
 7 of the retirement system. ~~Upon~~ **On** the basis of ~~such~~ **the** actuarial  
 8 investigation the retirement board shall adopt ~~such tables as that~~  
 9 are ~~deemed~~ **considered** necessary for the proper operation of the  
 10 retirement system and for making effective ~~the provisions of this~~  
 11 act. **The retirement board and department shall adopt, on the**  
 12 **recommendation of the actuary and in accordance with all applicable**  
 13 **actuarial standards of practice, the most current mortality tables**  
 14 **that are most appropriate for the characteristics of the**  
 15 **population. Beginning with the state fiscal year ending September**  
 16 **30, 2022, and for each subsequent state fiscal year, the actuary**  
 17 **used by the retirement board shall assume a rate of return on**  
 18 **investments and a discount rate of not more than 6.7% for pension**  
 19 **and 6.9% for retiree health care, which rates may only be changed**  
 20 **with the approval of the retirement board and the director of the**  
 21 **department.**

22       Sec. 20g. (1) After the end of each state fiscal year, the  
 23 department of **technology**, management, and budget shall determine  
 24 the rate **and discount rate** of investment return earned on  
 25 retirement system assets during the fiscal year, based ~~upon~~ **on**  
 26 methods established by the retirement board.

27       (2) At the end of each state fiscal year, the retirement  
 28 system's actuary shall determine the present value of retirement  
 29 allowances to be paid after the end of the fiscal year to retirants

1 and retirement allowance beneficiaries in receipt of retirement  
2 allowances at the end of the fiscal period. The assumed interest  
3 rate **and discount rate** used in the determination ~~shall be 8%~~ **must**  
4 **not exceed 8%** per year, compounded annually.

5 (3) The distribution income at the end of each state fiscal  
6 year ~~shall~~ **must** be equal to the product of the present value of  
7 retirement allowances determined in subsection (2) at the end of  
8 the previous fiscal year times the positive excess, if any, of the  
9 rate of investment return determined in subsection (1) exceeding  
10 8%. ~~The distribution income calculated pursuant to this subsection~~  
11 ~~at the end of the fiscal years 1984-85 and 1985-86 shall be reduced~~  
12 ~~by the costs of postretirement adjustments paid during the fiscal~~  
13 ~~year pursuant to sections 20b, 20c, 20e, and 20f.~~ **the assumed**  
14 **interest rate used under subsection (2).**

15 (4) After the end of each state fiscal year, each retirant and  
16 retirement allowance beneficiary in receipt of a retirement  
17 allowance at the end of the fiscal year, and whose effective date  
18 of retirement allowance preceded the beginning of that fiscal year,  
19 ~~shall~~ **must** be credited with 1 distribution unit for each full year  
20 between the effective date of retirement and the end of the fiscal  
21 year and 1 distribution unit for each full year of service credit  
22 in force on the effective date of retirement. Distribution units  
23 ~~shall~~ **must** not accumulate from 1 year to the next year.

24 (5) The distribution amount for an individual retirant or  
25 retirement allowance beneficiary ~~shall~~ **must** be equal to the product  
26 of the distribution income determined in subsection (3) times the  
27 individual's number of distribution units determined in subsection  
28 (4) divided by the total number of distribution units for all  
29 eligible retirants and retirement allowance beneficiaries in

1 receipt of retirement allowances at the end of the fiscal year. The  
2 distribution amount for an individual retirant or retirement  
3 allowance beneficiary of a retirant whose retirement allowance  
4 effective date is ~~on or after October 1,~~ **September 30,** 1987 is  
5 zero.

6 (6) The distribution amount for each retirant or retirement  
7 allowance beneficiary ~~shall be~~ **is** payable in the form of a  
8 supplemental payment ~~prior to~~ **before** the seventh month after the  
9 end of the state fiscal year. Except as provided in subsection (9),  
10 a distribution amount ~~shall is~~ not be payable after March 31, 1988.  
11 If a retirant dies before receipt of the distribution amount, the  
12 payment ~~shall must~~ be made to the retirant's retirement allowance  
13 beneficiary, if any. If both the retirant and the retirement  
14 allowance beneficiary die before receipt of the distribution  
15 amount, ~~no a~~ payment ~~shall must not~~ be made.

16 (7) ~~Each~~ **The retirement system shall increase each** retirement  
17 allowance ~~shall be increased~~ each October 1 beginning with ~~the~~  
18 ~~later of October 1, 1988 or the first October 1 which that~~ is at  
19 least 12 months after the retirement allowance effective date. The  
20 amount of the annual increase ~~shall under this subsection must~~ be  
21 equal to 3% of the retirement allowance that would be payable as of  
22 the date of the increase without application of this subsection,  
23 except that if the member made the election permitted under section  
24 20(2), the increase ~~shall must~~ be based on the amount of retirement  
25 allowance that would have been paid without application of section  
26 20(2). The annual increase ~~shall must~~ not exceed \$300.00.

27 (8) After the end of each state fiscal year, the cumulative  
28 increase amount ~~shall must~~ be computed for each retirant or  
29 retirement allowance beneficiary. The cumulative increase amount

1 ~~shall~~**must** be equal to the difference between the total retirement  
 2 allowance paid during the state fiscal year and the retirement  
 3 allowance that would have been payable without application of  
 4 subsection (7) and section 20h. The cumulative increase amount for  
 5 any retirant or retirement allowance beneficiary whose retirement  
 6 allowance effective date is ~~on or after October 1,~~**September 30,**  
 7 1987 is zero.

8 (9) In March of each year, beginning in March, 1989, **the**  
 9 **retirement system shall pay** each retirant or retirement allowance  
 10 beneficiary, ~~shall be paid,~~ in a single supplemental payment, the  
 11 excess, if any, of the distribution amount over the cumulative  
 12 increase amount for the previous state fiscal year. If a retirant  
 13 dies before receipt of a supplemental payment, **the retirement**  
 14 **system shall pay the** supplemental payment ~~shall be made to the~~  
 15 retirant's retirement allowance beneficiary, if any. If both the  
 16 retirant and the retirement allowance beneficiary die before  
 17 receipt of a supplemental payment, ~~no payment shall be made.~~**the**  
 18 **retirement system shall not make a supplemental payment.**

19 Sec. 38. (1) The annual level percent of payroll contribution  
 20 rate to finance the benefits provided under this act ~~shall~~**must** be  
 21 determined by actuarial valuation ~~pursuant to~~**under** subsections (2)  
 22 and (3), ~~upon~~**on** the basis of the risk assumptions adopted by the  
 23 retirement board with approval of the department of technology,  
 24 management, and budget, and in consultation with the investment  
 25 counsel and the actuary. An annual actuarial valuation ~~shall~~**must**  
 26 be made of the retirement system ~~in order to~~ determine the  
 27 actuarial condition of the retirement system and the required  
 28 contribution to the retirement system. The actuary shall report to  
 29 the legislature by April 15 of each year on the actuarial condition

1 of the retirement system as of the end of the previous fiscal year  
2 and on the projections of state contributions for the next fiscal  
3 year. The actuary shall certify in the report that the techniques  
4 and methodologies used are generally accepted within the actuarial  
5 profession and that the assumptions and cost estimates used fall  
6 within the range of reasonable and prudent assumptions and cost  
7 estimates. An annual actuarial gain-loss experience study of the  
8 retirement system ~~shall~~**must** be made ~~in order~~ to determine the  
9 financial effect of variations of actual retirement system  
10 experience from projected experience.

11 (2) The contribution rate for monthly benefits payable in the  
12 event of the death of a member before retirement or the disability  
13 of a member ~~shall~~**must** be computed using an individual projected  
14 benefit entry age normal cost method of valuation.

15 (3) Except as otherwise provided in this subsection, the  
16 contribution rate for benefits ~~shall~~**must** be computed using an  
17 individual projected benefit entry age normal cost method of  
18 valuation. For the ~~1995-96~~ state fiscal year **ending September 30,**  
19 **1996** and for each subsequent fiscal year in which the actuarial  
20 accrued liability for health benefits is less than 100% funded, the  
21 contribution rate for benefits provided under section 20d ~~shall~~  
22 **must** be computed using a cash disbursement method with the payment  
23 schedule for the employer being based ~~upon~~**on** and applied to the  
24 combined payrolls of the employees who are members and qualified  
25 participants. Beginning in the fiscal year after the fiscal year in  
26 which the actuarial accrued liability for health benefits under  
27 section 20d is at least 100% funded by the health advance funding  
28 subaccount created under section 11(9), and continuing for each  
29 subsequent fiscal year, the contribution rate for health benefits

1 provided under section 20d ~~shall~~**must** be computed using an  
2 individual projected benefit entry age normal cost method of  
3 valuation. The contribution rate for service that may be rendered  
4 in the current year, the normal cost contribution rate, ~~shall~~**must**  
5 be equal to the aggregate amount of individual entry age normal  
6 costs divided by 1% of the aggregate amount of active members'  
7 valuation compensation. The unfunded actuarial accrued liability  
8 ~~shall~~**must** be equal to the actuarial present value of benefits  
9 reduced by the actuarial present value of future normal cost  
10 contributions and the actuarial value of assets on the valuation  
11 date. Except as otherwise provided in ~~this subsection,~~**subsection**  
12 **(1),** the unfunded actuarial accrued liability ~~shall~~**must** be  
13 amortized in accordance with generally accepted governmental  
14 accounting standards over a period equal to or less than 40 years,  
15 with the payment schedule for the employer being based ~~upon~~**on** and  
16 applied to the combined payrolls of the employees who are members  
17 and qualified participants. **Beginning with the state fiscal year**  
18 **ending September 30, 2028, and for each subsequent fiscal year, the**  
19 **retirement system shall use layered amortization. As used in this**  
20 **subsection, "layered amortization" means a fixed and closed period**  
21 **that separately layers the different components to be amortized**  
22 **over a fixed period not to exceed 10 years, as it emerges. The**  
23 **amortization period for layered amortization must use a level**  
24 **dollar amortization method. The normal cost contribution for any**  
25 **fiscal year must not be less than the normal cost component of the**  
26 **actuarially determined contribution.**

27 (4) The legislature annually shall appropriate to the  
28 retirement system the amount determined ~~pursuant to~~**under**  
29 subsections (2) and (3). The state treasurer shall transfer monthly

1 to the retirement system an amount equal to the product of the  
 2 contribution rates determined in subsections (2) and (3) times the  
 3 aggregate amount of active member or qualified participant  
 4 compensation, as appropriate, paid during that month. Not later  
 5 than 60 days after the ~~termination~~**end** of each state fiscal year,  
 6 the executive secretary of the retirement board shall certify to  
 7 the director of the department of technology, management, and  
 8 budget the actual aggregate compensations paid to active members  
 9 and qualified participants during the preceding state fiscal year.  
 10 ~~Upon~~**On** receipt of that certification, the director of the  
 11 department of technology, management, and budget shall compute ~~the~~  
 12 **any** difference ~~, if any,~~ between actual state contributions  
 13 received during the preceding state fiscal year and the product of  
 14 the contribution rates determined in subsections (2) and (3) times  
 15 the aggregate compensations paid to active members or qualified  
 16 participants, as appropriate, during the preceding state fiscal  
 17 year. Except as otherwise provided in subsection (5), ~~the~~**any**  
 18 difference ~~, if any,~~ shall **must** be submitted in the executive  
 19 budget to the legislature for appropriation in the next ~~succeeding~~  
 20 state fiscal year. This subsection does not apply for those fiscal  
 21 years in which a deposit occurs ~~pursuant to~~**under** subsection (6).

22 (5) ~~For~~**Except as otherwise provided in this subsection, for**  
 23 **any** differences occurring in fiscal years beginning on or after  
 24 October 1, 1991, a minimum of 20% of ~~the~~**any** difference between the  
 25 estimated and the actual aggregate compensation and the estimated  
 26 and the actual contribution rate described in subsection (4) ~~, if~~  
 27 ~~any,~~ may be submitted in the executive budget to the legislature  
 28 for appropriation in the next ~~succeeding~~ state fiscal year and a  
 29 minimum of 25% of the remaining difference ~~shall~~**must** be submitted



1 in the executive budget to the legislature for appropriation in  
2 each of the following 4 state fiscal years, or until 100% of the  
3 remaining difference is submitted, whichever first occurs. **For**  
4 **differences occurring in fiscal years beginning on or after October**  
5 **1, 2022, a minimum of 34% of any difference between the estimated**  
6 **and the actual aggregate compensation and the estimated and the**  
7 **actual actuarial contribution rate described in subsection (4) must**  
8 **be paid by the employer in the next state fiscal year and a minimum**  
9 **of 50% of any remaining difference must be paid by the employer in**  
10 **each of the following 2 state fiscal years, or until 100% of the**  
11 **remaining difference is submitted, whichever first occurs.** In  
12 addition, interest ~~shall~~**must** be included for each year that a  
13 portion of the remaining difference is carried forward. The  
14 interest rate ~~shall~~**must** equal the actuarially assumed rate of  
15 investment return for the state fiscal year in which payment is  
16 made. This subsection does not apply for those fiscal years in  
17 which a deposit occurs ~~pursuant to~~**under** subsection (6).

18 (6) For each fiscal year that begins on or after October 1,  
19 2001, if the actuarial valuation prepared ~~pursuant to~~**under** this  
20 section for each fiscal year demonstrates that as of the beginning  
21 of a fiscal year, and after all credits and transfers required by  
22 this act for the previous fiscal year have been made, the sum of  
23 the actuarial value of assets and the actuarial present value of  
24 future normal cost contributions exceeds the actuarial present  
25 value of benefits, the annual level percent of payroll contribution  
26 rate as determined ~~pursuant to~~**under** subsections (1), (2), and (3)  
27 may be deposited into the health advance funding subaccount created  
28 under section 11(9).

29 (7) Notwithstanding any other provision of this act, if the

1 retirement board establishes an arrangement and fund as described  
2 in section 6 of the public employee retirement benefit protection  
3 act, 2002 PA 100, MCL 38.1686, the benefits that are required to be  
4 paid from that fund ~~shall~~**must** be paid from a portion of the  
5 employer contributions described in this section or other eligible  
6 funds. The retirement board shall determine the amount of the  
7 employer contributions or other eligible funds that ~~shall~~**must** be  
8 allocated to that fund and deposit that amount in that fund before  
9 it deposits any remaining employer contributions or other eligible  
10 funds in the pension fund.

11 Sec. 49. (1) This section is enacted under section 401(a) of  
12 the internal revenue code, 26 USC 401, which imposes certain  
13 administrative requirements and benefit limitations for qualified  
14 governmental plans. This state intends that the retirement system  
15 be a qualified pension plan created in trust under section 401 of  
16 the internal revenue code, 26 USC 401, and that the trust be an  
17 organization exempt from taxation under section 501 of the internal  
18 revenue code, 26 USC 501. The department shall administer the  
19 retirement system to fulfill this intent.

20 (2) The retirement system ~~shall~~**must** be administered in  
21 compliance with section 415 of the internal revenue code, 26 USC  
22 415, and regulations under that section that ~~are applicable~~**apply**  
23 to governmental plans and, beginning January 1, 2010, applicable  
24 provisions of the final regulations issued by the Internal Revenue  
25 Service on April 5, 2007. Employer-financed benefits provided by  
26 the retirement system under this act must not exceed the applicable  
27 limitations set forth in section 415 of the internal revenue code,  
28 26 USC 415, as adjusted by the commissioner of internal revenue  
29 under section 415(d) of the internal revenue code, 26 USC 415, to

1 reflect cost-of-living increases, and the retirement system shall  
2 adjust the benefits, including benefits payable to retirants and  
3 retirement allowance beneficiaries, subject to the limitation each  
4 calendar year to conform with the adjusted limitation. For purposes  
5 of section 415(b) of the internal revenue code, 26 USC 415, the  
6 applicable limitation applies to aggregated benefits received from  
7 all qualified pension plans for which the office of retirement  
8 services coordinates administration of that limitation. If there is  
9 a conflict between this section and another section of this act,  
10 this section prevails.

11 (3) The assets of the retirement system must be held in trust  
12 and invested for the sole purpose of meeting the legitimate  
13 obligations of the retirement system and must not be used for any  
14 other purpose. The assets must not be used for or diverted to a  
15 purpose other than for the exclusive benefit of the members, vested  
16 former members, retirants, and retirement allowance beneficiaries  
17 before satisfaction of all retirement system liabilities.

18 (4) The retirement system shall return post-tax member  
19 contributions made by a member and received by the retirement  
20 system to a member on retirement, under Internal Revenue Service  
21 regulations and approved Internal Revenue Service exclusion ratio  
22 tables.

23 (5) The required beginning date for retirement allowances and  
24 other distributions must not be later than April 1 of the calendar  
25 year following the calendar year in which the employee attains age  
26 70-1/2 or April 1 of the calendar year following the calendar year  
27 in which the employee retires. The required minimum distribution  
28 requirements imposed by section 401(a)(9) of the internal revenue  
29 code, 26 USC 401, apply to this act and must be administered in

1 accordance with a reasonable and good faith interpretation of the  
2 required minimum distribution requirements for all years to which  
3 the required minimum distribution requirements apply to the  
4 retirement system.

5 (6) If the retirement system is terminated, the interest of  
6 the members, vested former members, retirants, and retirement  
7 allowance beneficiaries in the retirement system is nonforfeitable  
8 to the extent funded as described in section 411(d)(3) of the  
9 internal revenue code, 26 USC 411, and related Internal Revenue  
10 Service regulations applicable to governmental plans.

11 (7) Notwithstanding any other provision of this act to the  
12 contrary that would limit a distributee's election under this act,  
13 a distributee may elect, at the time and in the manner prescribed  
14 by the retirement board, to have any portion of an eligible  
15 rollover distribution paid directly to an eligible retirement plan  
16 specified by the distributee in a direct rollover. This subsection  
17 applies to distributions made after December 31, 1992. Beginning  
18 October 1, 2010, a nonspouse beneficiary may elect to have any  
19 portion of an amount payable under this act that is an eligible  
20 rollover distribution treated as a direct rollover that will be  
21 paid in a direct trustee-to-trustee transfer to an individual  
22 retirement account or individual retirement annuity described in  
23 section 408(a) or (b) of the internal revenue code, 26 USC 408,  
24 that is established for the purpose of receiving a distribution on  
25 behalf of the beneficiary and that will be treated as an inherited  
26 individual retirement account or individual retirement annuity  
27 under section 402(c)(11) of the internal revenue code, 26 USC 402.

28 (8) ~~For~~ **Except as otherwise provided in this subsection, for**  
29 purposes of determining actuarial equivalent retirement allowances

1 under sections 31(1) and 20(2), the actuarially assumed interest  
2 rate must be determined by the director of the department of  
3 technology, management, and budget and the retirement board in  
4 consultation with the actuary using the mortality tables adopted by  
5 the department of technology, management, and budget and the  
6 retirement board. **Beginning with the state fiscal year ending**  
7 **September 30, 2022 and for each subsequent state fiscal year, for**  
8 **purposes of determining actuarial equivalent retirement allowances**  
9 **under sections 31(1) and 20(2), the actuarially assumed interest**  
10 **rate and discount rate must not exceed 6.75%.**

11 (9) Notwithstanding any other provision of this act to the  
12 contrary, the compensation of a member of the retirement system  
13 must be taken into account for any year under the retirement system  
14 only to the extent that it does not exceed the compensation limit  
15 established in section 401(a)(17) of the internal revenue code, 26  
16 USC 401, as adjusted by the commissioner of internal revenue. This  
17 subsection applies to an individual who first becomes a member of  
18 the retirement system after September 30, 1996.

19 (10) Notwithstanding any other provision of this act to the  
20 contrary, contributions, benefits, and service credit with respect  
21 to qualified military service must be provided under the retirement  
22 system in accordance with section 414(u) of the internal revenue  
23 code, 26 USC 414. This subsection applies to all qualified military  
24 service after December 11, 1994. Beginning on January 1, 2007, in  
25 accordance with section 401(a)(37) of the internal revenue code, 26  
26 USC 401, if a member dies while performing qualified military  
27 service for purposes of determining death benefits payable under  
28 this act, the member is treated as having resumed and then  
29 terminated employment because of death.

1           Sec. 68b. (1) A qualified participant or former qualified  
2 participant who was first employed and entered ~~upon~~**on** the payroll  
3 of his or her employer ~~on or after January 1, 2012~~**December 31,**  
4 **2011** or who made an election under subsection (5) or (6) ~~shall~~**will**  
5 not receive any health insurance coverage premium from this state  
6 under section 68. In lieu of any health insurance coverage premium  
7 that might have been paid by this state under section 68, a  
8 qualified participant's employer shall make a matching contribution  
9 up to 2% of the qualified participant's compensation to an  
10 appropriate tax-deferred account for each qualified participant who  
11 was first employed and entered ~~upon~~**on** the payroll of his or her  
12 employer ~~on or after January 1, 2012~~**December 31, 2011** or who made  
13 an election under subsection (5) or (6). A matching contribution  
14 under this subsection ~~shall~~**must** not be used as the basis for a  
15 loan from an employee's Tier 2 or tax-deferred account.

16           (2) A qualified participant who was first employed and entered  
17 ~~upon~~**on** the payroll of his or her employer ~~on or after January 1,~~  
18 **2012**~~December 31,~~ **2011** or who made an election under subsection (5)  
19 or (6) may make a contribution up to 2% of the qualified  
20 participant's compensation to an appropriate tax-deferred account.

21           (3) Except as otherwise provided in this subsection, a  
22 qualified participant is vested in contributions made to his or her  
23 tax-deferred account under subsections (1) and (2) according to the  
24 vesting provisions under section 64(1). A qualified participant who  
25 is eligible for health insurance coverage under section 67a(4) or  
26 (8) is not vested in any employer contributions under subsection  
27 (1) and forfeits the contributions and earnings on the  
28 contributions.

29           (4) The contributions described in this section ~~shall~~**must**

1 begin with the first payday after the qualified participant is  
 2 employed or ~~en or~~ after ~~April 1,~~ **March 31**, 2012 for a qualified  
 3 participant who makes an election under subsection (5) or (6) and  
 4 end ~~upon~~ **on** his or her termination of employment.

5 (5) Except as otherwise provided in this subsection, beginning  
 6 January 3, 2012 and ending at 5 p.m. eastern standard time on March  
 7 2, 2012, the retirement system shall permit each qualified  
 8 participant who is a qualified participant on December 31, 2011 to  
 9 make an election to opt out of the health insurance coverage  
 10 premium that would have been paid by this state under section 68  
 11 and opt in to the tax-deferred account provisions of this section  
 12 effective April 1, 2012. A qualified participant who is a qualified  
 13 participant on December 31, 2011 and who does not make the election  
 14 under this subsection continues to be eligible for the health  
 15 insurance coverage premium paid by this state under section 68 and  
 16 is not eligible for the tax-deferred account provisions of this  
 17 section. A qualified participant who is a qualified participant on  
 18 December 31, 2011 and who makes the election under this subsection  
 19 ~~shall cease~~ **ceases** accruing years of service credit for purposes of  
 20 calculating a portion of the health insurance coverage premium that  
 21 would have been paid by this state under section 68 as if that  
 22 section continued to apply and for the portion of the amount to be  
 23 calculated under subsection (7) for crediting to a tax-deferred  
 24 account. This subsection does not apply to any of the following:

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

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

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

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

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

4 (6) Except as otherwise provided in this subsection, a former  
5 qualified participant who has 10 or more years of service on or  
6 before December 31, 2011 and who is reemployed by this state ~~en-er~~  
7 after ~~January 1, 2012~~ **December 31, 2011** and before January 1, 2014  
8 may make an election under this subsection and receive an amount,  
9 if any, as determined under this section. Beginning on the date of  
10 the former qualified participant's reemployment and ending 60 days  
11 after the former qualified participant's first pay date, the  
12 retirement system shall permit the former qualified participant to  
13 make an election to opt out of the health insurance coverage  
14 premium that would have been paid by this state under section 68  
15 and opt in to the tax-deferred account provisions of this section  
16 effective on or after the former qualified participant's date of  
17 reemployment. If the former qualified participant does not make the  
18 election under this subsection, he or she continues to be eligible  
19 for the health insurance coverage premium paid by this state under  
20 section 68 and is not eligible for the tax-deferred account  
21 provisions of this section. A former qualified participant who  
22 makes the election under this subsection ceases to accrue years of  
23 service credit for purposes of calculating a portion of the health  
24 insurance coverage premium that would have been paid by this state  
25 under section 68 as if that section continued to apply and for  
26 purposes of calculating the portion of the amount to be credited to  
27 a tax-deferred account under subsection (7). This subsection does  
28 not apply to any of the following:

29 (a) A former member who made an election to become a qualified



1 participant under section 50.

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

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

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

20 (a) An average monthly premium of \$1,000.00, payable for the  
21 life of the qualified participant, which approximates the overall  
22 average value of all types of premium coverages for single and  
23 multiple lives during both ~~pre-medicare~~**pre-Medicare** and ~~post-~~  
24 ~~medicare~~**post-Medicare** periods.

25 (b) A frozen benefit accrual percent that is the product of 3%  
26 and the qualified participant's years of service as of March 31,  
27 2012, up to 30 years.

28 (c) A deferred life annuity factor equal to the actuarial  
29 present value as of March 31, 2012 of \$1.00 per month payable for

1 the life of the qualified participant, based on the following  
2 actuarial assumptions:

3 (i) An interest discount rate of 4% annually for all future  
4 years, which approximates the use of an assumed rate of investment  
5 return or interest discount rate of 8%, combined with an assumption  
6 that the average premium is projected to increase 4% annually for  
7 all future years.

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

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

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

27 (9) The amount calculated under subsection (7) and adjusted  
28 under subsection (8) ~~shall~~**must** be credited at the qualified  
29 participant's first termination of employment following December

1 31, 2011, to the qualified participant's tax-deferred account  
 2 according to the following schedule:

3 (a) One hundred percent of the calculated amount to a  
 4 qualified participant who is at least 60 years of age with at least  
 5 10 years of service or is at least 55 years of age with at least 30  
 6 years of service.

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

10 (10) An individual who is a former qualified participant on  
 11 December 31, 2011, who has 10 or more years of service on or before  
 12 December 31, 2011, and who is reemployed by this state ~~on or after~~  
 13 ~~January 1, 2014 shall~~ **December 31, 2013 must** be treated in the same  
 14 manner as a qualified participant under this section who made the  
 15 election under subsection (5) and ~~shall~~ **must** receive an amount, if  
 16 any, as determined under this section. This subsection does not  
 17 apply to any of the following:

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

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

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

24 (11) In lieu of any other health insurance coverage that might  
 25 have been paid by this state, a credit to a health reimbursement  
 26 account within the trust created under the public employee  
 27 retirement health care funding act, 2010 PA 77, MCL 38.2731 to  
 28 38.2747, ~~shall~~ **must** be made by this state in the amounts and to the  
 29 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~~**on** the payroll of his or her  
3 employer ~~on or after January 1, 2012,~~**December 31, 2011**, who is 60  
4 years of age or older, and who has at least 10 years of service at  
5 his or her first termination of employment.

6 (b) One thousand dollars to a qualified participant who was  
7 first employed and entered ~~upon~~**on** the payroll of his or her  
8 employer ~~on or after January 1, 2012,~~**December 31, 2011**, who is  
9 less than 60 years of age, and who has at least 10 years of service  
10 at his or her first 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,~~**December 31,**  
14 **2011**, who is 60 years of age or older, and who has at least 10  
15 years of service at his or her first termination of employment  
16 following December 31, 2011. This subdivision does not apply to an  
17 individual described in 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,~~**December 31,**  
21 **2011**, who is less than 60 years of age, and who has at least 10  
22 years of service at his or her first termination of employment  
23 following December 31, 2011. This subdivision does not apply to an  
24 individual described in 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  
28 for a lesser amount under this subsection at his or her first  
29 termination of employment after December 31, 2011.

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

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

9           (14) On or before January 1, 2017, the retirement system shall  
10 provide a report to the chair of the house and senate  
11 appropriations committees that provides the projected impact of  
12 subsection (11) as it applies to qualified participants entered  
13 ~~upon~~**on** the payroll of this state ~~on or after January 1, 2017~~  
14 **December 31, 2016** with regard to the annual required contribution  
15 as used by the governmental accounting standards board and for  
16 purposes of the annual financial statements prepared under section  
17 12(1).