

HOUSE BILL NO. 6061

November 12, 2024, Introduced by Reps. Weiss and Koleszar and referred to the Committee on Labor.

A bill to amend 1943 PA 240, entitled "State employees' retirement act," by amending sections 1i, 13, 64, and 68 (MCL 38.1i, 38.13, 38.64, and 38.68), section 1i as amended by 2004 PA 33, section 13 as amended by 2018 PA 682, and sections 64 and 68 as amended by 2011 PA 264, and by adding sections 19k and 50b.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

- 1 Sec. 1i. (1) "Service" means service rendered to this state by
- 2 an elected or appointed state official or employee of this state.

1 Credit for service ~~shall~~**must** be determined by appropriate rules
2 and regulations of the retirement board, but not more than 1 year
3 of service ~~shall~~**must** be creditable for all service in 1 calendar
4 year. The retirement board shall not allow credit for service for
5 any period of more than 1 month in any 1 calendar year during which
6 the employee was absent without pay. However, full service credit
7 ~~shall~~**must** be given for a period during which an employee is on
8 leave of absence and is receiving worker's compensation benefits as
9 the result of a duty-incurred disability. Full service credit ~~shall~~
10 **must** also be given to an employee for required 1-day layoffs, for
11 voluntary or involuntary participation in pay reduction plan A, pay
12 reduction plan B, or both, in effect during the fiscal years ending
13 ~~on and after September 30,~~**29**, 1981, for required and designated
14 temporary layoffs, and, beginning October 1, 2003, for furlough
15 hours, and for participation in the banked leave time program.

16 (2) "State treasurer" means the treasurer of this state.

17 (3) "Tier 1" means ~~the~~**any of the following:**

18 (a) **The** retirement plan available to a member under this act
19 who was first employed and entered ~~upon~~**on** the payroll before March
20 31, 1997 and who does not elect to become a qualified participant
21 of Tier 2.

22 (b) **The** retirement plan available to a member under this act
23 who was first employed and entered on the payroll after March 30,
24 1997 and before the effective date of the amendatory act that added
25 section 50b who elects to become a member of Tier 1 under section
26 50b.

27 (c) **A** member who was first employed and entered on the payroll
28 on or after the effective date of the amendatory act that added
29 section 50b.

1 (4) "Tier 2" means the retirement plan established ~~pursuant to~~
2 **under** section 401(k) of the internal revenue code, **26 USC 401**, that
3 is available to qualified participants under sections 50 to 69.

4 Sec. 13. (1) Except as otherwise provided in this act,
5 membership in the retirement system consists of state employees
6 occupying permanent positions in the state civil service. All state
7 employees except those specifically excluded by law and those who
8 are members or eligible to be members of other statutory retirement
9 systems in this state, must become members of the retirement
10 system. The employees may use service previously performed as an
11 employee of this state in meeting the service requirements for the
12 retirement allowances and death benefits provided by the retirement
13 system. However, the prior service must not be used in computing
14 the amount of a retirement allowance to be paid by the retirement
15 system unless the employee pays to the retirement system the amount
16 the employee's contributions would have been had the employee
17 become a member immediately on employment by ~~the~~**this** state with
18 interest compounded annually at the regular rate from a date 1 year
19 after the date of employment by this state to the date of payment.
20 An individual who draws compensation as a state employee of a
21 political subdivision of this state is eligible for the benefits
22 provided by this act to the extent of the individual's compensation
23 paid by this state. An individual who meets the requirements of
24 section 44a is a member of the retirement system.

25 (2) Elected or appointed state officials may elect not to
26 become or continue as members of the retirement system by filing
27 written notice with the retirement board. An appointed state
28 official who is a member of a state board, commission, or council
29 and who receives a per diem rate in his or her capacity as a member

1 of the board, commission, or council is excluded from membership in
2 the retirement system for the service rendered in his or her
3 capacity as a member of the board, commission, or council. Service
4 performed by an elected or appointed official during the time the
5 official elects not to participate must not be used in meeting the
6 service requirement or in computing the amount of retirement
7 allowance to be paid by the retirement system. A member who elects
8 not to participate must be refunded all contributions made before
9 the election.

10 (3) Membership in the retirement system does not include any
11 of the following:

12 (a) A person who is a contributing member in the public school
13 employees' retirement system provided for in the public school
14 employees retirement act of 1979, 1980 PA 300, MCL 38.1301 to
15 38.1437.

16 (b) A person who is a contributing member in the Michigan
17 judges retirement system provided for in the judges retirement act
18 of 1992, 1992 PA 234, MCL 38.2101 to 38.2670.

19 (c) A person who comes within the Michigan state police
20 retirement system provided for in the state police retirement act
21 of 1986, 1986 PA 182, MCL 38.1601 to ~~38.1675~~ **38.1674**.

22 (d) An individual who is first employed and entered ~~upon~~ **on**
23 the payroll ~~on or~~ after March ~~31,~~ **30**, 1997 **and before the effective**
24 **date of the amendatory act that added section 50b** for employment
25 for which the individual would have been eligible for membership
26 under this section before March 31, 1997 **who did not elect to**
27 **become a member of Tier 1 under section 50b**. An individual
28 described in this subdivision is eligible to be a qualified
29 participant in Tier 2 subject to sections 50 to 69.

1 (e) Except as provided in section 19g, an individual who
 2 elects to terminate membership under section 50 and who, but for
 3 that election, would otherwise be eligible for membership in Tier 1
 4 under this section.

5 (f) A retirant who again becomes employed by ~~the~~**this** state
 6 and is entered ~~upon~~**on** the payroll ~~on or after December 1,~~**November**
 7 **30, 2002,** for employment for which the retirant would have been
 8 eligible for membership under this section before December 1, 2002.
 9 A retirant described in this subdivision is a qualified participant
 10 in Tier 2 subject to sections 50 to 69.

11 (4) An individual who is hired in state classified or
 12 unclassified service after June 30, 1974, who is first employed and
 13 entered ~~upon~~**on** the payroll before March 31, 1997, and who
 14 possesses a Michigan teaching certificate is a member of this
 15 retirement system. After June 30, 1974, but before March 31, 1997,
 16 an individual who returns to state employment in the classified or
 17 unclassified service who previously was a contributing member of
 18 the Michigan public school employees' retirement system ~~shall~~**must**
 19 have the individual's accumulated contributions and service
 20 transferred to this retirement system, or having withdrawn the
 21 contributions, may pay into the retirement system the amount
 22 withdrawn together with regular interest and have credit restored
 23 as provided for in section 16. ~~On and after~~**After** March ~~31,~~**30,**
 24 1997, an individual described in this subsection who returns to
 25 state service shall make an irrevocable election to remain in Tier
 26 1 or to become a qualified participant of Tier 2 in the manner
 27 prescribed in section 50.

28 (5) An individual, not regularly employed by this state, who
 29 is employed through participation in 1 or more of the following

1 programs, ~~shall-is~~ not ~~be~~ a member of the retirement system and
2 must not receive service credit for the employment:

3 (a) A program authorized, undertaken, and financed ~~pursuant to~~
4 **under** the comprehensive employment and training act of 1973, former
5 Public Law 93-203, 87 Stat ~~—~~839.

6 (b) A summer youth employment program established under the
7 Michigan youth corps act, 1983 PA 69, MCL 409.221 to 409.229.

8 (c) A program established ~~pursuant to~~**under** the job training
9 partnership act, Public Law 97-300, 96 Stat ~~—~~1322.

10 (d) A program established ~~pursuant to~~**under** the Michigan
11 opportunity and skills training program, first established under
12 sections 12 to 23 of 1983 PA 259.

13 (e) A program established ~~pursuant to~~**under** the Michigan
14 community service corps program, first established under sections
15 25 to 35 of 1983 PA 259.

16 (6) An individual, not regularly employed by this state, who
17 is employed to administer a program described in subsection (5) is
18 not a member of the retirement system and must not receive service
19 credit for the employment.

20 (7) If an individual described in subsection (5)(a) later
21 becomes a member of this retirement system within 12 months after
22 the date of termination as a participant in a transitional public
23 employment program, service credit ~~shall~~**must** be given for
24 employment that is excluded in subsection (5) for purposes of
25 determining a retirement allowance on the payment by the
26 individual's employer under subsection (5) from funds provided
27 under the comprehensive employment and training act of 1973, former
28 Public Law 93-203, 87 Stat ~~—~~839, as funds permit, to the
29 retirement system of the contributions, plus regular interest, the

1 employer would have paid had the employment been rendered in a
2 position covered by this act. During the individual's employment in
3 the transitional public employment program, the individual's
4 employer shall place in reserve a reasonable but not necessarily an
5 actuarially determined amount equal to the contributions that the
6 employer would have paid to the retirement system for those
7 employees in the transitional public employment program as if they
8 were members under this act, but only for that number of employees
9 that the employer determined would move from the transitional
10 public employment program into positions covered by this act. If
11 the funds provided under the comprehensive employment and training
12 act of 1973, former Public Law 93-203, 87 Stat. —839, are
13 insufficient, the remainder of the employer contributions must be
14 paid by the individual's current employer.

15 (8) For purposes of section 19g, a former member is considered
16 a member and is considered to have satisfied the requirements of
17 section 19g(1)(c) and (2)(c) if the former member was employed by
18 the department formerly known as the department of mental health on
19 January 1, 1996 and went on layoff status before January 1, 1997.

20 **Sec. 19k. A member who makes an election to be a member of**
21 **Tier 1 under section 50b may purchase up to 5 years of service**
22 **credit in a manner determined by the retirement system.**

23 **Sec. 50b. (1) The retirement system shall provide an**
24 **opportunity for each qualified participant who is a qualified**
25 **participant on December 31, 2024 to elect in writing to terminate**
26 **participation in Tier 2 and elect to become a member in Tier 1. An**
27 **election made by a qualified participant under this subsection is**
28 **irrevocable. The retirement system shall accept written elections**
29 **under this subsection from members during the period beginning on**

1 January 1, 2025 and ending on March 1, 2025. A qualified
2 participant who does not make a written election or who does not
3 file the election during the period specified in this subsection
4 continues to be a qualified participant in Tier 2. A qualified
5 participant who makes and files a written election under this
6 subsection elects to do all of the following:

7 (a) Cease to be a qualified participant in Tier 2 effective 12
8 midnight, May 31, 2025.

9 (b) Become a member of Tier 1 effective 12:01 a.m., June 1,
10 2025.

11 (2) After consultation with the retirement system's actuary
12 and the retirement board, the department of technology, management,
13 and budget shall determine the method by which a qualified
14 participant shall make a written election under this section. If
15 the qualified participant is married at the time of the election,
16 the election is not effective unless the election is signed by the
17 individual's spouse. However, the retirement board may waive this
18 requirement if the spouse's signature cannot be obtained because of
19 extenuating circumstances.

20 (3) The service credit for a qualified participant who elects
21 to make an election under this section to become a member of Tier 1
22 must not be used for any of the following:

23 (a) Satisfying the minimum number of years of service credit
24 required to receive a retirement allowance under this act.

25 (b) Calculating the member's retirement allowance.

26 (c) Satisfying the minimum number of years of service credit
27 required to receive health benefits under section 68.

28 (4) An election under this section is subject to the eligible
29 domestic relations order act, 1991 PA 46, MCL 38.1701 to 38.1711.

1 (5) If the department of technology, management, and budget
 2 receives notification from the United States Internal Revenue
 3 Service that this section or any portion of this section will cause
 4 the retirement system to be disqualified for tax purposes under the
 5 internal revenue code, then the portion that will cause the
 6 disqualification does not apply.

7 Sec. 64. (1) A qualified participant is immediately 100%
 8 vested in ~~his or her~~ **the qualified participant's** contributions made
 9 to Tier 2 and employer contributions under the banked leave time
 10 program. Except as otherwise provided in this section, a qualified
 11 participant shall vest in the employer contributions made on ~~his or~~
 12 ~~her~~ **the qualified participant's** behalf to Tier 2 according to the
 13 following schedule:

14 (a) Upon completion of 2 years of service, 50%.

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

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

17 (2) A qualified participant is eligible for the health
 18 insurance coverage provided in section 68 if the qualified
 19 participant meets 1 of the following requirements:

20 (a) The qualified participant has completed 10 years of
 21 service as a qualified participant, was not a member, deferred
 22 member, or former nonvested member of Tier 1, ~~was first employed~~
 23 ~~and entered upon the payroll of his or her employer before January~~
 24 ~~1, 2012,~~ and did not make an election to opt out of health
 25 insurance coverage under section 68b.

26 (b) The qualified participant was a member, deferred member,
 27 or former nonvested member of Tier 1 who made an election to
 28 participate in Tier 2 ~~pursuant to~~ **under** section 50, and who has met
 29 the service requirements ~~he or she~~ **the qualified participant,**

1 **deferred member, or former nonvested member of Tier 1** would have
2 been required to meet ~~in order~~ to vest in health benefits under
3 section 20d.

4 Sec. 68. (1) A former qualified participant may elect health
5 insurance benefits in the manner prescribed in this section if he
6 or she meets both of the following requirements:

7 (a) The former qualified participant is eligible for health
8 benefits under section 64(2).

9 (b) The former qualified participant meets or exceeds the
10 benefit commencement age employed in the actuarial present value
11 calculation under section 51 and the service requirements that
12 would have applied to that former qualified participant under Tier
13 1 for receiving health insurance coverage under section 20d, if
14 that former qualified participant was a member of Tier 1.

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

25 (3) An individual who elects health insurance coverage under
26 this section shall become a member of a health insurance coverage
27 group authorized ~~pursuant to~~ **under** section 20d.

28 (4) For a former qualified participant who is eligible to
29 elect health insurance coverage under subsection (1) and who is

1 eligible for those benefits under section 64(2)(a), and for ~~his or~~
 2 ~~her~~ **the former qualified participant's** health benefit dependents,
 3 this state shall pay a portion of the health insurance premium as
 4 calculated under this subsection on a cash disbursement method. An
 5 individual described in this subsection who elects health insurance
 6 coverage under this section shall pay to the retirement system the
 7 remaining portion of the health insurance coverage premium not paid
 8 by this state under this subsection. For a former qualified
 9 participant who commenced state employment before April 1, 2010 and
 10 for ~~his or her~~ **the former qualified participant's** health benefit
 11 dependents, the portion of the health insurance coverage premium
 12 paid by this state under this subsection ~~shall~~ **must** be equal to the
 13 product of 3% and the former qualified participant's years of
 14 service, up to 30 years, but ~~shall~~ **must** not exceed the lesser of
 15 90% of the payments for health insurance coverage or the portion of
 16 the health insurance coverage premiums payable by this state for a
 17 retirant, ~~his or her~~ **the former qualified participant's**
 18 beneficiary, and ~~his or her~~ **the former qualified participant's**
 19 dependents under section 20d. If the individual elects the health
 20 insurance coverage provided under section 20d, the state shall
 21 transfer its portion of the amount calculated under this subsection
 22 to the health insurance reserve fund created by section 11. For a
 23 former qualified participant who commenced state employment on or
 24 after April 1, 2010 and for ~~his or her~~ **the former qualified**
 25 **participant's** health benefit dependents, the portion of the health
 26 insurance coverage premium paid by this state under this subsection
 27 ~~shall~~ **must** be equal to the product of 3% and the former qualified
 28 participant's years of service, up to 30 years, but ~~shall~~ **must** not
 29 exceed the lesser of the portion of the health insurance coverage

1 premiums payable by this state for a retirant, ~~his or her the~~
2 **former qualified participant's** beneficiary, and ~~his or her the~~
3 **former qualified participant's** dependents under section 20d or the
4 portion of the health insurance coverage premiums payable by this
5 state for a member who occupies a position in the classified state
6 civil service or has classified civil service status commencing
7 state employment on or after April 1, 2010.

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

25 (6) Beginning January 1, 2011, any former qualified
26 participant or health benefit dependent who is eligible to elect
27 health insurance coverage under this section and who previously
28 elected coverage under a different plan than the plan authorized
29 under section 20d may either elect coverage under this section or

1 may at ~~his or her~~ **the former qualified participant's or health**
 2 **benefit dependent's** own cost participate in coverage under a
 3 different plan than the plan authorized under section 20d.

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

10 (8) As used in this section, "health insurance coverage" means
 11 the hospitalization and medical insurance, dental coverage, vision
 12 coverage, and any other health care insurance provided in section
 13 20d.

14 (9) Subsections (1) to (8) do not apply to a qualified
 15 participant or former qualified participant who was first employed
 16 and entered upon the payroll of ~~his or her~~ **the qualified**
 17 **participant's or former qualified participant's** employer on or
 18 after January 1, 2012 or who made the election to opt out of health
 19 insurance coverage under section 68b. **This subsection does not**
 20 **apply after the amendatory act that added section 50b.**

21 (10) A former qualified participant may enroll in the same
 22 retiree health care plan offered by this state and available to
 23 former qualified participants who commenced state employment on or
 24 after April 1, 2010, if ~~he or she~~ **the former qualified participant**
 25 meets all of the following requirements:

26 (a) The former qualified participant made the election to opt
 27 out of health insurance coverage under section 68b. ~~or was first~~
 28 ~~employed and entered on the payroll of his or her employer on or~~
 29 ~~after January 1, 2012.~~

1 (b) The former qualified participant meets or exceeds the
2 benefit commencement age as set forth in section 51(3)(b)(iii).

3 (c) The former qualified participant enrolls immediately on
4 termination.

5 (d) The former qualified participant has not previously
6 disenrolled from the plan.

7 (e) The former qualified participant pays the total cost of
8 the plan.