



SENATE BILL No. 1148

May 12, 1994 Introduced by Senator GEAKE and referred to
the Committee on Appropriations

A bill to amend sections 1, 1a, 11, 171, 18, 19a, and 20d of
Act No 240 of the Public Acts of 1943, entitled as amended
"State employees' retirement act,"

sections 1 and 18 as amended by Act No 177 of the Public Acts of
1990, section 11 as amended by Act No 57 of the Public Acts of
1987, section 171 as added by Act No 195 of the Public Acts of
1993, section 19a as added by Act No 3 of the Public Acts of
1984, and section 20d as amended by Act No 241 of the Public
Acts of 1987, being sections 38 1, 38 1a, 38 11, 38 171, 38 18,
38 19a, and 38 20d of the Michigan Compiled Laws and to add sec-
tions 1b, 1c 1d, 1e, 1f, 1g, 1h, 1i, and 49

THE PEOPLE OF THE STATE OF MICHIGAN ENACT

1 Section 1 Sections 1, 1a, 11, 171, 18, 19a, and 20d of Act
2 No 240 of the Public Acts of 1943, sections 1 and 18 as amended
3 by Act No 177 of the Public Acts of 1990, section 11 as amended

1 by Act No 57 of the Public Acts of 1987 section 171 as added by
2 Act No 195 of the Public Acts of 1993, section 19a as added by
3 Act No 3 of the Public Acts of 1984, and section 20d as amended
4 by Act No 241 of the Public Acts of 1987, being sections 38 1
5 38 1a, 38 11, 38 171, 38 18 38 19a, and 38 20d of the Michigan
6 Compiled Laws, are amended and sections 1b, 1c, 1d, 1e, 1f, 1g,
7 1h, 1i and 49 are added to read as follows

8 Sec 1 (1) THIS ACT SHALL BE KNOWN AND MAY BE CITED AS THE
9 "STATE EMPLOYEES' RETIREMENT ACT"

10 (2) FOR THE PURPOSES OF THIS ACT, THE WORDS AND PHRASES
11 DEFINED IN SECTIONS 1A TO 1I HAVE THE MEANINGS ASCRIBED TO THEM
12 IN THOSE SECTIONS ~~As used in this act.~~

13 ~~(a) "Retirement system" means the state employees' retire-~~
14 ~~ment system created by section 2-~~

15 ~~(b) "Retirement board" means the board provided for in~~
16 ~~section 2 to administer the retirement system-~~

17 ~~(c) "State treasurer" means the treasurer of this state-~~

18 ~~(d) "Employer" or "state" means this state-~~

19 ~~(e) "Member" means a state employee included in the member-~~
20 ~~ship of the retirement system, as provided for in section 13-~~

21 ~~(f) "Original member" means a person who became a member of~~
22 ~~this retirement system before January 1, 1945, or as provided in~~
23 ~~section 18-~~

24 ~~(g) "New member" means a person who becomes a member of this~~
25 ~~retirement system on or after January 1 1945-~~

26 ~~(h) "Appointing authority" means the departmental officer~~
27 ~~who has the responsibility of making appointments and handling~~

~~1 all other personnel transactions affecting the employees in the
2 agency that the officer represents~~

~~3 (i) "Service" means service rendered to the state by an
4 elected or appointed state official or employee of the state
5 Credit for service shall be determined by appropriate rules and
6 regulations of the retirement board but not more than 1 year of
7 service shall be creditable for all service in 1 calendar year
8 The retirement board shall not allow credit as service for any
9 period of more than 1 month in any 1 calendar year during which
10 the employee was absent without pay However full service
11 credit shall be given for a period during which an employee is on
12 leave of absence and is receiving worker's compensation benefits
13 as the result of a duty incurred disability Full service credit
14 shall also be given to an employee for required 1 day layoffs,
15 for voluntary or involuntary participation in pay reduction plan
16 A pay reduction plan B or both in effect during the fiscal
17 years ending on and after September 30 1981, and for required
18 and designated temporary layoffs~~

~~19 (j) "Prior service" means all service as a state employee or
20 as an appointed state officer and as an elected or appointed
21 state official rendered before July 1, 1943~~

~~22 (k) "Membership service" means all service rendered after
23 July 1, 1943~~

~~24 (l) "Credited service" means the sum of the prior service
25 and membership service credited to a member's service account~~

~~26 (m) "Retirant" means a person who has ceased to be a member
27 of the retirement system by reason of retirement with a pension~~

1 ~~or retirement allowance payable from the funds of the retirement~~
2 ~~system~~

3 ~~(n) "Beneficiary" or "disability beneficiary" means a person~~
4 ~~other than a retirant who receives a retirement allowance, pen-~~
5 ~~sion or other benefit provided by this act~~

6 ~~(o) "Regular interest" means a rate or rates per annum com-~~
7 ~~pounded annually, as the retirement board determines For the~~
8 ~~purposes of employee refunds the interest rate payable shall not~~
9 ~~exceed 4% per annum, compounded annually~~

10 ~~(p) "Accumulated contributions" means the sum of all amounts~~
11 ~~deducted from the compensation of a member and credited to the~~
12 ~~member's individual account in the employees' savings fund,~~
13 ~~together with regular interest on that account~~

14 ~~(q) "Compensation" means the remuneration paid a member on~~
15 ~~account of the member's services rendered to the state If a~~
16 ~~member's remuneration is not paid totally in money the retire-~~
17 ~~ment board shall employ the maintenance compensation schedules~~
18 ~~established from time to time by the civil service commission~~
19 ~~Compensation does not include any of the following:~~

20 ~~(i) Remuneration paid in lieu of accumulated sick leave~~

21 ~~(ii) Remuneration for services rendered after October 1,~~
22 ~~1981, payable at retirement or termination under voluntary or~~
23 ~~involuntary pay reduction plan B, in excess of the amount the~~
24 ~~member would have received had the member been compensated for~~
25 ~~those services at the rate of pay in effect at the time those~~
26 ~~services were performed~~

1 ~~(iii) Payment for accrued annual leave at separation in~~
2 ~~excess of 240 hours~~

3 ~~(iv) Remuneration received by an employee of the department~~
4 ~~of mental health resulting from severance pay received because of~~
5 ~~the deinstitutionalization of the department of mental health~~
6 ~~resident population~~

7 ~~(v) Remuneration received as a bonus by investment managers~~
8 ~~of the department of treasury under the treasury incentive bonus~~
9 ~~plan first approved by the civil service commission on~~
10 ~~February 11 1988 pursuant to section 5 of article XI of the~~
11 ~~state constitution of 1963~~

12 ~~(vi) Remuneration received as a bonus or merit payment by~~
13 ~~assistant attorneys general in the department of attorney general~~
14 ~~under the merit pay plan approved by the civil service commission~~
15 ~~on January 19, 1990, pursuant to section 5 of article XI of the~~
16 ~~state constitution of 1963~~

17 ~~(r) "Final average compensation" means the average of those~~
18 ~~years of highest annual compensation received by a member during~~
19 ~~a period of 5 consecutive years of credited service, or if the~~
20 ~~member has less than 5 years of credited service, then the aver-~~
21 ~~age of the annual compensation received by the member during the~~
22 ~~member's total years of credited service. For a person whose~~
23 ~~retirement allowance effective date is on or after October 1,~~
24 ~~1987, "final average compensation" means the average of those~~
25 ~~years of highest annual compensation received by a member during~~
26 ~~a period of 3 consecutive years of credited service, or if the~~
27 ~~member has less than 3 years of credited service, then the~~

~~1 average of the annual compensation received by the member during
2 the member's total years of credited service A member's final
3 average compensation shall not be diminished because of required
4 1-day layoffs The compensation used in computing the final
5 average compensation for a period during which a member is in a
6 voluntary or involuntary pay reduction plan A or on a designated
7 temporary layoff shall include the value of the hours not worked
8 calculated at the member's hourly rate or rates of pay in effect
9 immediately before the applicable final average compensation
10 period A member's final average compensation shall not be
11 increased or decreased by the member's participation in voluntary
12 or involuntary pay reduction plan B Payment for accrued annual
13 leave at separation in excess of 240 hours shall not be included
14 in final average compensation~~

~~15 (s) "Final compensation" means a member's annual rate of
16 compensation at the time the member last terminates employment
17 with the state~~

~~18 (t) "Annuity" means annual payments for life derived from
19 the accumulated contributions of a member An annuity shall be
20 paid in equal monthly installments~~

~~21 (u) "Pension" means annual payments for life payable from
22 funds of the retirement system as provided in this act A pen-
23 sion shall be paid in equal monthly installments~~

~~24 (v) "Retirement allowance" means the sum of the annuity and
25 the pension~~

~~26 (w) "Annuity reserve" means the present value computed upon
27 the basis of mortality and other tables adopted by the retirement~~

~~1 board, of all payments to be made on account of an annuity, or~~
~~2 benefits in lieu of an annuity granted to a member under this~~
~~3 act-~~

~~4 (x) "Pension reserve" means the present value, computed upon~~
~~5 the basis of mortality and other tables adopted by the retirement~~
~~6 board of all payments to be made on account of a pension, or~~
~~7 benefits in lieu of a pension, granted to a member under this~~
~~8 act-~~

~~9 (y) "Employee" means a person who may become eligible for~~
~~10 membership under this act, as provided in section 13, if the~~
~~11 person's compensation is paid in whole or in part by the state-~~

~~12 (z) "Pay reduction plan A" means the plan available to or~~
~~13 required of a member during the fiscal years ending on and after~~
~~14 September 30, 1981 under which the member may elect to reduce by~~
~~15 1 hour or more in any 80-hour pay period the number of hours~~
~~16 worked with a corresponding reduction in compensation-~~

~~17 (aa) "Pay reduction plan B" means the plan available to or~~
~~18 required of a member during the fiscal years ending on and after~~
~~19 September 30, 1981 under which the member may elect to work a~~
~~20 full 80-hour pay period defer compensation for 1 or more of~~
~~21 those hours and accumulate or use the hours for which compensa-~~
~~22 tion has been deferred in the same manner as annual leave hours-~~

~~23 (bb) "Designated temporary layoff" means the layoff of a~~
~~24 member that does not exceed 1 month and has a fixed, predeter-~~
~~25 mined, and announced recall date-~~

~~26 (cc) "Deferred member" means a member who is separated from~~
~~27 state service for a reason other than retirement or death and who~~

~~1 has satisfied the requirements of section 20(4) or (5) for a
2 deferred retirement allowance~~

~~3 (dd) "Actuarial cost" means a single percentage which, when
4 multiplied by a member's fiscal year compensation, will result in
5 the average actuarial present value of the additional benefits
6 resulting from the crediting of 1 additional year of service
7 This single percentage shall be based on the members who utilize
8 those sections of this act that permit the purchase of service
9 For purchases of service credit made before December 31 1990
10 the single percentage shall be 9% Beginning December 31, 1990
11 and every 3 years thereafter, the single percentage shall be com-
12 puted based upon actual experience If the computation results
13 in an increase or decrease in the percentage, not less than 6
14 months' notice shall be given to the members~~

~~15 (ee) "Conservation officer" means an employee of the depart-
16 ment of natural resources, or its predecessor or successor
17 agency who has sworn to the prescribed oath of office and who is
18 designated as a peace officer under section 6 of Act No 192 of
19 the Public Acts of 1929 being section 300 16 of the Michigan
20 Compiled Laws, and section 1 of Act No 109 of the Public Acts of
21 1986, being section 300 21 of the Michigan Compiled Laws~~

~~22 Sec 1a (1) This act shall be known and may be cited as
23 the "state employees' retirement act" "ACCUMULATED
24 CONTRIBUTIONS" MEANS THE SUM OF ALL AMOUNTS DEDUCTED FROM THE
25 COMPENSATION OF A MEMBER AND CREDITED TO THE MEMBER'S INDIVIDUAL
26 ACCOUNT IN THE EMPLOYEES' SAVINGS FUND TOGETHER WITH REGULAR
27 INTEREST ON THAT ACCOUNT~~

1 (2) "ACTUARIAL COST" MEANS A SINGLE PERCENTAGE THAT WHEN
2 MULTIPLIED BY A MEMBER'S FISCAL YEAR COMPENSATION, WILL RESULT IN
3 THE AVERAGE ACTUARIAL PRESENT VALUE OF THE ADDITIONAL BENEFITS
4 RESULTING FROM THE CREDITING OF 1 ADDITIONAL YEAR OF SERVICE
5 THIS SINGLE PERCENTAGE SHALL BE BASED ON THE MEMBERS WHO UTILIZE
6 THOSE SECTIONS OF THIS ACT THAT PERMIT THE PURCHASE OF SERVICE
7 FOR PURCHASES OF SERVICE CREDIT MADE BEFORE DECEMBER 31, 1990,
8 THE SINGLE PERCENTAGE SHALL BE 9- BEGINNING DECEMBER 31, 1990
9 AND EVERY 3 YEARS THEREAFTER THE SINGLE PERCENTAGE SHALL BE COM-
10 PUTED BASED UPON ACTUAL EXPERIENCE IF THE COMPUTATION RESULTS
11 IN AN INCREASE OR DECREASE IN THE PERCENTAGE, NOT LESS THAN 6
12 MONTHS' NOTICE SHALL BE GIVEN TO THE MEMBERS

13 (3) "ANNUITY" MEANS ANNUAL PAYMENTS FOR LIFE DERIVED FROM
14 THE ACCUMULATED CONTRIBUTIONS OF A MEMBER AN ANNUITY SHALL BE
15 PAID IN EQUAL MONTHLY INSTALLMENTS

16 (4) "ANNUITY RESERVE" MEANS THE PRESENT VALUE COMPUTED UPON
17 THE BASIS OF MORTALITY AND OTHER TABLES ADOPTED BY THE RETIREMENT
18 BOARD, OF ALL PAYMENTS TO BE MADE ON ACCOUNT OF AN ANNUITY OR
19 BENEFITS IN LIEU OF AN ANNUITY GRANTED TO A MEMBER UNDER THIS
20 ACT

21 (5) "APPOINTING AUTHORITY" MEANS THE DEPARTMENTAL OFFICER
22 WHO HAS THE RESPONSIBILITY OF MAKING APPOINTMENTS AND HANDLING
23 ALL OTHER PERSONNEL TRANSACTIONS AFFECTING THE EMPLOYEES IN THE
24 AGENCY THAT THE OFFICER REPRESENTS

25 SEC 1B (1) "BENEFICIARY" OR "DISABILITY BENEFICIARY"
26 MEANS A PERSON OTHER THAN A RETIRANT WHO RECEIVES A RETIREMENT
27 ALLOWANCE, PENSION, OR OTHER BENEFIT PROVIDED BY THIS ACT

1 (2) "COMPENSATION" MEANS THE REMUNERATION PAID A MEMBER ON
2 ACCOUNT OF THE MEMBER'S SERVICES RENDERED TO THIS STATE IF A
3 MEMBER'S REMUNERATION IS NOT PAID TOTALLY IN MONEY, THE RETIRE-
4 MENT BOARD SHALL EMPLOY THE MAINTENANCE-COMPENSATION SCHEDULES
5 ESTABLISHED FROM TIME TO TIME BY THE CIVIL SERVICE COMMISSION
6 COMPENSATION DOES NOT INCLUDE ANY OF THE FOLLOWING

7 (A) REMUNERATION PAID IN LIEU OF ACCUMULATED SICK LEAVE

8 (B) REMUNERATION FOR SERVICES RENDERED AFTER OCTOBER 1
9 1981 PAYABLE AT RETIREMENT OR TERMINATION UNDER VOLUNTARY OR
10 INVOLUNTARY PAY REDUCTION PLAN B IN EXCESS OF THE AMOUNT THE
11 MEMBER WOULD HAVE RECEIVED HAD THE MEMBER BEEN COMPENSATED FOR
12 THOSE SERVICES AT THE RATE OF PAY IN EFFECT AT THE TIME THOSE
13 SERVICES WERE PERFORMED

14 (C) PAYMENT FOR ACCRUED ANNUAL LEAVE AT SEPARATION IN EXCESS
15 OF 240 HOURS

16 (D) REMUNERATION RECEIVED BY AN EMPLOYEE OF THE DEPARTMENT
17 OF MENTAL HEALTH RESULTING FROM SEVERANCE PAY RECEIVED BECAUSE OF
18 THE DEINSTITUTIONALIZATION OF THE DEPARTMENT OF MENTAL HEALTH
19 RESIDENT POPULATION

20 (E) REMUNERATION RECEIVED AS A BONUS BY INVESTMENT MANAGERS
21 OF THE DEPARTMENT OF TREASURY UNDER THE TREASURY INCENTIVE BONUS
22 PLAN FIRST APPROVED BY THE CIVIL SERVICE COMMISSION ON
23 FEBRUARY 11 1988, PURSUANT TO SECTION 5 OF ARTICLE XI OF THE
24 STATE CONSTITUTION OF 1963

25 (F) REMUNERATION RECEIVED AS A BONUS OR MERIT PAYMENT BY
26 ASSISTANT ATTORNEYS GENERAL IN THE DEPARTMENT OF ATTORNEY GENERAL
27 UNDER THE MERIT PAY PLAN APPROVED BY THE CIVIL SERVICE COMMISSION

1 ON JANUARY 19, 1990, PURSUANT TO SECTION 5 OF ARTICLE XI OF THE
2 STATE CONSTITUTION OF 1963

3 (3) "CONSERVATION OFFICER" MEANS AN EMPLOYEE OF THE DEPART-
4 MENT OF NATURAL RESOURCES, OR ITS PREDECESSOR OR SUCCESSOR
5 AGENCY, WHO HAS SWORN TO THE PRESCRIBED OATH OF OFFICE AND WHO IS
6 DESIGNATED AS A PEACE OFFICER UNDER SECTION 6 OF ACT NO 192 OF
7 THE PUBLIC ACTS OF 1929, BEING SECTION 300 16 OF THE MICHIGAN
8 COMPILED LAWS, AND SECTION 1 OF ACT NO 109 OF THE PUBLIC ACTS OF
9 1986, BEING SECTION 300 21 OF THE MICHIGAN COMPILED LAWS

10 (4) "CREDITED SERVICE" MEANS THE SUM OF THE PRIOR SERVICE
11 AND MEMBERSHIP SERVICE CREDITED TO A MEMBER'S SERVICE ACCOUNT

12 SEC 1C (1) "DEFERRED MEMBER" MEANS A MEMBER WHO IS SEPA-
13 RATED FROM STATE SERVICE FOR A REASON OTHER THAN RETIREMENT OR
14 DEATH AND WHO HAS SATISFIED THE REQUIREMENTS OF SECTION 20(4) OR
15 (5) FOR A DEFERRED RETIREMENT ALLOWANCE

16 (2) "DESIGNATED TEMPORARY LAYOFF" MEANS THE LAYOFF OF A
17 MEMBER THAT DOES NOT EXCEED 1 MONTH AND HAS A FIXED PREDETER-
18 MINED, AND ANNOUNCED RECALL DATE

19 (3) "DIRECT ROLLOVER" MEANS A PAYMENT BY THE RETIREMENT
20 SYSTEM TO THE ELIGIBLE RETIREMENT PLAN SPECIFIED BY THE
21 DISTRIBUTE

22 (4) "DISTRIBUTE" INCLUDES A MEMBER OR DEFERRED MEMBER
23 DISTRIBUTE ALSO INCLUDES THE MEMBER'S OR DEFERRED MEMBER'S SUR-
24 VIVING SPOUSE OR THE MEMBER'S OR DEFERRED MEMBER'S SPOUSE OR
25 FORMER SPOUSE UNDER AN ELIGIBLE DOMESTIC RELATIONS ORDER WITH
26 REGARD TO THE INTEREST OF THE SPOUSE OR FORMER SPOUSE

1 SEC 1D (1) EXCEPT AS OTHERWISE PROVIDED IN THIS
2 SUBSECTION, "ELIGIBLE RETIREMENT PLAN" MEANS AN INDIVIDUAL
3 RETIREMENT ACCOUNT DESCRIBED IN SECTION 408(a) OF THE INTERNAL
4 REVENUE CODE, AN INDIVIDUAL RETIREMENT ANNUITY DESCRIBED IN SEC-
5 TION 408(b) OF THE INTERNAL REVENUE CODE AN ANNUITY PLAN
6 DESCRIBED IN SECTION 403(a) OF THE INTERNAL REVENUE CODE, OR A
7 QUALIFIED TRUST DESCRIBED IN SECTION 401(a) OF THE INTERNAL REVE-
8 NUE CODE, THAT ACCEPTS THE DISTRIBUTEES' ELIGIBLE ROLLOVER
9 DISTRIBUTION HOWEVER, IN THE CASE OF AN ELIGIBLE ROLLOVER DIS-
10 TRIBUTION TO A SURVIVING SPOUSE, AN ELIGIBLE RETIREMENT PLAN
11 MEANS AN INDIVIDUAL RETIREMENT ACCOUNT OR AN INDIVIDUAL RETIRE-
12 MENT ANNUITY DESCRIBED ABOVE

13 (2) "ELIGIBLE ROLLOVER DISTRIBUTION" MEANS A DISTRIBUTION OF
14 ALL OR ANY PORTION OF THE BALANCE TO THE CREDIT OF THE
15 DISTRIBUTEES' ELIGIBLE ROLLOVER DISTRIBUTION DOES NOT INCLUDE ANY
16 OF THE FOLLOWING

17 (A) A DISTRIBUTION MADE FOR THE LIFE OR LIFE EXPECTANCY OF
18 THE DISTRIBUTEES OR THE JOINT LIVES OR JOINT LIFE EXPECTANCIES OF
19 THE DISTRIBUTEES AND THE DISTRIBUTEES' DESIGNATED BENEFICIARY

20 (B) A DISTRIBUTION FOR A SPECIFIED PERIOD OF 10 YEARS OR
21 MORE

22 (C) A DISTRIBUTION TO THE EXTENT THAT THE DISTRIBUTION IS
23 REQUIRED UNDER SECTION 401(a)(9) OF THE INTERNAL REVENUE CODE

24 (D) THE PORTION OF ANY DISTRIBUTION THAT IS NOT INCLUDABLE
25 IN FEDERAL GROSS INCOME DETERMINED WITHOUT REGARD TO THE EXCLU-
26 SION FOR NET UNREALIZED APPRECIATION WITH RESPECT TO EMPLOYER
27 SECURITIES

1 (3) "EMPLOYEE" MEANS A PERSON WHO MAY BECOME ELIGIBLE FOR
2 MEMBERSHIP UNDER THIS ACT, AS PROVIDED IN SECTION 13, IF THE
3 PERSON'S COMPENSATION IS PAID IN WHOLE OR IN PART BY THIS STATE

4 (4) "EMPLOYER" OR "STATE" MEANS THIS STATE

5 SEC 1E (1) "FINAL AVERAGE COMPENSATION" MEANS THE AVERAGE
6 OF THOSE YEARS OF HIGHEST ANNUAL COMPENSATION RECEIVED BY A
7 MEMBER DURING A PERIOD OF 5 CONSECUTIVE YEARS OF CREDITED SERV-
8 ICE OR IF THE MEMBER HAS LESS THAN 5 YEARS OF CREDITED SERVICE,
9 THEN THE AVERAGE OF THE ANNUAL COMPENSATION RECEIVED BY THE
10 MEMBER DURING THE MEMBER'S TOTAL YEARS OF CREDITED SERVICE FOR
11 A PERSON WHOSE RETIREMENT ALLOWANCE EFFECTIVE DATE IS ON OR AFTER
12 OCTOBER 1, 1987, "FINAL AVERAGE COMPENSATION" MEANS THE AVERAGE
13 OF THOSE YEARS OF HIGHEST ANNUAL COMPENSATION RECEIVED BY A
14 MEMBER DURING A PERIOD OF 3 CONSECUTIVE YEARS OF CREDITED SERV-
15 ICE OR IF THE MEMBER HAS LESS THAN 3 YEARS OF CREDITED SERVICE,
16 THEN THE AVERAGE OF THE ANNUAL COMPENSATION RECEIVED BY THE
17 MEMBER DURING THE MEMBER'S TOTAL YEARS OF CREDITED SERVICE A
18 MEMBER'S FINAL AVERAGE COMPENSATION SHALL NOT BE DIMINISHED
19 BECAUSE OF REQUIRED 1-DAY LAYOFFS THE COMPENSATION USED IN COM-
20 PUTING THE FINAL AVERAGE COMPENSATION FOR A PERIOD DURING WHICH A
21 MEMBER IS IN A VOLUNTARY OR INVOLUNTARY PAY REDUCTION PLAN A OR
22 ON A DESIGNATED TEMPORARY LAYOFF SHALL INCLUDE THE VALUE OF THE
23 HOURS NOT WORKED CALCULATED AT THE MEMBER'S HOURLY RATE OR RATES
24 OF PAY IN EFFECT IMMEDIATELY BEFORE THE APPLICABLE FINAL AVERAGE
25 COMPENSATION PERIOD A MEMBER'S FINAL AVERAGE COMPENSATION SHALL
26 NOT BE INCREASED OR DECREASED BY THE MEMBER'S PARTICIPATION IN
27 VOLUNTARY OR INVOLUNTARY PAY REDUCTION PLAN B PAYMENT FOR

1 ACCRUED ANNUAL LEAVE AT SEPARATION IN EXCESS OF 240 HOURS SHALL
2 NOT BE INCLUDED IN FINAL AVERAGE COMPENSATION

3 (2) "FINAL COMPENSATION" MEANS A MEMBER'S ANNUAL RATE OF
4 COMPENSATION AT THE TIME THE MEMBER LAST TERMINATES EMPLOYMENT
5 WITH THIS STATE

6 SEC 1F (1) "MEMBER" MEANS A STATE EMPLOYEE INCLUDED IN
7 THE MEMBERSHIP OF THE RETIREMENT SYSTEM, AS PROVIDED FOR IN SEC-
8 TION 13

9 (2) "MEMBERSHIP SERVICE" MEANS ALL SERVICE RENDERED AFTER
10 JULY 1, 1943

11 (3) "NEW MEMBER" MEANS A PERSON WHO BECOMES A MEMBER OF THIS
12 RETIREMENT SYSTEM ON OR AFTER JANUARY 1, 1945

13 (4) "ORIGINAL MEMBER" MEANS A PERSON WHO BECAME A MEMBER OF
14 THIS RETIREMENT SYSTEM BEFORE JANUARY 1, 1945, OR AS PROVIDED IN
15 SECTION 18

16 SEC 1G (1) "PAY REDUCTION PLAN A" MEANS THE PLAN AVAIL-
17 ABLE TO OR REQUIRED OF A MEMBER DURING THE FISCAL YEARS ENDING ON
18 AND AFTER SEPTEMBER 30, 1981 UNDER WHICH THE MEMBER MAY ELECT TO
19 REDUCE BY 1 HOUR OR MORE IN ANY FULL-TIME PAY PERIOD THE NUMBER
20 OF HOURS WORKED WITH A CORRESPONDING REDUCTION IN COMPENSATION

21 (2) "PAY REDUCTION PLAN B" MEANS THE PLAN AVAILABLE TO OR
22 REQUIRED OF A MEMBER DURING THE FISCAL YEARS ENDING ON AND AFTER
23 SEPTEMBER 30, 1981 UNDER WHICH THE MEMBER MAY ELECT TO WORK AN
24 ENTIRE FULL-TIME PAY PERIOD, DEFER COMPENSATION FOR 1 OR MORE OF
25 THOSE HOURS, AND ACCUMULATE OR USE THE HOURS FOR WHICH COMPENSA-
26 TION HAS BEEN DEFERRED IN THE SAME MANNER AS ANNUAL LEAVE HOURS

1 (3) "PENSION" MEANS ANNUAL PAYMENTS FOR LIFE PAYABLE FROM
2 FUNDS OF THE RETIREMENT SYSTEM AS PROVIDED IN THIS ACT A
3 PENSION SHALL BE PAID IN EQUAL MONTHLY INSTALLMENTS

4 (4) "PENSION RESERVE" MEANS THE PRESENT VALUE, COMPUTED UPON
5 THE BASIS OF MORTALITY AND OTHER TABLES ADOPTED BY THE RETIREMENT
6 BOARD, OF ALL PAYMENTS TO BE MADE ON ACCOUNT OF A PENSION, OR
7 BENEFITS IN LIEU OF A PENSION, GRANTED TO A MEMBER UNDER THIS
8 ACT

9 (5) "PRIOR SERVICE" MEANS ALL SERVICE AS A STATE EMPLOYEE OR
10 AS AN APPOINTED STATE OFFICER AND AS AN ELECTED OR APPOINTED
11 STATE OFFICIAL, RENDERED BEFORE JULY 1, 1943

12 SEC 1H (1) "REGULAR INTEREST" MEANS A RATE OR RATES PER
13 ANNUM, COMPOUNDED ANNUALLY, AS THE RETIREMENT BOARD DETERMINES
14 FOR THE PURPOSES OF EMPLOYEE REFUNDS, THE INTEREST RATE PAYABLE
15 SHALL NOT EXCEED 4% PER ANNUM, COMPOUNDED ANNUALLY

16 (2) "RETIRANT" MEANS A PERSON WHO HAS CEASED TO BE A MEMBER
17 OF THE RETIREMENT SYSTEM BY REASON OF RETIREMENT WITH A PENSION
18 OR RETIREMENT ALLOWANCE PAYABLE FROM THE FUNDS OF THE RETIREMENT
19 SYSTEM

20 (3) "RETIREMENT ALLOWANCE" MEANS THE SUM OF THE ANNUITY AND
21 THE PENSION

22 (4) "RETIREMENT BOARD" MEANS THE BOARD PROVIDED FOR IN
23 SECTION 2 TO ADMINISTER THE RETIREMENT SYSTEM

24 (5) "RETIREMENT SYSTEM" MEANS THE STATE EMPLOYEES' RETIRE-
25 MENT SYSTEM CREATED BY SECTION 2

26 SEC 1I (1) "SERVICE" MEANS SERVICE RENDERED TO THIS STATE
27 BY AN ELECTED OR APPOINTED STATE OFFICIAL OR EMPLOYEE OF THIS

1 STATE CREDIT FOR SERVICE SHALL BE DETERMINED BY APPROPRIATE
 2 RULES AND REGULATIONS OF THE RETIREMENT BOARD BUT NOT MORE THAN
 3 1 YEAR OF SERVICE SHALL BE CREDITABLE FOR ALL SERVICE IN 1 CALEN-
 4 DAR YEAR THE RETIREMENT BOARD SHALL NOT ALLOW CREDIT FOR SERV-
 5 ICE FOR ANY PERIOD OF MORE THAN 1 MONTH IN ANY 1 CALENDAR YEAR
 6 DURING WHICH THE EMPLOYEE WAS ABSENT WITHOUT PAY HOWEVER FULL
 7 SERVICE CREDIT SHALL BE GIVEN FOR A PERIOD DURING WHICH AN
 8 EMPLOYEE IS ON LEAVE OF ABSENCE AND IS RECEIVING WORKER'S COMPEN-
 9 SATION BENEFITS AS THE RESULT OF A DUTY-INCURRED DISABILITY
 10 FULL SERVICE CREDIT SHALL ALSO BE GIVEN TO AN EMPLOYEE FOR
 11 REQUIRED 1-DAY LAYOFFS, FOR VOLUNTARY OR INVOLUNTARY PARTICIPA-
 12 TION IN PAY REDUCTION PLAN A PAY REDUCTION PLAN B, OR BOTH IN
 13 EFFECT DURING THE FISCAL YEARS ENDING ON AND AFTER SEPTEMBER 30,
 14 1981, AND FOR REQUIRED AND DESIGNATED TEMPORARY LAYOFFS

15 (2) "STATE TREASURER" MEANS THE TREASURER OF THIS STATE

16 Sec 11 (1) ~~The funds hereby~~ THERE IS created ~~are~~ the
 17 employees' savings fund employer's accumulation fund annuity
 18 reserve fund, pension reserve fund, income fund, expense fund,
 19 and ~~dental-vision~~ HEALTH INSURANCE reserve fund

20 (2) The employees' savings fund ~~shall be~~ IS the fund in
 21 which shall be accumulated at regular interest the contributions
 22 to the retirement system deducted from the compensation of
 23 members The retirement board shall provide for the maintenance
 24 of an individual account for each member ~~showing~~ THAT SHOWS the
 25 amount of the member's contributions together with interest on
 26 those contributions The accumulated contributions of a member
 27 returned to the member upon his or her withdrawal from service,

1 or paid to the member's estate or designated beneficiary in THE
2 event of the member's death, as provided in this act, shall be
3 paid from the employees' savings fund Any accumulated contribu-
4 tions not claimed by a member or the member's legal representa-
5 tive as provided in this act within 5 years after the member's
6 separation from state service shall be transferred from the
7 employees' savings fund to the income fund The accumulated con-
8 tributions of a member, upon the member's retirement, shall be
9 transferred from the employees' savings fund to the pension
10 reserve fund

11 (3) The ~~employers'~~ EMPLOYER'S accumulation fund ~~shall be~~
12 IS the fund in which shall be accumulated the reserves derived
13 from money provided by ~~the~~ THIS state for the payment of all
14 retirement allowances to be payable to retirants and beneficia-
15 ries as provided in this act The amounts paid by ~~the~~ THIS
16 state shall be credited to the employer's accumulation fund
17 Upon the retirement of a member, or upon the member's death, if a
18 beneficiary is entitled to a retirement allowance payable from
19 funds of the retirement system the difference between the
20 reserve for the retirement allowance to be paid on account of the
21 member's retirement or death and the member's accumulated contri-
22 butions standing to his or her credit in the employees' savings
23 fund at the time of his or her retirement or death shall be
24 transferred from the employer's accumulation fund to the pension
25 reserve fund If, in any year the pension reserve fund is
26 insufficient to cover the reserves for retirement allowances and
27 other benefits being paid from the fund, the amount or amounts of

1 the insufficiency or insufficiencies shall be transferred from
2 the employer's accumulation fund to the pension reserve fund

3 (4) The annuity reserve fund ~~shall be~~ IS the fund from
4 which shall be paid all annuities, or benefits in lieu ~~thereof~~
5 OF ANNUITIES, because of which reserves have been transferred
6 from the employees' savings fund to the annuity reserve fund
7 Upon the adoption of this act, the balance in the annuity reserve
8 fund shall be transferred to the pension reserve fund, and the
9 annuities heretofore payable from the annuity reserve fund shall
10 thereafter become payable from the pension reserve fund

11 (5) The pension reserve fund ~~shall be~~ IS the fund from
12 which shall be paid all retirement allowances and benefits in
13 lieu of pensions, as provided in this act ~~In the case of~~ FOR
14 a disability retirant returned to active service with ~~the~~ THIS
15 state, his or her pension reserve, computed as of the date of
16 return shall be transferred from the pension reserve fund to the
17 employees' savings fund and the employer's accumulation fund in
18 the proportion that this reserve, as of the date of his or her
19 retirement, was transferred to the pension reserve fund from the
20 employees' savings fund and from the employer's accumulation
21 fund The amounts ~~so~~ transferred to the employees' savings
22 fund UNDER THIS SECTION shall be credited to the member's indi-
23 vidual account in the fund

24 (6) An income fund is ~~hereby~~ created for the purpose of
25 crediting regular interest on the amounts in the various other
26 funds of the retirement system with the exception of the expense
27 fund, and to provide a contingent fund out of which special

1 requirements of any of the other funds may be covered Transfers
2 for special requirements shall be made only when the amount in
3 the income fund exceeds the ordinary requirements of the fund as
4 evidenced by a resolution of the retirement board recorded in its
5 minutes The retirement board shall annually allow regular
6 interest for the preceding year to each of the funds enumerated
7 in subsections (2), (3), (4), (5), and (8), and the amount ~~se-~~
8 allowed UNDER THIS SUBSECTION shall be due and payable to each of
9 these funds and shall be annually credited to the funds by the
10 retirement board and paid from the income fund However, inter-
11 est on contributions from members within a calendar year shall
12 begin on the first day of the next calendar year and shall be
13 credited at the end of the calendar year All income, interest,
14 and dividends derived from the deposits and investments autho-
15 rized by this act shall be paid into the income fund The
16 retirement board is ~~hereby~~ authorized to accept gifts and
17 bequests Any funds that ~~may~~ come into the possession of the
18 retirement system ~~in such manner~~ AS A GIFT OR BEQUEST, or any
19 funds ~~which~~ THAT may be transferred from the employees' savings
20 fund by reason of lack of claimant or because of a surplus in
21 any fund created by this act, or any other money the disposition
22 of which is not otherwise provided for in this act shall be cred-
23 ited to the income fund

24 (7) The expense fund ~~shall be~~ IS the fund from which shall
25 be paid the expenses of the administration of this act, exclusive
26 of amounts payable as retirement allowances and other benefits
27 provided for in this act The legislature shall appropriate the

1 funds necessary to defray and cover the expenses of administering
2 this act

3 (8) The ~~dental-vision~~ HEALTH INSURANCE reserve fund ~~shall~~
4 ~~be~~ IS the fund into which appropriations made by the legislature
5 for HEALTH, dental, and vision ~~health~~ INSURANCE premiums are
6 paid ~~Dental~~ HEALTH, DENTAL, and vision ~~health~~ INSURANCE
7 premiums payable pursuant to section 20d shall be paid from the
8 ~~dental-vision~~ HEALTH INSURANCE reserve fund

9 (9) The description of the various funds in this section
10 shall be interpreted to refer to the accounting records of the
11 retirement system and not to the segregation of assets credited
12 to the various funds of the retirement system

13 Sec 171 (1) An employee of the state accident fund who
14 has 5 or more but less than 10 years of credited service as of
15 the effective date of the transfer in order to qualify for a
16 retirement allowance under this act may purchase additional serv-
17 ice credit under this subsection A member who purchases addi-
18 tional service credit shall contribute within 10 years after the
19 effective date of the transfer an amount equal to the product of
20 the following

21 (a) Ten less the number of years and fraction of a year of
22 that employee's credited service

23 (b) The employee's full-time or equated full-time fiscal
24 year compensation for the last fiscal year before the effective
25 date of the transfer

1 (c) The actuarial cost percentage determined under section
2 ~~1(dd)~~ 1A for the year in which the effective date of the
3 transfer occurred

4 (2) Not more than 5 years of additional service credit may
5 be purchased under this section

6 Sec 18 (1) A member of the retirement system who, while
7 an employee of ~~the~~ THIS state, was or who ~~shall be~~ IS drafted
8 or enlisted into active military or other armed service of the
9 United States government during time of war or a member who is
10 drafted or enlisted into active armed service during time of
11 peace, and who returns for reemployment as a state employee
12 within 6 months after the member's discharge from active service,
13 or if hospitalized at date of discharge returns for reemployment
14 as a state employee within 6 months after release from the mili-
15 tary facility, shall have all that active service credited as a
16 member of the retirement system, in the same manner as if the
17 member had served the state uninterruptedly but not more than 5
18 years of that service may be credited to a member During the
19 period of active service, and until return to state employment
20 the member's contributions to the employee's savings fund shall
21 be suspended and the balance in the employees' savings fund
22 standing to the member's credit as of the last payroll date pre-
23 ceding the leave of absence from the service of the member's
24 department shall be accumulated at regular interest If the
25 member withdraws all or part of the accumulated contributions
26 from the employees' savings fund the active service shall not be
27 credited until the member returns to the fund all amounts the

1 member withdrew, together with regular interest computed from the
2 date of withdrawal to the date of repayment

3 (2) On or after January 1, 1978 a member of this retirement
4 system who does not meet the requirements of subsection (1) and
5 who was drafted, enlisted inducted or commissioned into active
6 duty with the military or other armed service of the United
7 States government may elect to receive service credit for not
8 more than 5 years of active duty upon request and payment to the
9 retirement system of an amount equal to 5% of the member's
10 full-time compensation for the fiscal year in which payment is
11 made multiplied by the years of service that the member elects to
12 purchase up to the maximum Service shall not be credited if it
13 is or would be credited under any other federal, state, or local
14 publicly supported retirement system but this restriction
15 ~~shall~~ DOES not apply to those persons who have or will have
16 acquired retirement eligibility under the federal government for
17 service in the reserve Armed service shall not be credited
18 under this subsection until the member has accumulated the number
19 of years of credited service needed to vest in the retirement
20 system Armed service under this subsection shall not be credit-
21 able to a member on deferred retirement status under section
22 20(4) before ~~the effective date of this subsection~~ MAY 18,
23 1978 For purposes of computing payment under this subsection,
24 the compensation amount used shall not be less than the highest
25 fiscal year compensation previously received by the member
26 (3) A person who was in the employ of the Michigan
27 employment service on January 1 1942, the date on which the

1 employment service and its personnel were taken over by the
2 United States employment service, and who continued in the employ
3 of the United States employment service or who was temporarily
4 taken out of the United States employment service for service in
5 the war manpower commission or other government agency engaged in
6 the prosecution of the war and later returned to the United
7 States employment service, and whose service to the state, United
8 States government, and state again was continuous and who was in
9 the employ either of the United States employment service or of
10 this state on November 16 1946, the date on which the employment
11 service was returned to the state and who reentered state serv-
12 ice on or before that date shall upon his reentry into the state
13 service become an original member of the retirement system and
14 shall receive full service credit for the period during which the
15 personnel of the Michigan employment service was taken over by
16 the United States employment service

17 (4) A person who entered into the employ of the Michigan
18 employment service while the employment service was under the
19 United States employment service and who retires after April 30
20 1978, may receive service credit for the service under the United
21 States employment service by contributing to the retirement
22 system contributions the person would have made from July 1,
23 1943, to November 16, 1946, as if that service were rendered as a
24 state employee, plus the interest with which the contributions
25 would have been credited from the January following the year of
26 employment to the date of repayment The salary on which

1 contributions are based shall be the salary received as a state
2 employee on November 16, 1946

3 (5) A member who has prior service ~~as defined in section~~
4 ~~1(j) of this chapter~~ is entitled to credit for that prior serv-
5 ice if at the time of retirement the member has 15 or more years
6 of total service, of which the last 5 are continuous years of
7 service and if the member contributions equal the contributions
8 made or that would have been made for not less than 15 years of
9 membership service In the computation of unpaid member contri-
10 butions the contribution rate will be computed on the member's
11 salary level at retirement or date of payment whichever first
12 occurs

13 Sec 19a (1) Notwithstanding section 19 a member who is
14 employed by the state on ~~the effective date of this section~~
15 MAY 1, 1984 may retire and receive a retirement allowance com-
16 puted according to section 20 if the member satisfies all of the
17 following requirements

18 (a) On the effective date of his or her retirement 1 of the
19 following applies

20 (1) The member has attained age 60 and has 10 or more years
21 of credited service

22 (11) The member's combined age and length of credited serv-
23 ice is equal to or greater than 80 years, and the member has
24 attained age 50

25 (b) The member is not a supplemental member as defined in
26 section 45

1 (c) The member was employed by the state for the 6-month
2 period immediately preceding ~~the effective date of this section~~
3 MAY 1, 1984 This subdivision shall not apply to a member who
4 had been restored to active service during that 6-month period
5 pursuant to section 33

6 (d) The member files a written application with the retire-
7 ment board, on or after May 1, 1984 but not later than June 1,
8 1984, stating a date, which date shall be on or after June 2,
9 1984 but not later than September 30, 1984, on which he or she
10 desires to retire

11 (e) The member agrees to the conditions stated in
12 subsection (3)

13 (2) A member who retires under this section, and who at the
14 time of his or her retirement has not attained age 62 years,
15 shall receive a monthly retirement allowance supplement for each
16 month, including any fraction of a month, until the retirant
17 attains age 62 years The amount of the monthly retirement
18 allowance supplement shall be based upon the annual rate of base
19 salary of the retirant as of the pay period immediately preceding
20 the date of retirement according to the following schedule

1		Monthly Retirement
2	Annual Base Salary	Allowance Supplement
3	Less than \$10,000 00	\$240 00
4	At least \$10,000 00 but not more	
5	than \$19,999 99	\$280 00
6	At least \$20,000 00 but not more	
7	than \$29,999 99	\$320 00
8	At least \$30,000 00	\$360 00

9 A payment shall not be made under this subsection for any month
 10 for which the retirant is paid, on account of his or her state
 11 employment worker's compensation benefits, unemployment compen-
 12 sation benefits, long or short term disability benefits, federal
 13 social security benefits, Michigan state employees' retirement
 14 system disability benefits, state salary, or receiving remunera-
 15 tion for any contractual services provided to the state certified
 16 under section 18(1)(d) of FORMER Act No 18 of the Public Acts of
 17 1981 ~~—being section 21 518 of the Michigan Compiled Laws—~~

18 (3) Any amount which a member retiring under this section
 19 would otherwise be entitled to receive in a lump sum at retire-
 20 ment on account of accumulated sick leave shall be paid in 60
 21 consecutive equal monthly installments

22 (4) Payment of retirement allowances, retirement allowance
 23 supplements, and installment payments on account of accumulated
 24 sick leave to retirants under this section shall be made by the
 25 retirement system Except as provided in subsection (7), each
 26 principal department shall pay to the retirement system for

1 employees of that department who retire under this section an
2 amount sufficient to cover all of the following

3 (a) Retirement allowances payable to each individual who
4 retires under this section before having attained age 60 years,
5 until the retirant attains age 60 years, or in the event of a
6 survivor allowance payable under section ~~31(a)~~ 31(1)(A), until
7 the retirant would have attained age 60 years This amount shall
8 be paid from the account established in that department under
9 subsection (6) In the absence of sufficient funds in the
10 account established under subsection (6), this amount shall be
11 paid from other funds available to the department

12 (b) Retirement allowance supplements payable under this
13 section This amount shall be paid from the account established
14 in that department under subsection (6) In the absence of suf-
15 ficient funds in the account established under subsection (6),
16 this amount shall be paid from other funds available to the
17 department

18 (c) Installment payments on account of accumulated sick
19 leave payable under subsection (3) This amount shall be paid
20 from money available to the department for that purpose

21 (5) Notwithstanding section ~~1(m)~~ 1H(2) a member who
22 retires under this section shall be considered a retirant for
23 purposes of receiving benefits under this act

24 (6) Except as otherwise provided in this subsection, each
25 principal department shall deposit into a separate departmental
26 account the 1983-84 and 1984-85 fiscal year appropriations for
27 salaries, wages, longevity payments, group insurance payments,

1 retirement fund contributions and social security employer
2 contributions, which would have been paid to or on behalf of each
3 employee who retires under this section, for use as follows

4 (a) Payments to the retirement system as provided in subsec-
5 tion (4)(a) and (b) shall be made from the account

6 (b) Installment payments to a retirant under subsection (3)
7 and payments to the retirement system under subsection (4)(c)
8 shall not be made from the account

9 (c) Expenditures may be made from the account as provided in
10 section 33 of FORMER Act No 18 of the Public Acts of 1981 —
11 ~~being section 21 533 of the Michigan Compiled Laws~~

12 Deposits shall not be required under this subsection for
13 employees of the Michigan employment security commission who
14 retire under this section

15 (7) The Michigan employment security commission shall pay to
16 the retirement system monthly from money available to that com-
17 mission, an amount sufficient to cover the items enumerated in
18 subsection (4)(a) (b), and (c) for employees of the Michigan
19 employment security commission who retire under this section

20 (8) For the purpose of qualifying for retirement under sub-
21 section (1)(a), or receiving a retirement allowance under this
22 section, or both, a member who participated in pay reduction plan
23 C may receive service credit for such leave of absence upon pay-
24 ment to the retirement system of an amount actuarially determined
25 by the board, but which shall be not less than 5% of the member's
26 full-time biweekly compensation for the fiscal year in which
27 payment is made multiplied by the number of biweekly pay periods

1 for which the member participated in pay reduction plan C and
2 which the member is eligible to purchase under this subsection
3 For purposes of this subsection "pay reduction plan C" means the
4 plan available to a member during the fiscal years ending on or
5 after September 30, 1981, under which the member may elect to
6 take a leave of absence without pay for a duration of not less
7 than 1 pay period A member shall not be eligible to receive
8 service credit under this subsection for more than 13 biweekly
9 pay periods

10 (9) If a person who retired under this section dies after
11 the effective date of his or her retirement but before having
12 attained age 62 years, the monthly retirement allowance supple-
13 ment otherwise payable to the retirant under subsection (2) shall
14 be paid as follows

15 (a) Except as provided by subdivision (b), to the person or
16 persons nominated for that purpose by the retirant by written
17 designation duly executed and filed with the board Payment
18 shall be made by monthly installments in the manner provided
19 under subsection (2) until the retirant would have attained age
20 62 years

21 (b) If the retirant failed to execute and file a written
22 nomination or nominated his or her estate, or if the person or
23 persons nominated predecease the retirant to the retirant's per-
24 sonal representative in a lump sum equal to the difference
25 between the total amount the retirant would have received under
26 subsection (2), had he or she attained age 62 years and the
27 amount actually received by the retirant under subsection (2)

1 (10) If a member who is eligible for retirement under this
2 section files an application for retirement under subsection
3 (1)(d) and dies prior to the date on which he or she desires to
4 retire the monthly retirement allowance supplement otherwise
5 payable under subsection (2) shall be paid as follows

6 (a) Except as provided by subdivision (b), to the person or
7 persons nominated for that purpose by the member by written des-
8 ignation duly executed and filed with the board Payment shall
9 be made by monthly installments in the manner provided under sub-
10 section (2), until the member would have attained age 62 years

11 (b) If the member failed to execute and file a written nomi-
12 nation or nominated his or her estate or if the person or per-
13 sons nominated predecease the member to the member's personal
14 representative in a lump sum equal to the amount the member would
15 have received under subsection (2) had he or she retired and
16 attained age 62 years

17 Sec 20d (1) On and after July 1 1974 hospitalization
18 and medical coverage insurance premium payable by any retirant or
19 his or her beneficiary and his or her dependents under any group
20 health plan authorized by the Michigan civil service commission
21 and the department of management and budget shall be paid by the
22 retirement board from the ~~pension~~ HEALTH INSURANCE reserve fund
23 created ~~under~~ IN section ~~11(d)~~ 11 The amount payable shall
24 be in the same proportion of premium payable by the state of
25 Michigan for the classified employees occupying positions in the
26 state civil service The hospitalization and medical insurance
27 premium payable shall be paid from appropriations made for this

1 purpose to the ~~-pension-~~ HEALTH INSURANCE reserve fund sufficient
2 to cover the premium payment needed to be made

3 (2) Effective January 1, 1988, 90% of the premium payable by
4 a retirant or the retirant's beneficiary and his or her depen-
5 dents for dental coverage or vision coverage, or both, under any
6 group plan authorized by the Michigan civil service commission
7 and the department of management and budget shall be paid by the
8 retirement board from the ~~-dental-vision-~~ HEALTH INSURANCE
9 reserve fund created ~~-under-~~ IN section 11

10 SEC 49 (1) THIS SECTION IS ENACTED PURSUANT TO
11 SECTION 401(a) OF THE INTERNAL REVENUE CODE THAT IMPOSES CERTAIN
12 ADMINISTRATIVE REQUIREMENTS AND BENEFIT LIMITATIONS FOR QUALIFIED
13 GOVERNMENTAL PLANS THIS STATE INTENDS THAT THE RETIREMENT
14 SYSTEM BE A QUALIFIED PENSION PLAN CREATED IN TRUST UNDER SECTION
15 401 OF THE INTERNAL REVENUE CODE AND THAT THE TRUST BE AN EXEMPT
16 ORGANIZATION UNDER SECTION 501 OF THE INTERNAL REVENUE CODE THE
17 DEPARTMENT SHALL ADMINISTER THE RETIREMENT SYSTEM TO FULFILL THIS
18 INTENT

19 (2) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION
20 EMPLOYER-FINANCED BENEFITS PROVIDED BY THE RETIREMENT SYSTEM
21 UNDER THIS ACT SHALL NOT EXCEED THE LESSER OF \$90 000 00 OR 100%
22 OF THE MEMBER'S AVERAGE COMPENSATION FOR HIGH 3 YEARS AS
23 DESCRIBED IN SECTION 415(b)(3) OF THE INTERNAL REVENUE CODE FOR
24 RETIREMENT OCCURRING AT AGE 62 OR OLDER

25 (3) THE LIMITATION ON EMPLOYER FINANCED BENEFITS PROVIDED BY
26 THE RETIREMENT SYSTEM UNDER SUBSECTION (2) APPLIES UNLESS

1 APPLICATION OF SUBSECTIONS (4) AND (5) PRODUCES A HIGHER
2 LIMITATION, IN WHICH CASE THE HIGHER LIMITATION APPLIES

3 (4) IF A MEMBER RETIRES BEFORE AGE 62, THE AMOUNT OF
4 \$90,000 00 IN SUBSECTION (2) IS ACTUARIALLY REDUCED TO REFLECT
5 PAYMENT BEFORE AGE 62 THE RETIREMENT SYSTEM SHALL USE AN INTER-
6 EST RATE OF 5% PER YEAR COMPOUNDED ANNUALLY TO CALCULATE THE
7 ACTUARIAL REDUCTION IN THIS SUBSECTION IF THIS SUBSECTION
8 PRODUCES A LIMITATION OF LESS THAN \$75,000 00 AT AGE 55, THE LIM-
9 ITATION AT AGE 55 IS \$75,000 00 AND THE LIMITATIONS FOR AGES
10 UNDER AGE 55 SHALL BE CALCULATED FROM A LIMITATION OF \$75,000 00
11 AT AGE 55

12 (5) SECTION 415(d) OF THE INTERNAL REVENUE CODE REQUIRES THE
13 COMMISSIONER OF INTERNAL REVENUE TO ADJUST THE \$90,000 00 LIMITA-
14 TION IN SUBSECTION (2) TO REFLECT COST OF LIVING INCREASES,
15 BEGINNING WITH CALENDAR YEAR 1988 THIS SUBSECTION SHALL BE
16 ADMINISTERED USING THE LIMITATIONS APPLICABLE TO EACH CALENDAR
17 YEAR AS ADJUSTED BY THE COMMISSIONER OF INTERNAL REVENUE UNDER
18 SECTION 415(d) OF THE INTERNAL REVENUE CODE THE RETIREMENT
19 SYSTEM SHALL ADJUST THE BENEFITS SUBJECT TO THE LIMITATION EACH
20 YEAR TO CONFORM WITH THE ADJUSTED LIMITATION

21 (6) THE ASSETS OF THE RETIREMENT SYSTEM SHALL BE HELD IN
22 TRUST AND INVESTED FOR THE SOLE PURPOSE OF MEETING THE LEGITIMATE
23 OBLIGATIONS OF THE RETIREMENT SYSTEM AND SHALL NOT BE USED FOR
24 ANY OTHER PURPOSE THE ASSETS SHALL NOT BE USED FOR OR DIVERTED
25 TO A PURPOSE OTHER THAN FOR THE EXCLUSIVE BENEFIT OF THE MEMBERS
26 VESTED FORMER MEMBERS RETIRANTS AND RETIREMENT ALLOWANCE

1 BENEFICIARIES BEFORE SATISFACTION OF ALL RETIREMENT SYSTEM

2 LIABILITIES

3 (7) THE RETIREMENT SYSTEM SHALL RETURN POST TAX MEMBER CON-
4 TRIBUTIONS MADE BY A MEMBER AND RECEIVED BY THE RETIREMENT SYSTEM
5 TO A MEMBER UPON RETIREMENT, PURSUANT TO INTERNAL REVENUE SERVICE
6 REGULATIONS AND APPROVED INTERNAL REVENUE SERVICE EXCLUSION RATIO
7 TABLES

8 (8) IF THE RETIREMENT SYSTEM IS DISCONTINUED, THE INTEREST
9 OF THE MEMBERS, VESTED FORMER MEMBERS, RETIRANTS AND RETIREMENT
10 ALLOWANCE BENEFICIARIES IN THE RETIREMENT SYSTEM IS NONFORFEIT-
11 ABLE TO THE EXTENT FUNDED AS DESCRIBED IN SECTION 411(d)(3) OF
12 THE INTERNAL REVENUE CODE AND RELATED INTERNAL REVENUE SERVICE
13 REGULATIONS APPLICABLE TO GOVERNMENTAL PLANS

14 (9) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT TO THE
15 CONTRARY THAT WOULD LIMIT A DISTRIBUTEES ELECTION UNDER THIS
16 ACT, A DISTRIBUTEES MAY ELECT AT THE TIME AND IN THE MANNER PRE-
17 SCRIBED BY THE RETIREMENT BOARD, TO HAVE ANY PORTION OF AN ELIGI-
18 BLE ROLLOVER DISTRIBUTION PAID DIRECTLY TO AN ELIGIBLE RETIREMENT
19 PLAN SPECIFIED BY THE DISTRIBUTEES IN A DIRECT ROLLOVER THIS
20 SUBSECTION APPLIES TO DISTRIBUTIONS MADE ON OR AFTER JANUARY 1
21 1993

22 (10) NOTWITHSTANDING ANY OTHER PROVISION OF THIS SECTION,
23 THE RETIREMENT SYSTEM SHALL BE ADMINISTERED IN COMPLIANCE WITH
24 THE PROVISIONS OF SECTION 415 OF THE INTERNAL REVENUE CODE THAT
25 ARE APPLICABLE TO GOVERNMENTAL PLANS IF THERE IS A CONFLICT
26 BETWEEN THIS SECTION AND ANOTHER SECTION OF THIS OR ANY OTHER ACT
27 OF THIS STATE, THIS SECTION PREVAILS

1 Section 2 Section 171 as amended by this amendatory act
2 shall not take effect unless the state administrative board cer-
3 tifies in writing to the secretary of state by December 31, 1994
4 that an agreement for the transfer of all or substantially all of
5 the assets and the assumption of all or substantially all of the
6 liabilities of the state accident fund has been consummated with
7 a permitted transferee pursuant to the requirements of section
8 701a of the worker's disability compensation act of 1969 Act
9 No 317 of the Public Acts of 1969, being section 418 701a of the
10 Michigan Compiled Laws