

**SENATE SUBSTITUTE FOR HOUSE SUBSTITUTE FOR
SENATE BILL NO. 719**

A bill to amend 1980 PA 300, entitled
"The public school employees retirement act of 1979,"
by amending sections 4, 8, 22, 25, 26, 34, 36, 41, and 91 (MCL
38.1304, 38.1308, 38.1322, 38.1325, 38.1326, 38.1334, 38.1336,
38.1341, and 38.1391), sections 4, 8, 22, 25, 26, 34, and 91 as
amended by 1996 PA 488, section 36 as added by 1989 PA 194, and
section 41 as amended by 1996 PA 278; and to repeal acts and
parts of acts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 4. (1) "Compound interest" means interest compounded
2 annually on July 1 on the contributions on account as of the pre-
3 vious July 1 and computed at the rate of investment return deter-
4 mined under section 104a(1) for the last completed state fiscal
5 year.

SB 719, As Passed Senate, November 12, 1997

Senate Bill No. 719

2

1 (2) "Contributory service" means credited service other than
2 noncontributory service.

3 (3) "Deferred member" means a member who has ceased to be a
4 public school employee and has satisfied the requirements of sec-
5 tion 82 for a deferred vested service retirement allowance.

6 (4) "Department" means the department of management and
7 budget.

8 (5) "DESIGNATED DATE" MEANS SEPTEMBER 30, 1997.

9 (6) ~~(5)~~ "Direct rollover" means a payment by the retire-
10 ment system to the eligible retirement plan specified by the
11 distributee.

12 (7) ~~(6)~~ "Distributee" includes a member or deferred
13 member. Distributee also includes the member's or deferred
14 member's surviving spouse or the member's or deferred member's
15 spouse or former spouse under an eligible domestic relations
16 order, with regard to the interest of the spouse or former
17 spouse.

18 (8) ~~(7)~~ Except as otherwise provided in this subsection,
19 "eligible retirement plan" means an individual retirement account
20 described in section 408(a) of the internal revenue code, an
21 individual retirement annuity described in section 408(b) of the
22 internal revenue code, an annuity plan described in section
23 403(a) of the internal revenue code, or a qualified trust
24 described in section 401(a) of the internal revenue code, that
25 accepts the distributee's eligible rollover distribution.
26 However, in the case of an eligible rollover distribution to a
27 surviving spouse, an eligible retirement plan means an individual

SB 719, As Passed Senate, November 12, 1997

Senate Bill No. 719

3

1 retirement account or an individual retirement annuity described
2 above.

3 (9) ~~-(8)-~~ "Eligible rollover distribution" means a distribu-
4 tion of all or any portion of the balance to the credit of the
5 distributee. Eligible rollover distribution does not include any
6 of the following:

7 (a) A distribution made for the life or life expectancy of
8 the distributee or the joint lives or joint life expectancies of
9 the distributee and the distributee's designated beneficiary.

10 (b) A distribution for a specified period of 10 years or
11 more.

12 (c) A distribution to the extent that the distribution is
13 required under section 401(a)(9) of the internal revenue code.

14 (d) The portion of any distribution that is not includable
15 in federal gross income, determined without regard to the exclu-
16 sion for net unrealized appreciation with respect to employer
17 securities.

18 (10) ~~-(9)-~~ "Employee organization professional services
19 leave" or "professional services leave" means a leave of absence
20 that is renewed annually by the reporting unit so that a member
21 may accept a position with a public school employee organization
22 to which he or she belongs and which represents employees of a
23 reporting unit in employment matters. The member shall be
24 included in membership of the retirement system during a profes-
25 sional services leave if all of the conditions of section 71(5)
26 and (6) are satisfied.

SB 719, As Passed Senate, November 12, 1997

Senate Bill No. 719

4

1 (11) ~~(10)~~ "Employee organization professional services
2 released time" or "professional services released time" means a
3 portion of the school fiscal year during which a member is
4 released by the reporting unit from his or her regularly assigned
5 duties to engage in employment matters for a public school
6 employee organization to which he or she belongs. The member's
7 compensation received or service rendered, or both, as applica-
8 ble, by a member while on professional services released time
9 shall be reportable to the retirement system if all of the condi-
10 tions of section 71(5) and (6) are satisfied.

11 (12) ~~(11)~~ "Final average compensation" means the aggregate
12 amount of a member's compensation earned within the averaging
13 period in which the aggregate amount of compensation was highest
14 divided by the member's number of years, including any fraction
15 of a year, of credited service during the averaging period. The
16 averaging period shall be 36 consecutive calendar months if the
17 member contributes to the member investment plan; otherwise, the
18 averaging period shall be 60 consecutive calendar months. If the
19 member has less than 1 year of credited service in the averaging
20 period, the number of consecutive calendar months in the averag-
21 ing period shall be increased to the lowest number of consecutive
22 calendar months that contains 1 year of credited service.

23 (13) ~~(12)~~ "Health benefits" means hospital,
24 medical-surgical, and sick care benefits and dental, vision, and
25 hearing benefits for retirants, retirement allowance beneficia-
26 ries, and health insurance dependents provided pursuant to
27 section 91.

SB 719, As Passed Senate, November 12, 1997

Senate Bill No. 719

5

1 ~~(13) "Implementation date" means July 1, 1997, if full~~
2 ~~actuarial funding of the pension benefits, as certified by the~~
3 ~~retirement board, occurs. If full actuarial funding of the pen-~~
4 ~~sion benefits does not occur before July 1, 1997, implementation~~
5 ~~date means the date established by the retirement board, which~~
6 ~~date shall be on or before January 1, 1998, if full actuarial~~
7 ~~funding of the pension benefits occurs before that date. If full~~
8 ~~actuarial funding of the pension benefits does not occur before~~
9 ~~January 1, 1998, the Tier 2 retirement plan shall not be~~
10 ~~implemented. The retirement board shall certify when full actu-~~
11 ~~arial funding of the pension benefits occurs, and the determina-~~
12 ~~tion shall be based upon the actuarial methods and assumptions in~~
13 ~~effect for the September 30, 1996 actuarial valuation.~~

14 (14) "Internal revenue code" means the United States inter-
15 nal revenue code of 1986.

16 (15) "Member investment plan" means the program of member
17 contributions described in section 43a.

18 Sec. 8. (1) "Service" means personal service performed as a
19 public school employee or creditable under this act.

20 (2) "Simple interest" means interest at 1 or more rates per
21 annum determined by the retirement board.

22 (3) "State of Michigan service" means service performed as a
23 state employee in the classified or unclassified service under
24 the state employees' retirement act, ~~Act No. 240 of the Public~~
25 ~~Acts of 1943, being sections 38.1 to 38.69 of the Michigan~~
26 ~~Compiled Laws~~ 1943 PA 240, MCL 38.1 TO 38.69.

SB 719, As Passed Senate, November 12, 1997

Senate Bill No. 719

6

1 (4) "Teacher" means a person employed by a reporting unit
2 who is engaged in teaching, who is engaged in administering and
3 supervising teaching, or who is under a teacher's contract with a
4 reporting unit.

5 ~~(5) "Tier 1" means the retirement plan available to a~~
6 ~~member under this act who was first employed by a reporting unit~~
7 ~~before the implementation date and who does not elect to become a~~
8 ~~qualified participant of Tier 2 or to an individual who was first~~
9 ~~employed by a reporting unit on or after the implementation date~~
10 ~~and who elects to become a member of Tier 1.~~

11 ~~(6) "Tier 2" means the retirement plan established pursuant~~
12 ~~to section 403(b) of the internal revenue code that is available~~
13 ~~to qualified participants under sections 109 to 112 and article~~
14 ~~7.~~

15 (5) ~~(7)~~ "Transitional public employment program" means
16 participation in public service employment programs in the areas
17 of environmental quality, health care, education, public safety,
18 crime prevention and control, prison rehabilitation, transporta-
19 tion, recreation, maintenance of parks, streets, and other public
20 facilities, solid waste removal, pollution control, housing and
21 neighborhood improvements, rural development, conservation, beau-
22 tification, veterans' outreach, and other fields of human better-
23 ment and community improvement as part of a program of comprehen-
24 sive manpower services authorized, undertaken, and financed under
25 the comprehensive employment and training act of 1973, former
26 Public Law 93-203, 87 Stat. 839.

SB 719, As Passed Senate, November 12, 1997

Senate Bill No. 719

7

1 Sec. 22. (1) The Michigan public school employees'
2 retirement board is created in the department and shall consist
3 of the superintendent of public instruction and 11 members
4 appointed by the governor with the advice and consent of the
5 senate as follows:

6 (a) Two members who are working as classroom teachers OR AS
7 OTHER CERTIFIED SCHOOL PERSONNEL.

8 (b) One nonteacher member who is working in a noncertified
9 educational support position or a retirant who retired from a
10 noncertified educational support position.

11 (c) One member who is a school system superintendent.

12 (d) One member who is working in a school system in a
13 finance or operations management position, but who is not a
14 school system superintendent.

15 (e) One retirant who retired from a classroom teacher
16 position.

17 (f) One retirant who retired from a finance or operations
18 management position.

19 (g) One administrator or trustee of a community college,
20 which community college is a reporting unit.

21 (h) Two from the general public, 1 of which shall have
22 experience in health insurance or actuarial science and 1 of
23 which shall have experience in institutional investments. An
24 individual appointed under this subdivision shall not be a
25 member, deferred member, retirant, or retirement allowance bene-
26 ficiary under this act.

SB 719, As Passed Senate, November 12, 1997

Senate Bill No. 719

8

1 (i) One elected member of a reporting unit's board of
2 control.

3 (2) One of the retirement board members under subsection (1)
4 shall be a member who is an employee of a school district of the
5 first class or a retirant who retired from a position as an
6 employee of a school district of the first class. One of the
7 retirant members of the retirement board shall be selected from
8 the membership of the largest organization of retirants.

9 (3) The term of office of the retirement board members shall
10 be ~~5~~ 4 years. A vacancy of a member on the retirement board
11 shall be filled in the same manner as the original appointment
12 for the remainder of the unexpired term. A retirement board
13 member shall continue to hold office until a successor is
14 appointed and has qualified, but not to exceed an additional ~~5~~
15 4 years.

16 (4) The 7 members appointed and serving on the retirement
17 board on July 1, 1997 shall have their respective terms extended
18 by 2 years and shall serve for the remainder of their extended
19 terms. As each board member's term expires under this subsec-
20 tion, the new appointment shall be made in accordance with sub-
21 section (1). On January 1, 1997, 2 new individuals shall be
22 appointed as members of the retirement board in accordance with
23 subsection (1). The initial terms of office of these 2 new mem-
24 bers shall ~~be set by the governor so that 1 term expires~~ EXPIRE
25 on March 30, 2001. ~~and 1 term expires on March 30, 2003.~~ The
26 superintendent of public instruction and the state treasurer
27 shall be considered to have terms that expire on March 30,

SB 719, As Passed Senate, November 12, 1997

Senate Bill No. 719

9

1 ~~1997.~~ On ~~March 31, 1998~~ OCTOBER 31, 1997, 2 new individuals
2 shall be appointed as members of the retirement board in accord-
3 ance with subsection (1). The initial terms of office of these 2
4 new members shall expire on March 30, ~~2003~~ 2000.

5 Sec. 25. (1) The board shall have only the rights, authori-
6 ty, and discretion in the proper discharge of its duties provided
7 in this act and former ~~Act No. 136 of the Public Acts of 1945~~
8 1945 PA 136.

9 (2) ~~Except as otherwise provided in this section, the~~ THE
10 retirement board may promulgate rules pursuant to the administra-
11 tive procedures act of 1969, ~~Act No. 306 of the Public Acts of~~
12 ~~1969, being sections 24.201 to 24.328 of the Michigan Compiled~~
13 ~~Laws~~ 1969 PA 306, MCL 24.201 TO 24.328, for the implementation
14 and administration of this act. ~~The retirement board shall not~~
15 ~~promulgate rules for the establishment, implementation, adminis-~~
16 ~~tration, operation, investment, or distribution of a Tier 2~~
17 ~~retirement plan.~~

18 Sec. 26. (1) ~~This section does not apply to Tier 2.~~ (2)
19 The state treasurer shall be treasurer of the retirement system
20 and shall have investment authority, including the custodianship
21 of the funds of the retirement system, and shall have fiduciary
22 responsibility with regard to the investment of funds of the
23 retirement system.

24 (2) ~~(3)~~ The state treasurer shall deposit the funds of the
25 retirement system in the same manner and subject to the law gov-
26 erning the deposit of state funds by the treasurer. Income

SB 719, As Passed Senate, November 12, 1997

Senate Bill No. 719

10

1 earned by the retirement system's funds shall be credited to the
2 respective reserves under this act that earned the income.

3 Sec. 34. The reserve for health benefits is the account to
4 which payments of reporting units ~~, subscriber co-payments, and~~
5 ~~payments by the retirement system under section 136~~ for health
6 benefits are credited. Benefits payable pursuant to ~~sections~~
7 SECTION 91 ~~and 136~~ shall be paid from the reserve for health
8 benefits.

9 Sec. 36. (1) The reserve for undistributed investment
10 income is the account to which all income from the investment of
11 assets, all gifts and bequests received by the retirement system,
12 and all other money received by the retirement system the dispo-
13 sition of which is not specifically provided for is credited.
14 ~~The~~ IN EACH FISCAL YEAR, THE retirement board shall transfer
15 from the reserve for undistributed investment income all amounts
16 necessary to credit the interest required under this act to the
17 reserve for employee contributions, the reserve for employer con-
18 tributions, the reserve for member investment plan, the reserve
19 for retired benefit payments, and the reserve for health bene-
20 fits, ~~and~~ to fund the reserve for administrative expenses, AND
21 ANY SUPPLEMENTAL PAYMENTS REQUIRED PURSUANT TO SECTION 104A.

22 (2) THE STABILIZATION SUBACCOUNT IS THE ACCOUNT TO WHICH THE
23 AMOUNTS TRANSFERRED PURSUANT TO SUBSECTION (3) TO THE RESERVE FOR
24 UNDISTRIBUTED INVESTMENT INCOME ARE CREDITED. EXCEPT AS OTHER-
25 WISE PROVIDED IN THIS SUBSECTION, NO AMOUNTS SHALL BE TRANSFERRED
26 FROM THE STABILIZATION SUBACCOUNT TO ANY OTHER RESERVE. THE
27 DIRECTOR OF THE DEPARTMENT MAY TRANSFER FROM THE STABILIZATION

SB 719, As Passed Senate, November 12, 1997

Senate Bill No. 719

11

1 SUBACCOUNT TO THE RESERVE FOR EMPLOYER CONTRIBUTIONS PART OR ALL
2 OF THE AMOUNT NECESSARY TO REDUCE OR ELIMINATE ANY UNFUNDED ACTU-
3 ARIAL ACCRUED LIABILITY, AS DETERMINED UNDER SECTIONS 41 AND 41A.
4 (3) BEGINNING ON THE DESIGNATED DATE, IF THE ACTUARIAL VALU-
5 ATION PREPARED PURSUANT TO SECTIONS 41 AND 41A DEMONSTRATES THAT
6 AS OF THE BEGINNING OF A FISCAL YEAR, AND AFTER ALL CREDITS AND
7 TRANSFERS REQUIRED BY THIS ACT FOR THE PREVIOUS FISCAL YEAR HAVE
8 BEEN MADE, THE SUM OF THE ACTUARIAL VALUE OF ASSETS AND THE ACTU-
9 ARIAL PRESENT VALUE OF FUTURE NORMAL COST CONTRIBUTIONS EXCEEDS
10 THE ACTUARIAL PRESENT VALUE OF BENEFITS, AN AMOUNT EQUAL TO THE
11 EXCESS SHALL BE CREDITED TO THE STABILIZATION SUBACCOUNT PURSUANT
12 TO SUBSECTION (2) AND SHALL BE DEBITED AGAINST THE RESERVE FOR
13 EMPLOYER CONTRIBUTIONS.

14 Sec. 41. (1) The annual level percentage of payroll contri-
15 bution rate to finance benefits being provided and to be provided
16 by the retirement system shall be determined by actuarial valua-
17 tion pursuant to subsection (2) upon the basis of the risk
18 assumptions that the retirement board and the department adopt
19 after consultation with the state treasurer and an actuary. An
20 annual actuarial valuation shall be made of the retirement system
21 in order to determine the actuarial condition of the retirement
22 system and the required contribution to the retirement system.
23 An annual actuarial gain-loss experience study of the retirement
24 system shall be made in order to determine the financial effect
25 of variations of actual retirement system experience from
26 projected experience.

SB 719, As Passed Senate, November 12, 1997

Senate Bill No. 719

12

1 (2) The contribution rate for benefits payable in the event
2 of the death of a member before retirement or the disability of a
3 member shall be computed using a terminal funding method of
4 valuation. Except as otherwise provided in this subsection, the
5 contribution rate for other benefits shall be computed using an
6 individual projected benefit entry age normal cost method of
7 valuation. For the 1995-96 state fiscal year and for each subse-
8 quent fiscal year, the contribution rate for health benefits pro-
9 vided under section 91 shall be computed using a cash disburse-
10 ment method. The contribution rate for service likely to be
11 rendered in the current year, the normal cost contribution rate,
12 shall be equal to the aggregate amount of individual projected
13 benefit entry age normal costs divided by 1% of the aggregate
14 amount of active members' valuation compensation. The contribu-
15 tion rate for unfunded service rendered before the valuation
16 date, the unfunded actuarial accrued liability contribution rate,
17 shall be the aggregate amount of unfunded actuarial accrued
18 liabilities divided by 1% of the actuarial present value over a
19 period not to exceed 50 years of projected valuation compensa-
20 tion, where unfunded actuarial accrued liabilities are equal to
21 the actuarial present value of benefits, reduced by the actuarial
22 present value of future normal cost contributions and the actuar-
23 ial value of assets on the valuation date.

24 (3) Before November 1 of each year, the executive secretary
25 of the retirement board shall certify to the director of the
26 department the aggregate compensation estimated to be paid public
27 school employees for the current state fiscal year.

SB 719, As Passed Senate, November 12, 1997

Senate Bill No. 719

13

1 (4) On the basis of the estimate under subsection (3), the
2 annual actuarial valuation, and any adjustment required under
3 subsection (6), the director of the department shall compute the
4 sum due and payable to the retirement system and shall certify
5 this amount to the reporting units.

6 (5) The reporting units shall make payment of the amount
7 certified under subsection (4) to the director of the department
8 in 12 equal monthly installments.

9 (6) Not later than 90 days after termination of each state
10 fiscal year, the executive secretary of the retirement board
11 shall certify to the director of the department and each report-
12 ing unit the actual aggregate compensation paid to public school
13 employees during the preceding state fiscal year. Upon receipt
14 of that certification, the director of the department shall com-
15 pute any adjustment required to the amount due to a difference
16 between the estimated and the actual aggregate compensation and
17 the estimated and the actual actuarial employer contribution
18 rate. The difference, if any, shall be paid as provided in sub-
19 section (9).

20 (7) The director of the department may require evidence of
21 correctness and may conduct an audit of the aggregate compensa-
22 tion that the director of the department considers necessary to
23 establish its correctness.

24 (8) A reporting unit shall forward employee and employer
25 social security contributions and reports as required by the fed-
26 eral old-age, survivors, disability, and hospital insurance
27 provisions of title II of the social security act, chapter 531,

SB 719, As Passed Senate, November 12, 1997

Senate Bill No. 719

14

1 49 Stat. 620, 42 U.S.C. 401 to 405, 406 to 418, 420 to 423, 424a
2 to 426-1, and 427 to 433.

3 (9) For an employer of an employee of a local public school
4 district or an intermediate school district, for differences
5 occurring in fiscal years beginning on or after October 1, 1993,
6 a minimum of 20% of the difference between the estimated and the
7 actual aggregate compensation and the estimated and the actual
8 actuarial employer contribution rate described in subsection
9 (6), if any, shall be paid by that employer in the next succeed-
10 ing state fiscal year and a minimum of 25% of the remaining dif-
11 ference shall be paid by that employer in each of the following 4
12 state fiscal years, or until 100% of the remaining difference is
13 submitted, whichever first occurs. For an employer of other
14 public school employees, for differences occurring in fiscal
15 years beginning on or after October 1, 1991, a minimum of 20% of
16 the difference between the estimated and the actual aggregate
17 compensation and the estimated and the actual actuarial employer
18 contribution rate described in subsection (6), if any, shall be
19 paid by that employer in the next succeeding state fiscal year
20 and a minimum of 25% of the remaining difference shall be paid by
21 that employer in each of the following 4 state fiscal years, or
22 until 100% of the remaining difference is submitted, whichever
23 first occurs. In addition, interest shall be included for each
24 year that a portion of the remaining difference is carried
25 forward. The interest rate shall equal the actuarially assumed
26 rate of investment return for the state fiscal year in which
27 payment is made.

SB 719, As Passed Senate, November 12, 1997

SB 719 as amended November 12, 1997

15

1 (10) BEGINNING ON THE DESIGNATED DATE, ALL ASSETS HELD BY
2 THE RETIREMENT SYSTEM SHALL BE REASSIGNED THEIR FAIR MARKET
3 VALUE, AS DETERMINED BY THE STATE TREASURER, AS OF THE DESIGNATED
4 DATE, AND IN CALCULATING ANY UNFUNDED ACTUARIAL ACCRUED LIABILI-
5 TIES, ANY MARKET GAINS OR LOSSES INCURRED BEFORE THE DESIGNATED
6 DATE SHALL NOT BE CONSIDERED BY THE RETIREMENT SYSTEM'S
7 ACTUARIES.

8 (11) BEGINNING ON THE DESIGNATED DATE, THE ACTUARY USED BY
9 THE RETIREMENT BOARD SHALL ASSUME A RATE OF RETURN ON INVESTMENTS
10 OF 8.00% PER ANNUM, AS OF THE DESIGNATED DATE, WHICH RATE MAY
11 ONLY BE CHANGED WITH THE APPROVAL OF THE RETIREMENT BOARD AND THE
12 DIRECTOR OF THE DEPARTMENT.

13 (12) BEGINNING ON THE DESIGNATED DATE, THE VALUE OF ASSETS
14 USED SHALL BE BASED ON A METHOD THAT SPREADS OVER A 5-YEAR PERIOD
15 THE DIFFERENCE BETWEEN ACTUAL AND EXPECTED RETURN OCCURRING IN
16 EACH YEAR AFTER THE DESIGNATED DATE AND SUCH METHODOLOGY MAY ONLY
17 BE CHANGED WITH THE APPROVAL OF THE RETIREMENT BOARD AND THE
18 DIRECTOR OF THE DEPARTMENT.

19 (13) BEGINNING ON THE DESIGNATED DATE, THE ACTUARY USED BY
20 THE RETIREMENT BOARD SHALL USE A SALARY INCREASE ASSUMPTION THAT
21 PROJECTS ANNUAL SALARY INCREASES OF 4%. IN ADDITION TO THE 4%, THE
22 RETIREMENT BOARD SHALL USE AN ADDITIONAL PERCENTAGE BASED
23 UPON AN AGE-RELATED SCALE TO REFLECT MERIT, LONGEVITY, AND PROMO-
24 TIONAL SALARY INCREASE. THE ACTUARY SHALL USE THIS ASSUMPTION
25 UNTIL A CHANGE IN THE ASSUMPTION IS APPROVED IN WRITING BY THE
26 RETIREMENT BOARD AND THE DIRECTOR OF THE DEPARTMENT.

27 Sec. 91. (1) The retirement system shall pay the entire
monthly premium or membership or subscription fee for hospital,

SB 719, As Passed Senate, November 12, 1997

Senate Bill No. 719

16

1 medical-surgical, and sick care benefits for the benefit of a
2 retirant or retirement allowance beneficiary who elects coverage
3 in the plan authorized by the retirement board and the
4 department. ~~This subsection does not apply to a member who
5 first becomes a member on or after the implementation date.~~

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

15 (3) A retirant or retirement allowance beneficiary receiving
16 hospital, medical-surgical, and sick care benefits coverage under
17 subsection (1) or (2), until eligible for medicare, shall have an
18 amount equal to the cost chargeable to a medicare recipient for
19 part B of medicare deducted from his or her retirement
20 allowance.

21 (4) The retirement system shall pay 90% of the monthly pre-
22 mium or membership or subscription fee for dental, vision, and
23 hearing benefits for the benefit of a retirant or retirement
24 allowance beneficiary who elects coverage in the plan authorized
25 by the retirement board and the department. Payments shall begin
26 under this subsection upon approval by the retirement board and
27 the department of plan coverage and a plan provider. ~~This~~

SB 719, As Passed Senate, November 12, 1997

Senate Bill No. 719

17

~~1 subsection does not apply to a member who first becomes a member
2 on or after the implementation date.~~

3 (5) The retirement system shall pay up to 90% of the maximum
4 of the amount payable under subsection (1) toward the monthly
5 premium or membership or subscription fee for hospital,
6 medical-surgical, and sick care benefits coverage described in
7 subsections (1) and (2) for each health insurance dependent of a
8 retirant receiving benefits under subsection (1) or (2). Payment
9 shall not exceed 90% of the actual monthly premium or membership
10 or subscription fee. The retirement system shall pay 90% of the
11 monthly premium or membership or subscription fee for dental,
12 vision, and hearing benefits described in subsection (4) for the
13 benefit of each health insurance dependent of a retirant receiv-
14 ing benefits under subsection (4). Payment for health benefits
15 coverage for a health insurance dependent of a retirant shall not
16 be made after the retirant's death, unless the retirant desig-
17 nated a retirement allowance beneficiary as provided in
18 section 85 and the dependent was covered or eligible for coverage
19 as a health insurance dependent of the retirant on the retirant's
20 date of death. Payment for health benefits coverage shall not be
21 made for a health insurance dependent after the later of the
22 retirant's death or the retirement allowance beneficiary's
23 death. Payment under this subsection and subsection (6) shall
24 begin October 1, 1985 for health insurance dependents who on
25 July 10, 1985 are covered by the hospital, medical-surgical, and
26 sick care benefits plan authorized by the retirement board and
27 the department. Payment under this subsection and subsection (6)

SB 719, As Passed Senate, November 12, 1997

Senate Bill No. 719

18

1 for other health insurance dependents shall not begin before
2 January 1, 1986.

3 (6) The payment described in subsection (5) ~~or (8)~~ shall
4 also be made for each health insurance dependent of a deceased
5 member or deceased duty disability retirant if a retirement
6 allowance is being paid to a retirement allowance beneficiary
7 because of the death of the member or duty disability retirant as
8 provided in section 43c(c), 89, OR 90. ~~, or 135a.~~ Payment for
9 health benefits coverage for a health insurance dependent shall
10 not be made after the retirement allowance beneficiary's death.

11 (7) The payments provided by this section shall not be made
12 on behalf of a retiring section 82 deferred member or health
13 insurance dependent of a deferred member having less than 21 full
14 years of attained credited service or the retiring deferred
15 member's retirement allowance beneficiary, and shall not be made
16 on behalf of a retirement allowance beneficiary of a deferred
17 member who dies before retiring. The retirement system shall
18 pay, on behalf of a retiring section 82 deferred member or health
19 insurance dependent of a deferred member or a retirement allow-
20 ance beneficiary of a deceased deferred member, either of whose
21 allowance is based upon not less than 21 years of attained cred-
22 ited service, 10% of the payments provided by this section,
23 increased by 10% for each attained full year of credited service
24 beyond 21 years, not to exceed 100%. This subsection applies to
25 any member who ~~first becomes a member before the implementation~~
26 ~~date and who~~ attains deferred status under section 82 after
27 October 31, 1980.

SB 719, As Passed Senate, November 12, 1997

Senate Bill No. 719

19

1 ~~(8) For a member or deferred member who first becomes a~~
2 ~~member on or after the implementation date, the retirement system~~
3 ~~shall pay the entire monthly premium or membership or subscrip-~~
4 ~~tion fee for the hospital, medical-surgical, and sick care bene-~~
5 ~~fits plan, the dental plan, vision plan, or hearing plan, or any~~
6 ~~combination of the plans for the benefit of the retirant and his~~
7 ~~or her health insurance beneficiaries, or for the benefit of the~~
8 ~~retirant's or deceased member's retirement allowance beneficiary~~
9 ~~if the retirant or deceased member has 30 years or more of serv-~~
10 ~~ice credit or 30 years or more of employment with a reporting~~
11 ~~unit or units under this act. If a retirant or deceased member~~
12 ~~described in this subsection has 10 or more but less than 30~~
13 ~~years of service credit or years of reporting unit employment~~
14 ~~under this act, the retirement system shall pay a portion of the~~
15 ~~monthly premium or membership or subscription fee for the plans~~
16 ~~or combination of plans equal to the product of 3% and the~~
17 ~~retirant's or deceased member's years of service. Additionally,~~
18 ~~if a retirant or deceased member described in this subsection has~~
19 ~~less than 30 years of service credit and is less than 60 years of~~
20 ~~age, the retirement system shall reduce the amount payable under~~
21 ~~this subsection by the formula used to reduce a retirement allow-~~
22 ~~ance under section 84(2).~~

23 ~~(9) The retirement system shall not pay the premiums or sub-~~
24 ~~scription fees under subsection (8) until the retirant or retire-~~
25 ~~ment allowance beneficiary requests enrollment in the plans or~~
26 ~~combination of plans in writing in the manner prescribed by the~~
27 ~~retirement system. Subsection (8) does not apply to a member who~~

SB 719, As Passed Senate, November 12, 1997

Senate Bill No. 719

20

1 ~~receives a disability retirement allowance under section 86, 87,~~
2 ~~or 135a or to a deceased member's retirement allowance benefi-~~
3 ~~ciary under section 90.~~

4 (8) ~~(10)~~ Any retirant or retirement allowance beneficiary
5 excluded from payments under this section may participate in the
6 hospital, medical-surgical, and sick care benefits plan, the
7 dental plan, vision plan, or hearing plan, or any combination of
8 the plans described in this section in the manner prescribed by
9 the retirement system at his or her own cost.

10 (9) ~~(11)~~ The hospital, medical-surgical, and sick care
11 benefits plan, dental plan, vision plan, and hearing plan that
12 covers retirants, retirement allowance beneficiaries, and health
13 insurance dependents pursuant to this section shall contain a
14 coordination of benefits provision that provides all of the
15 following:

16 (a) If the person covered under the hospital,
17 medical-surgical, and sick care benefits plan is also eligible
18 for medicare or medicaid, or both, then the benefits under medi-
19 care or medicaid, or both, shall be determined before the bene-
20 fits of the hospital, medical-surgical, and sick care benefits
21 plan provided pursuant to this section.

22 (b) If the person covered under any of the plans provided by
23 this section is also covered under another plan that contains a
24 coordination of benefits provision, the benefits shall be coordi-
25 nated as provided by the coordination of benefits act, ~~Act~~
26 ~~No. 64 of the Public Acts of 1984, being sections 550.251 to~~

SB 719, As Passed Senate, November 12, 1997

Senate Bill No. 719

21

1 ~~550.255 of the Michigan Compiled Laws~~ 1984 PA 64, MCL 550.251 TO
2 550.255.

3 (c) If the person covered under any of the plans provided by
4 this section is also covered under another plan that does not
5 contain a coordination of benefits provision, the benefits under
6 the other plan shall be determined before the benefits of the
7 plan provided pursuant to this section.

8 (10) ~~(12)~~ For purposes of this section:

9 (a) "Health insurance dependent" means any of the
10 following:

11 (i) The spouse of the retirant or the surviving spouse to
12 whom the retirant or deceased member was married at the time of
13 the retirant's or deceased member's death.

14 (ii) An unmarried child, by birth or adoption, of the retir-
15 ant or deceased member, until December 31 of the calendar year in
16 which the child becomes 19 years of age.

17 (iii) An unmarried child, by birth or adoption, of the
18 retirant or deceased member, until December 31 of the calendar
19 year in which the child becomes 25 years of age, who is enrolled
20 as a full-time student, and who is or was at the time of the
21 retirant's or deceased member's death a dependent of the retirant
22 or deceased member as defined in section 152 of the internal rev-
23 enue code.

24 (iv) An unmarried child, by birth or adoption, of the retir-
25 ant or deceased member who is incapable of self-sustaining
26 employment because of mental or physical handicap, and who is or
27 was at the time of the retirant's or deceased member's death a

SB 719, As Passed Senate, November 12, 1997

Senate Bill No. 719

22

1 dependent of the retirant or deceased member as defined in
2 section 152 of the internal revenue code.

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

6 (b) "Medicaid" means benefits under the federal medicaid
7 program established under title XIX of the social security act,
8 chapter 531, 49 Stat. 620, 42 U.S.C. 1396 to 1396f, ~~and~~ 1396g-1
9 to 1396r-6, AND 1396r-8 TO 1396v.

10 (c) "Medicare" means benefits under the federal medicare
11 program established under title XVIII of the social security act,
12 chapter 531, 49 Stat. 620, 42 U.S.C. 1395 to 1395b, 1395b-2,
13 1395b-6 TO 1395b-7, 1395c to 1395i, 1395i-2 to ~~1395i-4~~ 1395i-5,
14 1395j to 1395t, 1395u to 1395w, 1395w-2 ~~—~~ TO 1395w-4, 1395w-21
15 TO 1395w-28, 1395x to 1395yy, and 1395bbb to ~~1395ccc~~ 1395ggg.

16 Enacting section 1. Section 41b, sections 109 to 112, and
17 article 7 of the public school employees retirement act of 1979,
18 1980 PA 300, MCL 38.1341b, 38.1409 to 38.1412, and 38.1451 to
19 38.1467, are repealed.

20 Enacting section 2. This amendatory act does not take
21 effect unless all of the following bills of the 89th Legislature
22 are enacted into law:

23 (a) Senate Bill No. 178.

24 (b) House Bill No. 5083.