

# HOUSE BILL No. 5065

October 15, 1987, Introduced by Reps. Kilpatrick, Berman, Stabenow, Saunders, Barns, Dobronski, Gubow, Watkins, Browne, Leland, Smith, Murphy, Stallworth, Brown and Bennane and referred to the Committee on Senior Citizens and Retirement.

A bill to amend sections 82 and 91 of Act No. 300 of the Public Acts of 1980, entitled

"The public school employees retirement act of 1979,"

section 91 as amended by Act No. 91 of the Public Acts of 1985, being sections 38.1382 and 38.1391 of the Michigan Compiled Laws.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 82 and 91 of Act No. 300 of the Public  
2 Acts of 1980, section 91 as amended by Act No. 91 of the Public  
3 Acts of 1985, being sections 38.1382 and 38.1391 of the Michigan  
4 Compiled Laws, are amended to read as follows:

5 Sec. 82. (1) A member who terminates reporting unit service  
6 before 60 years of age for a reason other than the member's  
7 retirement or death, who does not withdraw accumulated  
8 contributions standing to the member's credit in the annuity

1 accumulation fund, and who has or maintains in effect 10 or more  
2 years of credited service shall be entitled to a deferred vested  
3 service retirement allowance computed pursuant to section 84  
4 based upon the last year of credited service of the member's  
5 final average compensation period. Upon or after 60 years of  
6 age, entitlement of the member's deferred vested service retire-  
7 ment allowance shall begin the first day of the calendar month  
8 next following the deferred member's written application filed  
9 with the retirement board on forms furnished by the board. The  
10 deferred member's entitlement to a deferred vested service  
11 retirement allowance based on prior service or contributory mem-  
12 bership service, or both, shall be forfeited if the deferred  
13 member withdraws from the retirement system the member's accumu-  
14 lated contributions unless the service is reinstated as provided  
15 in section 66. A member who meets all of the qualifications of  
16 this subsection, has 30 or more years of credited service, and  
17 leaves service before the member's fifty-fifth birthday for a  
18 reason other than retirement or death shall be entitled to a  
19 deferred vested service retirement allowance at 55 years of age.  
20 A FORMER MEMBER WHO TERMINATED REPORTING UNIT SERVICE BEFORE  
21 AUGUST 1, 1974, AND WHO OTHERWISE QUALIFIES FOR RECEIPT OF A  
22 DEFERRED VESTED SERVICE RETIREMENT ALLOWANCE UNDER THIS SUBSEC-  
23 TION, SHALL BE ENTITLED TO RECEIVE A DEFERRED VESTED SERVICE  
24 RETIREMENT ALLOWANCE, SUBJECT TO THE CONDITIONS DESCRIBED IN THIS  
25 SUBSECTION. HOWEVER, THE PERSON SHALL NOT BE ENTITLED TO RECEIVE  
26 THE ALLOWANCE ATTRIBUTABLE TO ANY MONTH BEGINNING BEFORE THE

1 MONTH FOLLOWING THE FILING OF WRITTEN APPLICATION WITH THE  
2 RETIREMENT BOARD.

3 (2) If a member, before terminating reporting unit services,  
4 selects the option provided in section 85(1)(b), but dies before  
5 the effective date of the member's deferred vested service  
6 retirement allowance, the option provided in section 85(1)(b) and  
7 selected by the deferred member shall be paid to the retirement  
8 allowance beneficiary, at the time the deceased deferred member  
9 would have otherwise been eligible to begin receiving the  
10 deferred vested service retirement retirement allowance.

11 Sec. 91. (1) The retirement system shall pay the entire  
12 monthly premium or membership or subscription fee for hospital,  
13 medical-surgical, and sick care benefits for the benefit of a  
14 retirant or retirement allowance beneficiary who elects coverage  
15 in a group health benefits plan authorized by the retirement  
16 board and the department. The retirement board and the depart-  
17 ment shall authorize membership in a health maintenance organi-  
18 zation licensed under article 17 of the public health code, Act  
19 No. 368 of the Public Acts of 1978, being sections 333.20101 to  
20 333.22181 of the Michigan Compiled Laws.

21 (2) ~~The~~ BEGINNING JANUARY 1, 1986 AND THROUGH DECEMBER 31,  
22 1988, THE retirement system shall pay, up to the maximum amount  
23 payable under subsection (1), the entire monthly premium or mem-  
24 bership or subscription fee for hospital, medical-surgical, and  
25 sick care benefits for the benefit of a retirant or retirement  
26 allowance beneficiary who elects coverage in an alternative group  
27 health benefits plan. ~~This subsection shall not apply before~~

1 ~~January 1, 1986, or after December 31, 1988.~~ A retirant or  
2 retirement allowance beneficiary in receipt of a retirement  
3 allowance on January 1, 1986, who on December 31, 1985 is covered  
4 by the group health benefits plan authorized by the retirement  
5 board and the department under subsection (1), shall not be eli-  
6 gible to elect coverage in an alternative group health benefits  
7 plan until the expiration of the contract between the retirement  
8 system and the entity providing coverage under subsection (1) on  
9 December 31, 1985.

10 (3) The retirement system may pay up to the maximum of the  
11 amount payable under subsection (1) toward the monthly premium  
12 for hospital, medical-surgical, and sick care benefits for the  
13 benefit of a retirant or retirement allowance beneficiary  
14 enrolled in a group health insurance or prepaid service plan not  
15 authorized by the retirement board and the department, if  
16 enrolled prior to June 1, 1975, for whom the retirement system on  
17 July 18, 1983 was making a payment towards his or her monthly  
18 premium.

19 (4) A retirant or retirement allowance beneficiary receiving  
20 health benefits coverage under this section, until eligible for  
21 medicare, shall have an amount equal to the cost chargeable to a  
22 medicare recipient for part B of medicare deducted from his or  
23 her retirement allowance.

24 (5) The retirement system shall pay up to 90% of the maximum  
25 of the amount payable under subsection (1) toward the monthly  
26 premium or membership or subscription fee for health benefits  
27 coverage described in subsections (1) to (3) for each health

1 insurance dependent of a retirant. Payment shall not exceed 90%  
2 of the actual monthly premium or membership or subscription fee.  
3 Payment for health benefits coverage for a health insurance  
4 dependent of a retirant shall not be made after the retirant's  
5 death, unless the retirant designated a retirement allowance ben-  
6 eficiary as provided in section 85 and the dependent was covered  
7 or eligible for coverage as a health insurance dependent of the  
8 retirant on the retirant's date of death. Payment for health  
9 benefits coverage shall not be made for a health insurance depen-  
10 dent after the later of the retirant's death or the retirement  
11 allowance beneficiary's death. Payment under this subsection and  
12 subsection (6) shall begin October 1, 1985 for health insurance  
13 dependents who on ~~the effective date of this subsection~~  
14 JULY 10, 1985 are covered by the group health benefits plan  
15 authorized by the retirement board and the department. Payment  
16 under this subsection and subsection (6) for other health insur-  
17 ance dependents shall not begin before January 1, 1986.

18 (6) The payment described in subsection (5) shall also be  
19 made for each health insurance dependent of a deceased member or  
20 deceased duty disability retirant if a retirement allowance is  
21 being paid to a retirement allowance beneficiary because of the  
22 death of the member or duty disability retirant as provided in  
23 section 43c(c), 89, or 90. Payment for ~~a~~ health benefits cov-  
24 erage for a health insurance dependent shall not be made after  
25 the retirement allowance beneficiary's death.

26 ~~(7) The payments provided by this section shall not be made~~  
27 ~~on behalf of a retiring section 82 deferred member or health~~

~~1 insurance dependent of a deferred member having less than 21 full~~  
~~2 years of attained credited service or the retiring deferred~~  
~~3 member's retirement allowance beneficiary, and shall not be made~~  
~~4 on behalf of a retirement allowance beneficiary of a deferred~~  
~~5 member who dies before retiring. The retirement system shall~~  
~~6 pay, on behalf of a retiring section 82 deferred member or health~~  
~~7 insurance dependent of a deferred member or a retirement allow-~~  
~~8 ance beneficiary of a deceased deferred member, either of whose~~  
~~9 allowance is based upon not less than 21 years of attained cred-~~  
~~10 ited service, 10% of the payments provided by this section,~~  
~~11 increased by 10% for each attained full year of credited service~~  
~~12 beyond 21 years, not to exceed 100%. This subsection shall apply~~  
~~13 to any member attaining deferred status under section 82 after~~  
~~14 October 31, 1980.~~

15       (7) ~~(8)~~ Any retirant or retirement allowance beneficiary  
16 excluded from payments under this section may participate in a  
17 group health benefits plan providing health benefits coverage  
18 described in this section at his or her own cost.

19       (8) ~~(9)~~ A group health benefits plan which covers retir-  
20 ants, retirement allowance beneficiaries, and health insurance  
21 dependents pursuant to this section shall contain a coordination  
22 of benefits provision which provides all of the following:

23       (a) If the person covered under the group health benefits  
24 plan is also eligible for medicare or medicaid, or both, then the  
25 benefits under medicare or medicaid, or both, shall be determined  
26 before the benefits of the group health benefits plan provided  
27 pursuant to this section.

1 (b) If the person covered under the group health benefits  
2 plan is also covered under another group health benefits plan  
3 which contains a coordination of benefits provision, the benefits  
4 shall be coordinated as provided by the coordination of benefits  
5 act, Act No. 64 of the Public Acts of 1984, being sections  
6 550.251 to 550.255 of the Michigan Compiled Laws.

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

13 (9) ~~(10)~~ The retirement board and the department shall  
14 designate an open enrollment period, to begin on November 1, 1985  
15 and end on November 30, 1985, for the enrollment of health insur-  
16 ance dependents in the group health benefits plan covering retir-  
17 ants and retirement allowance beneficiaries under subsection  
18 (1). Coverage for health insurance dependents enrolled during  
19 this period shall begin January 1, 1986.

20 (10) ~~(11)~~ The retirement system shall prepare a report  
21 containing a statement of and a compilation of information rela-  
22 tive to the loss experience of group health benefits plans cover-  
23 ing retirants, retirement allowance beneficiaries, and health  
24 insurance dependents after ~~the effective date of this~~  
25 ~~subsection~~ JULY 10, 1985. The report shall relate the  
26 experience of the covered group as a whole and by provider for  
27 each year of coverage from October 1, 1985 to October 1, 1987,

1 and shall be submitted to each of the following not later than  
2 December 31, 1987:

3 (a) The director of the department.

4 (b) The retirement board.

5 (c) The chair of the house committee on senior citizens and  
6 retirement.

7 (d) The chair of the retirement subcommittee of the house  
8 appropriations committee.

9 (e) The chair of the senate committee on appropriations and  
10 retirement.

11 (11) ~~(12)~~ For purposes of this section:

12 (a) "Alternative group health benefits plan" or "alternative  
13 plan" means a group health benefits plan covering active members  
14 on or after ~~the effective date of this amendatory act~~ JULY 10,  
15 1985 and certified by the retirement board and the department.

16 The retirement board and the department shall certify an alterna-  
17 tive plan if all of the following apply:

18 (i) The entity providing coverage under the plan is licensed  
19 or otherwise authorized to do business in this state as an entity  
20 described in subdivision (b)(i) to ~~(v)~~ (iii).

21 (ii) The entity agrees to provide coverage identical to cov-  
22 erage provided by the group health benefits plan authorized by  
23 the retirement board and the department, at no greater cost.

24 (iii) The entity agrees to provide the coverage described in  
25 this section to any retirant, retirement allowance beneficiary,  
26 or health insurance dependent, upon election by the retirant or  
27 retirement allowance beneficiary or upon election by a health



1 insurance dependent of a deceased retirant or member, at the time  
2 he or she becomes eligible for coverage, during any subsequent  
3 open enrollment period, or upon the termination of coverage by  
4 another entity, except as otherwise provided by this section,  
5 without exclusion for preexisting conditions.

6 (b) "Group health benefits plan" means a group plan which  
7 provides hospital, medical-surgical, and sick care benefits to  
8 persons entitled to those benefits under this section pursuant to  
9 a contract between the retirement system and any of the  
10 following:

11 (i) A health care corporation incorporated under the non-  
12 profit health care corporation reform act, Act No. 350 of the  
13 Public Acts of 1980, being sections 550.1101 to 550.1704 of the  
14 Michigan Compiled Laws.

15 (ii) A health maintenance organization licensed under arti-  
16 cle 17 of the public health code, Act No. 368 of the Public Acts  
17 of 1978, being sections 333.20101 to 333.22181 of the Michigan  
18 Compiled Laws.

19 ~~(iii) A hospital service corporation incorporated under Act~~  
20 ~~No. 109 of the Public Acts of 1939, being sections 550.501 to~~  
21 ~~550.517 of the Michigan Compiled Laws.~~

22 (iii) ~~(iv)~~ An insurer as defined in section 106 of the  
23 insurance code of 1956, Act No. 218 of the Public Acts of 1956,  
24 being section 500.106 of the Michigan Compiled Laws.

25 ~~(v) A medical care corporation incorporated under Act~~  
26 ~~No. 108 of the Public Acts of 1939, being sections 550.301 to~~  
27 ~~550.316 of the Michigan Compiled Laws.~~

1 (c) "Health insurance dependent" means any of the  
2 following:

3 (i) The spouse of the retirant or the surviving spouse to  
4 whom the retirant or deceased member was married at the time of  
5 the retirant's or deceased member's death.

6 (ii) An unmarried child of the retirant or deceased member,  
7 until December 31 of the calendar year in which the child becomes  
8 19 years of age.

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

15 (iv) An unmarried child of the retirant or deceased member  
16 who is incapable of self-sustaining employment because of mental  
17 or physical handicap, and who is or was at the time of the  
18 retirant's or deceased member's death a dependent of the retirant  
19 or deceased member as defined in section 152 of the internal rev-  
20 enue code.

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

24 (d) "Medicaid" means benefits under the federal medicaid  
25 program established under title XIX of the social security act.

1       (e) "Medicare" means benefits under the federal medicare  
2 program established under title XVIII of the social security  
3 act.