[No. 215]

(SB 605)

AN ACT to amend 1992 PA 234, entitled "An act to establish a judges retirement system; to provide for the administration and maintenance of the retirement system; to create a retirement board; to prescribe the powers and duties of the retirement board; to establish certain reserves for the retirement system; to establish certain funds; to prescribe the powers and duties of certain state departments and certain state and local officials and employees; to prescribe penalties and provide remedies; and to repeal certain acts and parts of acts," by amending sections 104, 108, 202, 306, 401a, 504, 506, 508, 701, 705, 706, 711, 713, 714, 715, and 716 (MCL 38.2104, 38.2108, 38.2202, 38.2306, 38.2401a, 38.2504, 38.2506, 38.2508, 38.2651, 38.2655, 38.2656, 38.2661, 38.2663, 38.2664, 38.2665, and 38.2666), section 104 as amended by 1995 PA 193, sections 401a, 705, 706, 711, 713, and 714 as added by 1996 PA 523, and sections 701, 715, and 716 as amended by 1998 PA 66, and by adding sections 214a, 504a, 701a, 701b, and 702a; and to repeal acts and parts of acts.

#### The People of the State of Michigan enact:

## 38.2104 Definitions; C, D. [M.S.A. 27.125(104)]

Sec. 104. (1) "Compensation" means 1 of the following:

- (a) For a plan 1 member or plan 2 member, the salary paid by this state.
- (b) For a plan 3 member, the salary paid by this state, except that for a plan 3 member who is a judge of the recorder's court of the city of Detroit, compensation means an amount equal to the salary paid by this state to a judge of the circuit court and for a plan 3 member who is a judge of the probate court, compensation means an amount equal to the salary paid pursuant to section 821 of the revised judicature act of 1961, 1961 PA 236, MCL 600.821. In addition, compensation for a plan 3 member includes salary standardization payments converted as an addition to the state base salary as provided by section 504, if any, and the balance converted pursuant to section 504a, if any.
  - (c) For a plan 4 member, the total judicial salary payable from all sources.
- (d) For a plan 5 member, the total salary paid by this state and the district control unit of the district court in the thirty-sixth district.
- (e) For a plan 6 or 7 member, the salary approved by the county board of commissioners and includes salary standardization payments made to the member by the county.
- (2) "County retirement plan" means a county retirement plan established under section 12a of 1851 PA 156, MCL 46.12a.
- (3) "Court fees" means a court filing fee or costs earmarked for the retirement system and collected by a county clerk, clerk of the circuit court, or clerk of the district court pursuant to sections 880, 2529, 5756, 8371, 8381, and 8420 of the revised judicature act of 1961, 1961 PA 236, MCL 600.880, 600.2529, 600.5756, 600.8371, 600.8381, and 600.8420.
  - (4) "Credited service" means all of the following:
- (a) Service credited to a member under this act, the former judges retirement system, and the former probate judges retirement system.
  - (b) Other public service purchased under section 403.
  - (c) Service purchased under section 404.
  - (5) "Department" means the department of management and budget.

- (6) "Direct rollover" means a payment by the retirement system to the eligible retirement plan specified by the distributee.
- (7) "Distributee" includes a member or vested former member. Distributee also includes the member's or vested former member's surviving spouse or the member's or vested former member's spouse or former spouse under an eligible domestic relations order, with regard to the interest of the spouse or former spouse.
- (8) "District control unit" means district control unit as defined in section 8104 of the revised judicature act of 1961, 1961 PA 236, MCL 600.8104.

## 38.2108 Definitions; P. [M.S.A. 27.125(108)]

- Sec. 108. (1) "Plan 1 member" means a member or vested former member who is or was the governor, lieutenant governor, secretary of state, attorney general, or legislative auditor general.
- (2) "Plan 2 member" means a member or vested former member who is or was the constitutional court administrator, a justice of the supreme court, or a judge of the court of appeals.
- (3) "Plan 3 member" means a member or vested former member who is or was a judge of the circuit court, judge of the recorder's court of the city of Detroit, judge of the district court, except a judge of the thirty-sixth district described in subsection (8), or a judge of the probate court, except a judge of the probate court described in subsection (7), (9), or (10).
- (4) "Plan 3a member" means a member or vested former member described in subsection (3) who does not convert any of the salary standardization payment under section 504 or sections 14a and 14c of former 1951 PA 198.
- (5) "Plan 3b member" means a member or vested former member described in subsection (3) who converts \$2,250.00 of the salary standardization payment under section 504(1) or section 14a of former 1951 PA 198.
- (6) "Plan 3c member" means a member or vested former member described in subsection (3) who converts the balance of the salary standardization payment under section 504(2) or section 504a or section 14c of former 1951 PA 198.
- (7) "Plan 4 member" means a member or vested former member who is or was a judge of the probate court serving in a single county of less than 15,000 population.
- (8) "Plan 5 member" means a member or vested former member who is or was a judge of the district court in the thirty-sixth district.
- (9) "Plan 6 member" means a member who on the day before the effective date of this act was a member or vested former member of the former probate judges retirement system, who may be a member of a county retirement plan, and who is under the 3% benefit formula provided by section 16(I)(a), (b), and (c) of former 1954 PA 165.
- (10) "Plan 7 member" means a member who on the day before the effective date of this act was a member or vested former member of the former probate judges retirement system, who is not a member of a county retirement plan, and who is under the 3.5% benefit formula provided by section 16(1)(d) of former 1954 PA 165.
- 38.2202 Michigan judges retirement board; creation within department; membership; terms; vacancy; compensation and expenses. [M.S.A. 27.125(202)]
- Sec. 202. (1) The Michigan judges retirement board is created in the department. The retirement board consists of the following 5 retirement board members:
  - (a) The state treasurer.

- (b) The attorney general.
- (c) One judge who is a member of the retirement system appointed by the governor with the advice and consent of the senate.
  - (d) Two members appointed by the governor with the advice and consent of the senate.
- (2) Except as otherwise provided in this section, the term of office of appointed retirement board members is 4 years. If a vacancy occurs in the office of an appointed retirement board member, the governor, with the advice and consent of the senate, shall appoint a retirement board member for the remainder of the unexpired term. A retirement board member shall continue to hold office after the expiration of his or her term of office until a successor is appointed and is qualified.
- (3) The legislature shall annually establish the per diem compensation of the appointed retirement board members and the schedule for reimbursement of expenses incurred by a retirement board member to attend meetings of the retirement board and to perform services required by the retirement board.

# 38.2214a Postretirement medical benefits. [M.S.A. 27.125(214a)]

- Sec. 214a. (1) Following the date of the determination described in subsection (11) and following the date of the election made under subsection (4), the retirement system shall provide postretirement medical benefits for eligible judges and their health benefit dependents and postdeath medical benefits for health benefit dependents who survive a deceased contributor. Medical benefits shall be provided from a separate account established under the retirement system pursuant to section 401(h) of the United States internal revenue code.
- (2) A separate account, designated as the "medical benefit account", shall be maintained within the reserve for health benefits. The assets of the retirement system in excess of the amounts then credited to the medical benefit account shall not be used for providing medical benefits under this section. Except as otherwise provided in this section, the assets of the retirement system attributable to amounts then credited to the medical benefit account shall not be used or diverted for any purpose other than providing medical benefits.
- (3) A separate account, designated as the "medical benefit administrative account", shall be maintained within the reserve for health benefits. Administrative costs of maintaining the medical benefit account shall be paid out of the medical benefit administrative account. Eligible judges making contributions to the medical benefit account consent as a condition of participation that transfers may be made from the subaccounts of each contributor to the medical benefit administrative account equal to no more than 25% of the earnings of funds on account in their respective subaccounts.
- (4) Upon becoming a member of Tier 1 or a qualified participant in Tier 2, and at such other times as the department shall permit, an eligible judge may elect to become a contributor and make contributions to the medical benefit account in an amount not to exceed the maximum contribution then permitted under subsection (5). Each eligible judge who is a member of Tier 1 or a qualified participant in Tier 2 may elect to make contributions to the medical benefit account during an election period of not less than 90 days as determined by the retirement system. Within the medical benefit account, the department shall maintain a subaccount for each contributor that reflects all contributions made by or for that contributor, adjusted for investment experience and payment of medical benefits. The employer of the contributor shall pick up the contributor's contributions in whole or in part and may require that its contributions be derived from a reduction in the contributor's cash salary. If the contributor's contributions are picked up by the employer on a salary-reduction basis, the contributor's election shall be irrevocable

to the extent required by section 401(h) of the United States internal revenue code. Contributions picked up under this subsection on a salary-reduction basis are not included as gross taxable income of the contributor. The value of medical benefits provided from a contributor's subaccount shall not be included in the income of the retired contributor or the contributor's health benefit dependents.

- (5) The benefits to be provided from the medical benefit account, together with life insurance, if any, provided under the retirement system, are intended to be subordinate to retirement benefits under the retirement system. Accordingly, contributions in calendar years after 1999 credited to a contributor's subaccount, together with contributions, if any, that may be made to provide life insurance for the contributor under the retirement system, shall not exceed an aggregate amount equal to 1/3 of the contributions, including employee contributions, made for those years to provide a retirement allowance for the contributor under Tier 1 or Tier 2 of the retirement system. For purposes of applying a limitation established by this subsection, the retirement system may rely on an actuarial assumptions selected by the actuary, demonstrating compliance, and reasonable actuarial assumptions selected by the actuary shall apply for purposes of determining the aggregate contributions for retirement allowances to be determined under this subsection. The retirement system shall determine the method, timing, and limits applicable to all contributors. In no case shall a determination made by the retirement system exceed the maximum provided by this subsection.
- (6) All payments or reimbursements of medical benefits shall be charged against the balance of the retired contributor's subaccount. Payments or reimbursements shall not be made after the subaccount has been exhausted. Medical benefits to be provided from the medical benefit account shall consist of any of the following as applicable:
- (a) Payment of premiums for the retired contributor and the contributor's health benefit dependents under the state health plan, the state dental plan, and the state vision plan if the contributor and dependents are enrolled in any of those plans.
- (b) Payment or reimbursement of premiums or other charges for coverage of the retired contributor and the contributor's health benefit dependents under any group health plan within the meaning of section 5000(b)(1) of the United States internal revenue code.
- (c) Payment or reimbursement of premiums or other charges to obtain health insurance coverage within the meaning of section 9832(b)(1) of the United States internal revenue code for the retired contributor and the contributor's health benefit dependents.
- (d) Payment or reimbursement of expenses paid or incurred for the medical care, as defined in section 213(d)(1) of the United States internal revenue code, of the retired contributor and the contributor's health benefit dependents.

Payment or reimbursement of premiums, charges, and expenses shall be made only upon presentation of proper documentary evidence of amounts, dates of coverage or service, recipient of coverage or service, and such other information as the department shall require.

(7) While a contributor or retired contributor remains alive, the department shall comply with the contributor's written directions in regard to the type of medical benefits to be provided under this subsection and the allocation of the medical benefits among the retired contributor and the contributor's health benefit dependents if the directions comply with this subsection and the requirements of the department in regard to the form and content of the written directions. The department shall also afford each contributor the opportunity to give written directions in regard to the allocation of medical benefits to and among some or all of the contributor's surviving health benefit dependents following the contributor's death as designated on a beneficiary form developed by the retirement system. Upon death of the contributor and while funds remain in the contributor's subaccount, the department shall observe the written directions in allocating medical benefits among the contributor's surviving health benefit dependents, while giving the

dependents or their legal representatives a reasonable opportunity to select the type of medical benefits to be provided. In the absence of valid written directions from the contributor in regard to the allocation of medical benefits following the contributor's death, the department shall allocate funds remaining in the contributor's subaccount to provide medical benefits to the contributor's surviving health benefit dependents, until all funds have been expended.

- (8) If there is a balance remaining in the subaccount of a contributor or retired contributor following the deaths of the contributor and all of the contributor's health benefit dependents, then that balance shall be forfeited and distributed to the medical benefit administrative account.
  - (9) As used in this section:
- (a) "Contributor" means an eligible judge who has elected to make contributions to the medical benefit account created under this section.
- (b) "Eligible judge" means a judge of the circuit court, the district court, or the probate court.
- (c) "Former member" means an individual who was a member and who terminates employment upon which his or her membership is based for any reason.
- (d) "Retired contributor" means a contributor who becomes a former qualified participant and attains the benefit commencement age, or who becomes a former member who either attains age 60 or meets the membership requirements for a retirement allowance under section 501(1).
- (10) Contributions shall not be picked up by this state pursuant to this section until the department receives notification from the United States internal revenue service that such contributions will not be included as gross income of the contributor.
- (11) This section does not apply until the department receives notification from the United States internal revenue service that the establishment of the medical benefit account under this section does not cause the retirement system to be disqualified for tax purposes.
- 38.2306 Member contributions picked up by state; tax treatment; contributions picked up by employer of judge in Detroit recorder's court, thirty-sixth district court, or probate court or by resolution or act of governing body; contributions picked up by state pursuant to §38.2402, §38.2403, or §38.2404. [M.S.A. 27.125(306)]
- Sec. 306. (1) This state shall pick up member contributions required by section 305 for all compensation paid after December 31, 1982, for members who receive a salary paid by this state. Contributions picked up are treated as employer contributions in determining tax treatment under the internal revenue code. Contributions picked up under this subsection are not included as gross taxable income of the member until disbursement from the retirement system. This state shall pay picked up member contributions from the same source of funds that is used for paying compensation to the member. This state shall pick up member contributions by either a reduction in the member's cash salary, an offset against a future salary increase, or a combination of a reduction in cash salary and an offset against a future salary increase. Member contributions picked up are treated for all purposes in the same manner and to the same extent as member contributions made on or before December 31, 1982.
- (2) The employer of a member who is a judge of the recorder's court of the city of Detroit, of the district court in the thirty-sixth district, or of the probate court, by resolution or other enabling act of the governing body, may pick up the contributions required by section 305 for all compensation paid after December 31, 1982, and reported to the retirement system. If the employer does not pick up the contributions, the

employer shall continue to deduct the amount that could have been picked up under this subsection from the member's compensation. Contributions picked up are treated as employer contributions in determining tax treatment under the internal revenue code. Contributions picked up under this subsection are not included as gross taxable income of the member until disbursement from the retirement system. The employer shall pay member contributions picked up by the employer from the same source of funds that is used for paying compensation to the member. The employer may pick up these contributions by either a reduction in the member's cash salary, an offset against a future salary increase, or a combination of a reduction in cash salary and an offset against a future salary increase. Member contributions picked up are treated for all purposes in the same manner and to the same extent as member contributions made before the date picked up.

- (3) This state shall pick up member contributions required as a result of a member's repaying the member's previously withdrawn accumulated contributions, plus interest, pursuant to section 402(3)(b), or a member's election to purchase service credits pursuant to section 403 or 404. Subsection (1) applies with respect to these contributions. The department shall determine the manner in which such contributions are paid. This subsection does not apply until the department receives notification from the united States internal revenue service that contributions picked up by this state pursuant to this subsection shall not be included as gross income of the member until they are distributed or made available to the member, retirant, retirement allowance beneficiary, or refund beneficiary.
- 38.2401a Exclusion from Tier 1; eligibility as qualified participant in Tier 2. [M.S.A. 27.125(401a)]

Sec. 401a. (1) Notwithstanding section 401, an individual described in this subsection is not a member of the Tier 1 retirement plan:

- (a) An individual who first becomes a judge or state official on or after March 31, 1997.
- (b) An individual who elects to terminate membership under section 701 or 701a and who, but for that election, would otherwise be eligible for membership in Tier 1 pursuant to section 401.
- (2) An individual who first becomes a judge or state official on or after March 31, 1997 is eligible to be a qualified participant in Tier 2 subject to article VII.
- 38.2504 Plan 3 member; conversion of \$2,250.00 of state salary standardization payment; exemptions; limitations; state base salary of probate court judge; deduction and transfer of contribution. [M.S.A. 27.125(504)]

Sec. 504. (1) Except as otherwise provided in this subsection, a judge who is a plan 3 member shall convert \$2,250.00 of the state salary standardization payment annually prescribed by law for any state fiscal year beginning after September 30, 1981 as an addition to the judge's state base salary for purposes of computation of a retirement allowance under this act. A judge who, within 30 days from taking office, files a written notice not to participate in the provisions of this subsection with the retirement system is exempt from this subsection. A judge who was serving on December 31, 1982 and who did not elect to convert \$2,250.00 of the state salary standardization payment under section 14a of former 1951 PA 198 is exempt from this section. For the purposes of the calculation of a judge's combined county, city, or district control unit retirement benefit, a judge who has not filed a written notice not to participate in the provisions of this subsection with the retirement system under this subsection or the former judges retirement system shall have the \$2,250.00 of the salary standardization payment subtracted from the final average compensation figure used to calculate the judge's county, city, or district control unit retirement benefit.

- (2) Except as otherwise provided in this subsection, a judge who is a plan 3 member and who is not exempt from subsection (1) shall convert the balance of the state salary standardization payment annually prescribed by law but which, when added to \$2,250.00, does not exceed 40% of the difference between the state base salary and the maximum statutory salary established by the revised judicature act for any state fiscal year beginning after September 30, 1982 as an addition to the judge's state base salary for purposes of computation of a retirement allowance under this act. A judge who, before April 1, 1983, or within 30 days from taking office, whichever is later, files a written notice not to participate in the provisions of this subsection with the retirement system is exempt from this subsection. For the purposes of the calculation of a judge's combined county, city, or district control unit retirement benefit, a judge who has not filed a written notice not to participate in the provisions of this subsection with the retirement system under this subsection or the former judges retirement system shall have the additional state salary standardization payment as an addition to the judge's state base salary for computation of a retirement allowance under this act subtracted from the final average compensation figure used to calculate the judge's county, city, or district control unit retirement benefit.
- (3) The sum of the final compensation determined for each plan 3 member and the final average compensation figure used as the basis for determining the judge's retirement allowance as a member of a county retirement plan or a retirement system that was established pursuant to the municipal employees retirement act of 1984, 1984 PA 427, MCL 38.1501 to 38.1555, or that is subject to 1980 PA 443, MCL 38.841 to 38.846, shall not exceed the judge's total annual salary payable from all sources at the time of his or her retirement.
- (4) For purposes of subsections (1) and (2), the state base salary of a judge of the probate court who is a plan 3 member is equal to the salary paid pursuant to section 821 of the revised judicature act of 1961, 1961 PA 236, MCL 600.821.
- (5) The department or the reporting unit shall deduct the member's required contribution for participation in the provisions of subsections (1) and (2) and section 504a from the member's compensation and shall transfer the contributions to the retirement system.
- 38.2504a Plan 3 member; election; filing; manner; payment; definitions; applicability of section. [M.S.A. 27.125(504a)]

Sec. 504a. (1) A judge who is a plan 3 member may make the election prescribed in this subsection during the election period. A judge who makes the election under this subsection elects to convert the balance of the difference between the state base salary and the maximum statutory salary established by the revised judicature act that is not already converted under section 504. The election is effective on the conversion date and converts the described balance as an addition to the judge's state base salary for the purposes of computation of a retirement allowance under this act. The retirement system shall accept written elections from plan 3 members during the election period. A member who does not make a written election or who does not file the election during the election period remains at the same level of state salary standardization payment conversion previously elected under this section, if any. A member who files a written election during the election period also elects to convert the balance of the difference between the state base salary and the maximum statutory salary established by the revised judicature act that is not already converted under section 504 for all years of credited service through June 30, 1998. The retirement system shall determine the method by which a member shall make a written election under this subsection. Within 30 days after the request of a

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member, a reporting unit shall disclose to the member the effect an election under this subsection, if made, will have on the member's right as a retirant to health care benefits and any other benefits from that reporting unit. The election provided in this subsection is not intended to impair a member's right to receive health care benefits or other insurance benefits from a reporting unit.

- (2) A member who makes the election under subsection (1) shall make a payment of an amount equal to the sum of the following:
- (a) The actuarial cost of the conversion under subsection (1) as calculated by the retirement system, which shall be based upon methods adopted by the department and the retirement system's actuary in consultation with the retirement board.
- (b) The member contributions that would have been paid from July 1, 1999 through the conversion date, as if the member had made the conversion under subsection (1) and had been a plan 3c member as of July 1, 1999.
- (c) Interest on any amounts determined under subdivisions (a) and (b), from July 1, 1999 through the conversion date, based upon 8% effective annual interest, compounded annually.
- (3) The retirement system shall accept as full or partial payment of the amount required to be paid by a member under subsection (2) an amount determined and transferred by any tax-qualified plan or rollover IRA, if any, including the municipal employees retirement system, 1984 PA 427, MCL 38.1501 to 38.1555. Transfer under this subsection shall occur on or before the conversion date, unless extended by the department for good cause after receipt of the amount that is transferred to the retirement system under this subsection, the member shall pay to the retirement system under this subsection the balance of the amount due, if any, as calculated under subsection (2). Beginning with the pay period following the conversion date, the member shall pay the total amount due or the balance due, as appropriate, under subsection (2) by equal payments through deductions from compensation as provided in section 504 over a period not to exceed 100 pay periods. However, a member who files an application to retire and who has an outstanding balance due under subsection (2) shall pay the balance due on or before his or her retirement allowance effective date. A member may elect to have the deductions from compensation under this subsection be made on a salary reduction basis, which deductions shall be picked up by the member's employer. Contributions picked up under this section on a salary-reduction basis are not included as gross taxable income of the contributor.
  - (4) As used in this section:
- (a) "Conversion date" means the first pay period following December 31, 2000 or a date 90 days following the close of the election period, whichever is later.
- (b) "Election period" means an election period of not less than 60 days as determined by the retirement system following the notification from the internal revenue service described in subsection (5).
- (5) This section does not apply until the department receives notification from the United States internal revenue service that the conversion of the balance of the difference between the state base salary and the maximum statutory salary established by the revised judicature act under this section does not cause the retirement system to be disqualified for tax purposes.
- (6) Contributions shall not be picked up by this state pursuant to this section until the department receives notification from the United States internal revenue service that such contributions will not be included as gross income of the member until they are distributed or made available to the member, retirant, retirement allowance beneficiary, or refund beneficiary.

38.2506 Election of straight life retirement allowance or optional retirement allowance. [M.S.A. 27.125(506)]

Sec. 506. (1) Upon application for retirement under this act, a member or vested former member who meets the requirements of section 501 may elect to receive a retirement allowance as a straight life retirement allowance or as an optional retirement allowance under 1 of the payment options provided in this section. The member or vested former member shall file a written election with the retirement system before the effective date of the retirement allowance. If a member or vested former member fails to file a written election under this subsection, the member or vested former member is considered to have elected the straight life retirement allowance under section 503. The member or vested former member shall designate in the written election a retirement allowance beneficiary that shall be either the spouse, brother, sister, parent, or child, including an adopted child, of the member or vested former member. The amount of retirement allowance under options A and B are the actuarial equivalent of the amount of the straight life retirement allowance calculated under section 503. The options are as follows:

- (a) Option A. The retirement system shall pay an optional retirement allowance to the retirant for life with the provision that upon the retirant's death, payment of the optional retirement allowance is continued throughout the lifetime of the retirement allowance beneficiary whom the member or vested former member designated in writing and filed with the retirement system at the time of election of the option.
- (b) Option B. The retirement system shall pay an optional retirement allowance for life to the retirant with the provision that upon the retirant's death, payment of 1/2 of the optional retirement allowance is continued throughout the lifetime of the retirement allowance beneficiary whom the member or vested former member designated in writing and filed with the retirement system at the time of election of the option.
- (2) Except as otherwise provided in this section, a retirant shall not change the election of a payment option or the designation of a retirement allowance beneficiary under subsection (1) after the retirement allowance effective date. If a retirant who elected a payment option under subsection (1)(a) or (b) dies, the retirement system shall pay the optional retirement allowance to the option A beneficiary or option B beneficiary effective the first day of the month following the retirant's death. If the option A or option B beneficiary designated under this section is the surviving spouse of the deceased retirant, the surviving spouse may elect to receive a retirement allowance as provided in section 508 in lieu of the survivor portion of the optional form of payment elected by the retirant under this section.
- (3) If the option A beneficiary or option B beneficiary predeceases the retirant, the retirant's benefit reverts to a straight life retirement allowance and the retirement system shall begin payment of the straight life retirement allowance to the retirant effective the first day of the month following the option A or option B beneficiary's death.
- (4) The retirement system shall provide each member or vested former member who applies for retirement a written explanation of the optional forms of payment under this section before the member or vested former member retires.
- (5) If a retirant receiving an optional retirement allowance under this section is divorced from the spouse who had been designated the option A or option B beneficiary, the retirement system shall consider the election of the optional form of payment option under this section void if the judgment of divorce or award or order of the court, or an amended judgment of divorce or award or order of the court, described in section 308 and dated after June 27, 1991 provides that the election of the optional form of payment option

under this section is to be considered void by the retirement system and the retirant provides a certified copy of the judgment of divorce or award or order of the court, or an amended judgment of divorce or award or order of the court, to the retirement system. If the election of an optional form of payment under this section is considered void by the retirement system under this subsection, the retirant's retirement allowance shall revert to a straight life retirement allowance, including postretirement adjustments, if any, subject to an award or order of the court as described in section 308. The retirement allowance shall revert to a straight life retirement allowance under this subsection effective the first of the month after the date the retirement system receives a certified copy of the judgment of divorce or award or order of the court. This subsection does not supersede a judgment of divorce or award or order of the court in effect on June 27, 1991. This subsection does not require the retirement system to distribute or pay retirement assets on behalf of a retirant in an amount that exceeds the actuarially determined amount that would otherwise become payable if a judgment of divorce had not been rendered.

- (6) A member who continues active employment on or after the date he or she acquires 8 years of credited service or who becomes eligible for a retirement allowance as a vested former member under section 501, whichever occurs first, may file a written election with the retirement system to elect option A as provided in subsection (1)(a). The member or vested former member shall nominate a retirement allowance beneficiary in the written election in the same manner as if the member or vested former member were then retiring from service. If the beneficiary's death or divorce from the member or vested former member occurs before the effective date of the member's or vested former member's retirement, the member's or vested former member's election of option A and nomination of retirement allowance beneficiary is automatically revoked and the member or vested former member may again elect option A and nominate a retirement allowance beneficiary at any time before the effective date of retirement. If a member or vested former member who has made an election and nominated a retirement allowance beneficiary as provided in this subsection dies before the effective date of his or her retirement, then the retirement allowance beneficiary shall receive the retirement allowance that he or she would have been entitled to receive under option A if the member or vested former member had been retired on the date of the member's or vested former member's death. Except as otherwise provided by subsection (7), if a member or vested former member who has made an election under this subsection subsequently retires under this act, his or her election of option A takes effect at the time of retirement. The member or vested former member, before the effective date of retirement, but not after the effective date of retirement, may revoke his or her previous election of option A and elect to receive his or her retirement allowance as a straight life retirement allowance or under option B as provided for in subsection (1). This subsection does not apply on and after the date the settlement agreement in the case of Michigan judges assn v Treasurer of the State of Michigan, case no. 98-DT-72771-CV (Ed Mi), becomes of no further force or effect, is rendered null and void, or is otherwise terminated.
- (7) If a member, vested former member, retiring member, or retiring vested former member is married on the effective date of the retirement allowance, an election under this section, other than an election of a payment option under subsection (1) naming the spouse as retirement allowance beneficiary, shall not be effective unless the election is signed by the spouse. However, this requirement may be waived by the retirement board if the signature of a spouse cannot be obtained because of extenuating circumstances. As used in this subsection, "spouse" means the person to whom the member, vested former member, retiring member, or retiring vested former member is married on the effective date of the retirement allowance.

- 38.2508 Death of member with 8 or more years of credited service or of vested former member before retirement; payment of retirement allowance. [M.S.A. 27.125(508)]
- Sec. 508. (1) If a member who has 8 or more years of credited service dies while in office or if a vested former member dies before retirement, the retirement system shall pay the following retirement allowance as applicable:
- (a) If a member with 8 or more years of credited service dies while in office, or if a vested former member dies before retirement, and the member has an election of option A in force as provided in section 506(6), then the retirement allowance beneficiary shall receive the retirement allowance that he or she would have been entitled to receive under option A if the member or vested former member had been retired on the date of the member's or vested former member's death.
- (b) If a member with 8 or more years of credited service dies while in office, or if a vested former member dies before retirement, and the member or vested former member does not have an election of option A in force as provided in section 506(6), and leaves a surviving spouse, the spouse shall receive a retirement allowance computed in the same manner as if the member had retired effective the day before the date of his or her death, elected option A, and nominated the spouse as retirement allowance beneficiary.
- (2) If the deceased vested former member had met the service requirements of section 501(1)(d), the surviving spouse may elect to receive a permanently reduced retirement allowance equal to the amount the deceased vested former member would have received as reduced by section 501(1)(d).
- (3) If a retirant dies, the retirement system shall pay the following retirement allowance as applicable:
- (a) If the retirant elected a straight life retirement allowance under section 506, the surviving spouse shall receive 1/2 the amount of the retirement allowance computed under section 503 based upon the deceased member's final compensation and credited service.
- (b) If the retirant elected an optional retirement allowance under section 506, the retirement allowance beneficiary shall receive a retirement allowance as provided under section 506(1)(a) or (b).
- (4) If the deceased member, vested former member, or retirant does not leave a surviving spouse or if the surviving spouse dies after the member's, vested former member's, or retirant's death, the retirement system shall pay to each of the member's, vested former member's, or retirant's unmarried children under the age of 19 years a retirement allowance equal to an equal share of the amount of the retirement allowance payable to a surviving spouse under subsection (1)(b) or subsection (3)(a).
- (5) The retirement system shall begin payment of a retirement allowance under this section to a surviving beneficiary of a deceased member or retirant under this section on the first day of the month following the month in which the member or retirant dies. The retirement system shall begin payment of a retirement allowance to a surviving beneficiary of a deceased vested former member on the first day of the month following the month in which the vested former member otherwise would have been eligible to begin receiving benefits under section 501. The retirement system shall terminate payment of a retirement allowance to a surviving beneficiary upon the surviving beneficiary's death.
- (6) The retirement system shall begin payment of a retirement allowance to a child of a deceased member or retirant under this section on the first day of the month following the month in which the member or retirant dies without a surviving spouse or the first

day of the month following the month in which the surviving spouse dies, whichever is later. The retirement system shall begin payment of a retirement allowance to a child of a deceased vested former member under this section on the first day of the month following the month in which the vested former member dies, the first day of the month following the month in which the vested former member could have retired under section 501 if there is no surviving spouse, or the first day of the month following the month in which the surviving spouse of the vested former member dies, whichever is later. The retirement system shall terminate payment of a retirement allowance to a child upon his or her adoption, marriage, becoming 19 years old, or death, whichever occurs first. However, the retirement system shall continue payment of a retirement allowance to a child who is attending school full-time during the period of full-time school attendance, but in no case beyond the child becoming 25 years old. Upon termination of a child's retirement allowance under this subsection, the retirement system shall divide that portion of the retirement allowance into equal shares and add it to the retirement allowance being paid to the remaining eligible children, if any, effective the first day of the month following termination of payment to the ineligible child.

- (7) The retirement system shall not pay a retirement allowance under this section if an optional retirement allowance is being paid or will become payable to an option A beneficiary or option B beneficiary under section 506 or if a refund of accumulated contributions is paid under section 405.
- (8) The surviving spouse of a deceased member may elect a refund of accumulated contributions in lieu of a retirement allowance under this section. The surviving spouse of a deceased retirant may elect to be paid a retirement allowance under this section in lieu of the survivor portion of the optional form of payment elected by the retirant under section 506.
- 38.2651 Participation in Tier 1 or Tier 2 by member, vested former member, or former nonvested member; election; writing; irrevocability; method; election subject to domestic relations order act; disqualification for tax purposes; election not implemented due to court order. [M.S.A. 27.125(701)]

Sec. 701. (1) The retirement system shall provide an opportunity for each member who is a member on March 30, 1997, to elect in writing to terminate membership in Tier 1 and elect to become a qualified participant in Tier 2. An election made by a member under this subsection is irrevocable if the election has taken effect and a transfer has occurred under section 702. The retirement system shall accept written elections under this subsection from members during the period beginning on January 2, 1998 and ending on May 31, 1998. A member who does not make a written election or who does not file the election during the period specified in this subsection continues to be a member of Tier 1. A member who makes and files a written election under this subsection elects to do all of the following:

- (a) Cease to be a member of Tier 1 effective 12 midnight June 30, 1998.
- (b) Become a qualified participant in Tier 2 effective 12:01 a.m., July 1, 1998.
- (c) Except as otherwise provided in this subdivision, waive all of his or her rights to a pension, an annuity, a retirement allowance, an insurance benefit, or any other benefit under Tier 1 effective 12 midnight June 30, 1998. This subdivision does not affect a person's right to health benefits provided under this act pursuant to section 719.
- (2) If an individual who was a vested former member on March 30, 1997, or an individual who was a former nonvested member on March 30, 1997 becomes a judge or

state official and is again eligible for membership in Tier 1, the individual shall elect in writing to remain a member of Tier 1 or to terminate membership in Tier 1 and become a qualified participant in Tier 2. An election made by a vested former member or a former nonvested member under this subsection is irrevocable. The retirement system shall accept written elections under this subsection from a vested former member or a former nonvested member during the period beginning on the date of the individual's eligibility for membership and ending upon the expiration of 60 days after the date of that eligibility. A vested former member or former nonvested member who makes and files a written election to remain a member of Tier 1 retains all rights and is subject to all conditions as a member of Tier 1 under this act. A vested former member or former nonvested member who does not make a written election or who does not file the election during the period specified in this subsection continues to be a member of Tier 1. Subject to section 701b, a vested former member or former nonvested member who makes and files a written election to terminate membership in Tier 1 elects to do all of the following:

- (a) Cease to be a member of Tier 1 effective 12 midnight on the last day of the payroll period that includes the date of the election.
- (b) Become a qualified participant in Tier 2 effective 12:01 a.m. on the first day of the payroll period immediately following the date of the election.
- (c) Except as otherwise provided in this subdivision, waive all of his or her rights to a pension, an annuity, a retirement allowance, an insurance benefit, or any other benefit under Tier 1 effective 12 midnight on the last day of the payroll period that includes the date of the election. This subdivision does not affect an individual's right to health benefits provided under this act pursuant to section 719.
- (d) Waive the calculation of any actuarial present value based upon any salary increases that occur after December 31, 1998.
- (3) After consultation with the retirement system's actuary and the retirement board, the department of management and budget shall determine the method by which a member, vested former member, or former nonvested member shall make a written election under this section. If the member, vested former member, or former nonvested member is married at the time of the election, the election is not effective unless the election is signed by the individual's spouse. However, the retirement board may waive this requirement if the spouse's signature cannot be obtained because of extenuating circumstances.
- (4) An election under this section is subject to the eligible domestic relations order act, 1991 PA 46, MCL 38.1701 to 38.1711.
- (5) If the department of management and budget receives notification from the United States internal revenue service that this section or any portion of this section will cause the retirement system to be disqualified for tax purposes under the internal revenue code, then the portion that will cause the disqualification does not apply.
- (6) A judge of the circuit court, probate court, or district court who was a member on March 30, 1997 and who either made an election under this section but was not able to have the election implemented due to the restraining order entered in <a href="Michigan judges">Michigan judges</a> assn v Treasurer of the state of Michigan, case No. 98-DT-72771-CV (Ed Mi) and has retired on or after June 30, 1998 and before the opening of the election window described in section 701a(2), or who retired before June 30, 1998 may make an election in the manner and under the conditions prescribed in the stipulated order regarding temporary restraining order in <a href="Michigan judges">Michigan judges assn v Treasurer of the state of Michigan</a>, case no. 98-DT-72771-CV (Ed Mi), entered on February 18, 1999. Notwithstanding any other

provision of this section to the contrary, the department and the Tier 2 plan administrator shall determine the method by which this subsection is implemented.

- (7) A judge of the circuit court, probate court, or district court who was a member on March 30, 1997 and who made an election under this section but was not able to have the election implemented due to the restraining order entered in <a href="Michigan judges assn">Michigan judges assn</a> v <a href="Treasurer of the state of Michigan">Treasurer of the state of Michigan</a>, case No. 98-DT-72771-CV (Ed Mi) shall be considered to have made the election under section 701a to terminate membership in Tier 1 and become a qualified participant in Tier 2. The method of implementing this subsection and any disputes regarding this implementation shall be resolved by the plan administrator.
- 38.2651a Participation of judge of circuit court, probate court, or district court in Tier 1 or Tier 2; election; window of opportunity; method; disqualification for tax purposes. [M.S.A. 27.125(701a)]

Sec. 701a. (1) Except as otherwise provided in subsection (3), the retirement system shall provide an opportunity for each judge of the circuit court, probate court, or district court who was a member on March 30, 1997 to elect in writing to terminate membership in Tier 1 and elect to become a qualified participant in Tier 2. This section does not apply to an individual who was a member on March 30, 1997 and whose election to terminate membership in Tier 1 and become a qualified participant in Tier 2 under section 701 has already taken effect and the transfer has occurred. An election made by a member under this subsection is irrevocable. The retirement system shall accept written elections under this subsection from members during the period prescribed by the Tier 2 plan administrator under subsection (2). A member who does not make a written election or who does not file the election during the period specified in subsection (2) continues to be a member of Tier 1. Subject to section 701b, a member who makes and files a written election under this subsection elects to do all of the following:

- (a) Cease to be a member of Tier 1 effective 12 midnight June 30, 1998.
- (b) Become a qualified participant in Tier 2 effective 12:01 a.m., July 1, 1998.
- (c) Except as otherwise provided in this subdivision, waive all of his or her rights to a pension, an annuity, a retirement allowance, an insurance benefit, or any other benefit under Tier 1 effective 12 midnight on June 30, 1998. This subdivision does not affect a person's right to health benefits provided under this act pursuant to section 719.
- (d) Waive the calculation of any actuarial present value based upon any salary increases that occur after December 31, 1998.
- (2) The Tier 2 plan administrator shall establish a 60-day window for the members described in subsections (1) and (3) to make the election described in subsection (1) or (3). The Tier 2 plan administrator shall establish the 60-day window as soon as possible after confirmation from the office of retirement services that all necessary notifications and calculations of actuarial present values have been made, but not later than June 1, 2000.
- (3) This subsection applies to a judge of the circuit court, probate court, or district court who was a vested member of Tier 1 on March 30, 1997 and who terminates the employment upon which that membership is based after March 30, 1997 but before the opening day of the 60-day window described in subsection (2). An individual described in this subsection may elect in writing to terminate membership in Tier 1 and elect to receive a distribution from Tier 1. An election made by a member under this subsection is irrevocable. The retirement system shall accept written elections under this subsection from a member during the 60-day window period. A member described in this subsection who does not make a written election or who does not file the election during the period specified in subsection (2) continues to be a member or vested former member of Tier 1.

A member who makes and files a written election under this subsection to terminate membership in Tier 1 elects to do all of the following:

- (a) Cease to be a member of Tier 1 effective 12 midnight on the day immediately preceding the date of the termination of employment.
- (b) Except as otherwise provided in this subdivision, waive all of his or her rights to a pension, an annuity, a retirement allowance, an insurance benefit, or any other benefit under Tier 1 effective 12 midnight on the date described in subdivision (a). This subdivision does not affect an individual's right to health benefits provided under this act pursuant to section 509.
- (c) Waive the calculation of any actuarial present value based upon any salary increases that occur after December 31, 1998.
- (4) After consultation with the retirement system's actuary and the retirement board, the department of management and budget shall determine the method by which a member, vested former member, or former nonvested member shall make a written election under this section. If the member, vested former member, or former nonvested member is married at the time of the election, the election is not effective unless the election is signed by the individual's spouse. However, the retirement board may waive this requirement if the spouse's signature cannot be obtained because of extenuating circumstances.
- (5) An election under this section is subject to the eligible domestic relations order act, 1991 PA 46, MCL 38.1701 to 38.1711.
- (6) If the department of management and budget receives notification from the United States internal revenue service that this section or any portion of this section will cause the retirement system to be disqualified for tax purposes under the internal revenue code, then the portion that will cause the disqualification does not apply.
- 38.2651b Election pursuant to §38.2651 or §38.2651a. [M.S.A. 27.125(701b)]
- Sec. 701b. (1) A member who makes and files a written election under section 701a(1) or an individual who makes and files a written election under section 701(2) shall at the time of that election also make an election to do 1 of the following:
- (a) To have 100% of his or her salary that is paid both directly and indirectly by this state for the position he or she holds be considered his or her salary in Tier 2.
- (b) To have the portion of his or her salary that is considered compensation under Tier 1 on the day before his or her election continue to be the portion that is considered his or her salary in Tier 2.
- (2) A member or individual who does not make the election described in subsection (1) at the time he or she makes the election under section 701a(1) or 701(2) is considered to have made the election described in subsection (1)(b). An election made by a member or individual under this section is irrevocable.
- (3) Upon the request of a member, a reporting unit shall disclose to the member the effect an election under this section, if made, will have on the member's right as a retirant to health care benefits from that reporting unit.
- (4) This section shall not apply until the department of management and budget receives notification from the United States internal revenue service that the salary election under this section is acceptable.

- 38.2652a Termination of membership in Tier 1 pursuant to §38.2651a; definitions; transfer to account in Tier 2; calculation; disqualification for tax purposes. [M.S.A. 27.125(702a)]
- Sec. 702a. (1) For a member who elects to terminate membership in Tier 1 under section 701a(1), the retirement system shall direct the state treasurer to transfer a lump sum amount from the appropriate fund created under this act to the qualified participant's account in Tier 2 on or before the expiration of 5 months after the window prescribed in section 701a(2) is closed. The retirement system shall calculate the amount to be transferred, which shall be equal to the sum of the following:
- (a) The member's accumulated contributions, if any, from the reserve for member contributions.
- (b) For a member who is vested under section 501(1) as of 12 midnight on the termination date, the excess, if any, of the actuarial present value of the member's accumulated benefit obligation, over the amount specified in subdivision (a), from the reserve for employer contributions. Except as provided in subsection (4), for the purposes of this subsection the present value of the member's accumulated benefit obligation is based upon the member's actual credited service and actual final salary as of 12 midnight on the termination date. The actuarial present value shall be computed as of 12 midnight on the termination date and shall be based on the following:
  - (i) Eight percent effective annual interest, compounded annually.
- (*ii*) A 50% male and 50% female gender neutral blend of the mortality tables used to project retirant longevity in the most recent actuarial valuation report.
- (iii) A benefit commencement age, based upon the member's credited service as of 12 midnight on the termination date. The benefit commencement age shall be the younger of the following, but shall not be younger than the member's age as of 12 midnight on the termination date:
  - (A) Age 60.
  - (B) Age 55, if the member's credited service equals or exceeds 18 years.
  - (C) The member's age, if the member's credited service equals or exceeds 25 years.
- (c) Interest on any amounts determined in subdivisions (a) and (b), from the participation date to the date of the transfer, based upon 8% annual interest, compounded annually.
  - (2) As used in this section:
- (a) "Participation date" means the date the individual becomes a qualified participant in Tier 2 as determined under section 701a(1)(b).
- (b) "Termination date" means the date the individual ceases to be a member of Tier 1 as specified under section 701a(1)(a).
- (3) For a member who elects to terminate membership in this retirement system under section 701a(3), the retirement system shall direct the state treasurer to transfer a lump sum amount from the appropriate fund created under this act to the former qualified participant's account in Tier 2 on or before the date prescribed in subsection (1) for transfers under that subsection. The retirement system shall calculate the amount to be transferred, which shall be equal to the sum of the following:
- (a) The member's accumulated contributions, if any, from the reserve for member contributions as of 12 midnight on the day immediately preceding the date of the termination of employment.
- (b) The excess, if any, of the actuarial present value of the member's accumulated benefit obligation, over the amount specified in subdivision (a), from the reserve for employer contributions. Except as provided in subsection (4), for the purposes of this subsection the

present value of the member's accumulated benefit obligation is based upon the member's actual credited service and actual final salary as of 12 midnight on the day immediately preceding the date of the termination of employment. The actuarial present value shall be computed as of 12 midnight on that date and shall be based on the following:

- (i) Eight percent effective annual interest, compounded annually.
- (*ii*) A 50% male and 50% female gender neutral blend of the mortality tables used to project retirant longevity in the most recent annual actuarial valuation report.
- (*iii*) A benefit commencement age, based upon the member's estimated credited service as of 12 midnight on the day immediately preceding the date of the termination of employment. The benefit commencement age shall be the younger of the following, but shall not be younger than the member's age as of 12 midnight on the day immediately preceding the date of the termination of employment:
  - (A) Age 60.
  - (B) Age 55, if the member's credited service equals or exceeds 18 years.
- (C) The age of the member if the member's credited service equals or exceeds 25 years.
- (c) Interest on any amounts determined in subdivisions (a) and (b), from the day immediately following the date described in subdivision (a) to the date of the transfer, based upon 8% effective annual interest, compounded annually.
- (4) For the purposes of subsections (1) and (3), the calculation of actual present value of the member's or vested former member's accumulated benefit obligation shall be based upon methods adopted by the department and the retirement system's actuary in consultation with the retirement board, and actual final salary shall be determined as provided in section 105(4), as of 12 midnight on the date the member ceases to be a member of Tier 1 under section 701a.
- (5) If the department of management and budget receives notification from the United States internal revenue service that this section or any portion of this section will cause the retirement system to be disqualified for tax purposes under the internal revenue code, then the portion that will cause the disqualification does not apply.
- 38.2655 "Employer," "former qualified participant," and "health benefit dependent" defined. [M.S.A. 27.125(705)]

Sec. 705. (1) "Employer" means this state.

- (2) "Former qualified participant" means an individual who was a qualified participant and who terminates the employment upon which his or her participation is based for any reason.
- (3) "Health benefit dependent" means the qualified or former qualified participant's spouse, if any, and an unmarried child who is considered a dependent of the qualified or former qualified participant under section 152 of the internal revenue code, if any.
- 38.2656 "Qualified participant," "refund beneficiary," "salary," and "state treasurer" defined. [M.S.A. 27.125(706)]
- Sec. 706. (1) "Qualified participant" means an individual who is a participant of Tier 2 and who meets 1 of the following requirements:
- (a) An individual who first becomes a judge or state official on or after March 31, 1997, and who before March 31, 1997 would have been eligible to be a member of Tier 1.
- (b) An individual who elects to terminate membership in Tier 1 and who elects to participate in Tier 2 in the manner prescribed in section 701 or 701a.

- (2) "Refund beneficiary" means an individual nominated by a qualified participant or a former qualified participant under section 717 to receive a distribution of the participant's accumulated balance in the manner prescribed in section 718.
  - (3) "Salary" means 1 of the following:
- (a) For an individual described in subsection (1)(a), 100% of his or her salary that is paid both directly and indirectly by this state for the position he or she holds.
- (b) For an individual described in subsection (1)(b), the salary that he or she elects or is considered to have elected under section 701b.
  - (4) "State treasurer" means the treasurer of this state.

# 38.2661 Participation in other retirement benefits plan; prohibition [M.S.A. 27.125(711)]

- Sec. 711. (1) A qualified participant shall not participate in any other public sector retirement benefits plan for simultaneous service rendered to the same public sector employer. This subsection does not apply to a qualified participant who makes the election under section 701b(1)(b) for that portion of his or her compensation that is not considered salary for the purposes of Tier 2. Except as otherwise provided in this act, this section does not do any of the following:
- (a) Prohibit a qualified participant from participating in a retirement plan established under the internal revenue code by this state or other public sector employer.
- (b) Impair any vested right to a retirement benefit, based upon service as a judge, accrued under such a plan as of the day before he or she becomes a qualified participant in Tier 2.
- (c) Impair a qualified participant's right to receive health care benefits or other insurance benefits from a reporting unit.
- (2) A qualified participant consents as a condition of participation in Tier 2 that he or she shall not receive a retirement allowance or other benefit from any other public sector retirement benefits plan while holding the position that qualifies him or her for participation in Tier 2 and the other plan. A qualified participant who receives a retirement allowance in violation of this subsection forfeits his or her right to employer contributions under section 714. The employer of a qualified participant who violates this subsection shall immediately suspend employer contributions under section 714. A qualified participant who is a contributing member in a local public sector retirement benefits plan on the day before he or she becomes a qualified participant in Tier 2 and who does not have a vested right to a retirement benefit under that plan on that date may withdraw the contributions made by that participant to the local plan without violating this subsection. This subsection does not apply to a former qualified participant.
- (3) Within 30 days after the request of a qualified participant, a reporting unit shall disclose to the qualified participant the effect this section or an election under section 701 or 701a, if made, will have on the member's right to health care benefits as a retirant or a vested right to a retirement benefit for service as a judge provided by that plan.
- 38.2663 Election to terminate membership in Tier 1; credit or charge to Tier 2 account. [M.S.A. 27.125(713)]
- Sec. 713. (1) The state treasurer shall promptly credit the Tier 2 account of a qualified participant who makes an election under section 701 or 701a to terminate membership in Tier 1 with any amount transferred from Tier 1 pursuant to section 702 or 702a, as applicable.
- (2) Not later than 30 days after receipt of a recomputed amount under section 702(2) or (4), the state treasurer shall charge the qualified participant's Tier 2 account for any

amount of excess transfers under section 702(1) or (3) and transfer that amount to the appropriate fund in Tier 1. The state treasurer may determine which investment choice or choices within a qualified participant's Tier 2 account will be used for this purpose.

38.2664 Contributions by employer and participant. [M.S.A. 27.125(714)]

Sec. 714. (1) This section is subject to the vesting requirements of section 715.

- (2) A qualified participant's employer shall contribute to the qualified participant's account in Tier 2 an amount equal to 4% of the qualified participant's salary.
- (3) A qualified participant may periodically elect to contribute up to 3% of his or her salary to his or her Tier 2 account. The qualified participant's employer shall make an additional contribution to the qualified participant's Tier 2 account in an amount equal to the contribution made by the qualified participant under this subsection.
- (4) A qualified participant may make contributions in addition to contributions made under subsection (3) to his or her Tier 2 account as permitted by the state treasurer and the internal revenue code. The qualified participant's employer shall not match contributions made by the qualified participant under this subsection.
- (5) A qualified participant who makes a written election under section 701a may elect to contribute up to 6% of his or her salary to his or her Tier 2 account. In lieu of employer contributions under subsection (3), the qualified participant's employer shall make an additional contribution to the qualified participant's Tier 2 account in an amount equal to the contribution made by the qualified participant under this subsection. This subsection applies for a period as determined by the department that equals the time in which a Tier 1 member was not able to make contributions to the Tier 2 plan because of the temporary restraining order issued in the case of Michigan judges assn v Treasurer of the state of Michigan, case no. 98-DT-72771-CV (Ed Mi).

#### 38.2665 Vesting requirements. [M.S.A. 27.125(715)]

Sec. 715. (1) A qualified participant is immediately 100% vested in his or her contributions made to Tier 2. A qualified participant shall vest in the employer contributions made on his or her behalf to Tier 2 according to the following schedule:

- (a) Upon completion of 2 years of service, 50%.
- (b) Upon completion of 3 years of service, 75%.
- (c) Upon completion of 4 years of service, 100%.
- (2) A qualified participant is vested in the health insurance coverage provided in section 719 if the qualified participant meets 1 of the following requirements:
- (a) The qualified participant has completed 4 years of service as a qualified participant and was not a member, deferred vested member, or former nonvested member of Tier 1.
- (b) The qualified participant was a member, deferred vested member, or former nonvested member of Tier 1 who made an election to participate in Tier 2 pursuant to section 701 or 701a, and who has met the service requirements he or she would have been required to meet in order to vest in health benefits under section 509.
- 38.2666 Participation in Tier 2; crediting years of service accrued under Tier 1. [M.S.A. 27.125(716)]

Sec. 716. A qualified participant who was a member, deferred vested member, or former nonvested member of Tier 1 who makes an election to participate in Tier 2 pursuant to section 701 or 701a, shall be credited with the years of service accrued under

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Tier 1 on the effective date of participation in Tier 2 for the purpose of meeting the vesting requirements for benefits under section 715.

Repeal of §§38.2214a, 38.2504a, 38.2651a, 38.2651b, and 38.2652a; conditions.

Enacting section 1. Sections 214a, 504a, 701a, 701b, and 702a of the judges retirement act of 1992, 1992 PA 234, MCL 38.2214a, 38.2504a, 38.2651a, 38.2651b, and 38.2652a, are repealed on the date the settlement agreement in the case of Michigan judges assn v Treasurer of the state of Michigan, case no. 98-DT-72771-CV (Ed Mi), becomes of no further force and effect, is rendered null and void, or is otherwise terminated.

Effective date upon settlement agreement in case of <u>Michigan</u> judges assn v <u>Treasurer of the state of Michigan</u>.

Enacting section 2. This amendatory act takes effect on the same date the settlement agreement in the case of  $\underline{\text{Michigan judges assn}}$  v  $\underline{\text{Treasurer of the state of Michigan}}$ , case no. 98-DT-72771-CV (Ed Mi), is effective.

Approved December 28, 1999. Filed with Secretary of State December 28, 1999.