

SENATE SUBSTITUTE FOR  
HOUSE BILL NO. 5732

A bill to amend 1943 PA 240, entitled "An act to provide for a state employees' retirement system; to create a state employees' retirement board and prescribe its powers and duties; to establish certain funds in connection with the retirement system; to require contributions to the retirement system by and on behalf of members and participants of the retirement system; to create certain accounts and provide for expenditures from those accounts; to prescribe the powers and duties of certain state and local officers and employees and certain state departments and agencies; and to prescribe penalties and provide remedies." by amending sections 1b, 1d, 5, 11, 13, 17i, 19, 20, 20d, 21, 24, 31, 33, 38, 46, 48, 49, and 52 (MCL 38.1b, 38.1d, 38.5, 38.11, 38.13, 38.17i, 38.19, 38.20, 38.20d, 38.21, 38.24, 38.31, 38.33, 38.38, 38.46, 38.48, 38.49, and 38.52), section 1b as amended by 1996 PA 33, sections 1d and 49 as added by 1995 PA 176, sections 11 and 13 as amended and section 52 as added by 1996 PA 487, sections 17i, 19, and 31 as amended by 1998 PA 205, section 20 as amended by 1996 PA 521, section 20d as amended by 1996 PA 532, section 38 as amended by 1996 PA 279, and section 48 as added by 1990 PA 110, and by adding sections 17n, 19g, and 19h.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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1       Sec. 1b. (1) "Beneficiary" or "disability beneficiary"  
2 means a person other than a retirant who receives a retirement  
3 allowance, pension, or other benefit provided by this act.

4       (2) "Compensation" means the remuneration paid a member on  
5 account of the member's services rendered to this state. ~~to the~~  
6 ~~extent that the remuneration does not exceed the compensation~~  
7 ~~limit established in section 401(a)(17) of the internal revenue~~  
8 ~~code.~~ If a member's remuneration is not paid totally in money,  
9 the retirement board shall employ the maintenance-compensation  
10 schedules established from time to time by the civil service  
11 commission. Compensation does not include any of the following:

12       (a) Remuneration paid in lieu of accumulated sick leave.

13       (b) Remuneration for services rendered after October 1,  
14 1981, payable at retirement or termination under voluntary or  
15 involuntary pay reduction plan B, in excess of the amount the  
16 member would have received had the member been compensated for  
17 those services at the rate of pay in effect at the time those  
18 services were performed.

19       (c) Payment for accrued annual leave at separation in excess  
20 of 240 hours.

21       (d) Remuneration received by an employee of the DEPARTMENT  
22 FORMERLY KNOWN AS THE department of mental health resulting from  
23 severance pay received because of the deinstitutionalization of  
24 the DEPARTMENT FORMERLY KNOWN AS THE department of mental health  
25 resident population.

26       (e) Remuneration received as a bonus by investment managers  
27 of the department of treasury under the treasury incentive bonus

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1 plan first approved by the civil service commission on  
2 February 11, 1988, pursuant to section 5 of article XI of the  
3 state constitution of 1963.

4 (f) Remuneration received as a bonus or merit payment by  
5 assistant attorneys general in the department of attorney general  
6 under the merit pay plan approved by the civil service commission  
7 on January 19, 1990, pursuant to section 5 of article XI of the  
8 state constitution of 1963.

9 (3) "Conservation officer" means an employee of the depart-  
10 ment of natural resources, or its predecessor or successor  
11 agency, who has sworn to the prescribed oath of office and who is  
12 designated as a peace officer under section 1606 of part 16  
13 ~~-(enforcement of laws for protection of wild birds, wild animals,~~  
14 ~~and fish)-~~ of the natural resources and environmental protection  
15 act, ~~Act No. 451 of the Public Acts of 1994, being~~  
16 ~~section 324.1606-~~ 1994 PA 451, MCL 324.1606, and section 1 of  
17 ~~Act No. 109 of the Public Acts of 1986, being section 300.21 of~~  
18 ~~the Michigan Compiled Laws-~~ 1986 PA 109, MCL 300.21.

19 (4) "Credited service" means the sum of the prior service  
20 and membership service credited to a member's service account.

21 Sec. 1d. (1) ~~Except~~ BEGINNING JANUARY 1, 2002, EXCEPT as  
22 otherwise provided in this subsection, "eligible retirement plan"  
23 means an individual retirement account described in section  
24 408(a) of the internal revenue code, an individual retirement  
25 annuity described in section 408(b) of the internal revenue code,  
26 an annuity plan described in section 403(a) of the internal  
27 revenue code, ~~or~~ a qualified trust described in section 401(a)

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1 of the internal revenue code, AN ANNUITY CONTRACT DESCRIBED IN  
2 SECTION 403(B) OF THE INTERNAL REVENUE CODE, OR AN ELIGIBLE PLAN  
3 UNDER SECTION 457(B) OF THE INTERNAL REVENUE CODE THAT IS MAIN-  
4 TAINED BY A STATE, A POLITICAL SUBDIVISION OF A STATE, AN AGENCY  
5 OR INSTRUMENTALITY OF A STATE, OR AN AGENCY OR INSTRUMENTALITY OF  
6 A POLITICAL SUBDIVISION OF A STATE, SO LONG AS AMOUNTS TRANS-  
7 FERRED INTO ELIGIBLE RETIREMENT PLANS FROM THIS RETIREMENT SYSTEM  
8 ARE SEPARATELY ACCOUNTED FOR BY THE PLAN PROVIDER that accepts  
9 the distributee's eligible rollover distribution. However, in  
10 the case of an eligible rollover distribution to a surviving  
11 spouse ON OR BEFORE DECEMBER 31, 2001, an eligible retirement  
12 plan means an individual retirement account or an individual  
13 retirement annuity described above.

14 (2) ~~"Eligible"~~ BEGINNING JANUARY 1, 2002, "ELIGIBLE roll-  
15 over distribution" means a distribution of all or any portion of  
16 the balance to the credit of the distributee. Eligible rollover  
17 distribution does not include any of the following:

18 (a) A distribution made for the life or life expectancy of  
19 the distributee or the joint lives or joint life expectancies of  
20 the distributee and the distributee's designated beneficiary.

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

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

25 (d) ~~The~~ EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION,  
26 THE portion of any distribution that is not includable in federal  
27 gross income, determined without regard to the exclusion for net

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1 unrealized appreciation with respect to employer securities. IF  
2 A PORTION OF A DISTRIBUTION THAT IS NOT INCLUDED IN FEDERAL GROSS  
3 INCOME IS PAID TO AN INDIVIDUAL RETIREMENT ACCOUNT OR ANNUITY  
4 DESCRIBED IN SECTION 408(A) OR 408(B) OF THE INTERNAL REVENUE  
5 CODE OR A QUALIFIED DEFINED CONTRIBUTION PLAN DESCRIBED IN  
6 SECTION 401(A) OR 403(A) OF THE INTERNAL REVENUE CODE, AND THE  
7 PLAN PROVIDERS AGREE TO SEPARATELY ACCOUNT FOR AMOUNTS PAID,  
8 INCLUDING ANY PORTION OF THE DISTRIBUTION THAT IS INCLUDABLE IN  
9 GROSS INCOME, THEN THE PORTION OF THE DISTRIBUTION THAT IS NOT  
10 INCLUDABLE IN FEDERAL GROSS INCOME IS AN ELIGIBLE ROLLOVER  
11 DISTRIBUTION.

12 (3) "Employee" means a person who may become eligible for  
13 membership under this act, as provided in section 13, if the  
14 person's compensation is paid in whole or in part by this state.

15 (4) "Employer" or "state" means this state.

16 Sec. 5. (a) Each member of the retirement board, created by  
17 this act, upon election or appointment, shall take an oath of  
18 office which shall be immediately filed in the office of the sec-  
19 retary of state. A majority of the retirement board shall con-  
20 stitute a quorum for the transaction of business at a meeting of  
21 the board.

22 (b) The business which the retirement board may perform  
23 shall be conducted at a public meeting of the retirement board  
24 held in compliance with ~~Act No. 267 of the Public Acts of 1976,~~  
25 ~~being sections 15.261 to 15.275 of the Michigan Compiled Laws~~  
26 THE OPEN MEETINGS ACT, 1976 PA 267, MCL 15.261 TO 15.275. Public  
27 notice of the time, date, and place of the meeting shall be given

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1 in the manner required by ~~Act No. 267 of the Public Acts of~~  
2 ~~1976~~ THE OPEN MEETINGS ACT, 1976 PA 267, MCL 15.261 TO 15.275.

3 (c) The members of the retirement board shall serve without  
4 compensation, but shall not suffer a loss because of absence from  
5 regular employment, and shall be reimbursed for all actual neces-  
6 sary expense incurred in performance of duties in accordance with  
7 the statutes of this state. Notwithstanding this section, the  
8 retired state employee member shall receive ~~\$35.00 per diem as~~  
9 ~~fixed by the board~~ THE PER DIEM COMPENSATION ESTABLISHED ANNU-  
10 ALLY BY THE LEGISLATURE for the performance of official duties by  
11 attendance at regularly scheduled meetings.

12 Sec. 11. (1) There is created the employees' savings fund,  
13 employer's accumulation fund, annuity reserve fund, pension  
14 reserve fund, income fund, expense fund, and health insurance  
15 reserve fund.

16 (2) The employees' savings fund is the fund in which shall  
17 be accumulated at regular interest the contributions to the  
18 retirement system deducted from the compensation of members. The  
19 retirement board shall provide for the maintenance of an individ-  
20 ual account for each member that shows the amount of the member's  
21 contributions together with interest on those contributions. The  
22 accumulated contributions of a member returned to the member upon  
23 his or her withdrawal from service, or paid to the member's  
24 estate or designated beneficiary in the event of the member's  
25 death, as provided in this act, shall be paid from the employees'  
26 savings fund. Any accumulated contributions not claimed by a  
27 member or the member's legal representative as provided in this

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1 act within 5 years after the member's separation from state  
2 service shall be transferred from the employees' savings fund to  
3 the income fund. The accumulated contributions of a member, upon  
4 the member's retirement, shall be transferred from the employees'  
5 savings fund to the pension reserve fund.

6 (3) The employer's accumulation fund is the fund in which  
7 shall be accumulated the reserves derived from money provided by  
8 this state for the payment of all retirement allowances to be  
9 payable to retirants and beneficiaries as provided in this act.  
10 The amounts paid by this state shall be credited to the  
11 employer's accumulation fund. Upon the retirement of a member,  
12 or upon the member's death, if a beneficiary is entitled to a  
13 retirement allowance payable from funds of the retirement system,  
14 the difference between the reserve for the retirement allowance  
15 to be paid on account of the member's retirement or death and the  
16 member's accumulated contributions standing to his or her credit  
17 in the employees' savings fund at the time of his or her retire-  
18 ment or death shall be transferred from the employer's accumula-  
19 tion fund to the pension reserve fund. If, in any year, the pen-  
20 sion reserve fund is insufficient to cover the reserves for  
21 retirement allowances and other benefits being paid from the  
22 fund, the amount or amounts of the insufficiency or insufficien-  
23 cies shall be transferred from the employer's accumulation fund  
24 to the pension reserve fund.

25 (4) The annuity reserve fund is the fund from which shall be  
26 paid all annuities, or benefits in lieu of annuities, because of  
27 which reserves have been transferred from the employees' savings

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1 fund to the annuity reserve fund. Upon the adoption of this act,  
2 the balance in the annuity reserve fund shall be transferred to  
3 the pension reserve fund, and the annuities heretofore payable  
4 from the annuity reserve fund shall thereafter become payable  
5 from the pension reserve fund.

6 (5) The pension reserve fund is the fund from which shall be  
7 paid all retirement allowances and benefits in lieu of pensions,  
8 as provided in this act. For a disability retirant returned to  
9 active service with this state, his or her pension reserve, com-  
10 puted as of the date of return, shall be transferred from the  
11 pension reserve fund to the employees' savings fund and the  
12 employer's accumulation fund in the proportion that this reserve,  
13 as of the date of his or her retirement, was transferred to the  
14 pension reserve fund from the employees' savings fund and from  
15 the employer's accumulation fund. The amounts transferred to the  
16 employees' savings fund under this section shall be credited to  
17 the member's individual account in the fund.

18 (6) An income fund is created for the purpose of crediting  
19 regular interest on the amounts in the various other funds of the  
20 retirement system with the exception of the expense fund, and to  
21 provide a contingent fund out of which special requirements of  
22 any of the other funds may be covered. Transfers for special  
23 requirements shall be made only when the amount in the income  
24 fund exceeds the ordinary requirements of the fund as evidenced  
25 by a resolution of the retirement board recorded in its minutes.  
26 The retirement board shall annually allow regular interest for  
27 the preceding year to each of the funds enumerated in subsections

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1 (2), (3), (4), (5), and (8), and the amount allowed under this  
2 subsection shall be due and payable to each of these funds and  
3 shall be annually credited to the funds by the retirement board  
4 and paid from the income fund. However, interest on contribu-  
5 tions from members within a calendar year shall begin on the  
6 first day of the next calendar year, and shall be credited at the  
7 end of the calendar year. ~~All~~ EXCEPT AS PROVIDED IN THIS  
8 SUBSECTION, income, interest, and dividends derived from the  
9 deposits and investments authorized by this act shall be paid  
10 into the income fund. THE RETIREMENT SYSTEM SHALL DETERMINE THE  
11 SHARE OF INCOME, INTEREST, AND DIVIDENDS ATTRIBUTABLE TO THE BAL-  
12 ANCE IN THE HEALTH ADVANCE FUNDING SUBACCOUNT CREATED UNDER SUB-  
13 SECTION (9) AND THE SHARE OF INCOME, INTEREST, AND DIVIDENDS  
14 ATTRIBUTABLE TO THE HEALTH ADVANCE FUNDING SUBACCOUNT BALANCE  
15 SHALL BE PAID INTO THE HEALTH ADVANCE FUNDING SUBACCOUNT. The  
16 retirement board is authorized to accept gifts and bequests. Any  
17 funds that come into the possession of the retirement system as a  
18 gift or bequest, or any funds that may be transferred from the  
19 employees' savings fund by reason of lack of claimant, or because  
20 of a surplus in any fund created by this act, or any other money  
21 the disposition of which is not otherwise provided for in this  
22 act shall be credited to the income fund.

23 (7) The expense fund is the fund from which shall be paid  
24 the expenses of the administration of this act, exclusive of  
25 amounts payable as retirement allowances and other benefits pro-  
26 vided for in this act. The legislature shall appropriate the

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

3 (8) The health insurance reserve fund is the fund into which  
4 appropriations made by the legislature, subscriber co-payments,  
5 and payments by the retirement system under section 68 for  
6 health, dental, and vision insurance premiums are paid. Health,  
7 dental, and vision insurance premiums payable pursuant to  
8 sections 20d and 68 shall be paid from the health insurance  
9 reserve fund. THE ASSETS AND ANY EARNINGS ON THE ASSETS CON-  
10 TAINED IN THE HEALTH INSURANCE RESERVE FUND AND THE HEALTH  
11 ADVANCE FUNDING SUBACCOUNT DESCRIBED IN SUBSECTION (9) ARE NOT TO  
12 BE TREATED AS PENSION ASSETS FOR ANY PURPOSE.

13 (9) THE HEALTH ADVANCE FUNDING SUBACCOUNT IS THE ACCOUNT TO  
14 WHICH AMOUNTS TRANSFERRED PURSUANT TO SECTIONS 20D, 38(6), AND 52  
15 ARE CREDITED. ANY AMOUNTS RECEIVED IN THE HEALTH ADVANCE FUNDING  
16 SUBACCOUNT AND ACCUMULATED EARNINGS ON THOSE AMOUNTS SHALL NOT BE  
17 EXPENDED UNTIL THE ACTUARIAL ACCRUED LIABILITY FOR HEALTH BENE-  
18 FITS UNDER SECTION 20D IS AT LEAST 100% FUNDED. THE DEPARTMENT  
19 MAY EXPEND FUNDS OR TRANSFER FUNDS TO ANOTHER ACCOUNT TO EXPEND  
20 FOR HEALTH BENEFITS UNDER SECTION 20D IF THE ACTUARIAL ACCRUED  
21 LIABILITY FOR HEALTH BENEFITS UNDER SECTION 20D IS AT LEAST 100%  
22 FUNDED. FOR EACH FISCAL YEAR AFTER THE FISCAL YEAR IN WHICH THE  
23 ACTUARIAL ACCRUED LIABILITY FOR HEALTH BENEFITS UNDER SECTION 20D  
24 IS AT LEAST 100% FUNDED BY THE HEALTH ADVANCE FUNDING SUBACCOUNT,  
25 AMOUNTS RECEIVED IN THE HEALTH ADVANCE FUNDING SUBACCOUNT AND  
26 ACCUMULATED EARNINGS ON THOSE AMOUNTS MAY BE EXPENDED OR CREDITED  
27 TO FUND HEALTH BENEFITS UNDER SECTION 20D AS PROVIDED IN SECTION

1 38(3). NOTWITHSTANDING ANY OTHER PROVISION OF THIS SECTION, THE  
2 DEPARTMENT MAY TRANSFER AMOUNTS FROM THE HEALTH ADVANCE FUNDING  
3 SUBACCOUNT TO THE EMPLOYER'S ACCUMULATION FUND CREATED UNDER THIS

4 SECTION IF THE DEPARTMENT DOES BOTH OF THE FOLLOWING:

(A) AT LEAST 45 DAYS BEFORE THE INTENDED TRANSFER. SUBMITS A REQUEST  
TO THE CHAIRS OF THE SENATE AND HOUSE APPROPRIATIONS COMMITTEES AND. AT  
LEAST 15 DAYS BEFORE THE INTENDED TRANSFER. OBTAINS THE APPROVAL OF BOTH  
THE SENATE AND HOUSE APPROPRIATIONS COMMITTEES.

(B) ENSURES THAT THE REQUEST SUBMITTED TO THE SENATE AND HOUSE  
APPROPRIATIONS COMMITTEES CONTAINS AN ACTUARIAL VALUATION PREPARED  
PURSUANT TO

5 SECTION 38 THAT DEMONSTRATES THAT AS OF THE BEGINNING OF A FISCAL  
6 YEAR, AND AFTER ALL CREDITS AND TRANSFERS REQUIRED BY THIS ACT  
7 FOR THE PREVIOUS FISCAL YEAR HAVE BEEN MADE, THE SUM OF THE ACTU-  
8 ARIAL VALUE OF ASSETS AND THE ACTUARIAL PRESENT VALUE OF FUTURE  
9 NORMAL COST CONTRIBUTIONS DOES NOT EXCEED THE ACTUARIAL PRESENT  
10 VALUE OF BENEFITS.

11 (10) ~~-(9)-~~ The description of the various funds in this sec-  
12 tion shall be interpreted to refer to the accounting records of  
13 the retirement system and not to the segregation of assets cred-  
14 ited to the various funds of the retirement system.

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

10 (2) Elected or appointed state officials may elect not to  
11 become or continue as members of the retirement system by filing  
12 written notice with the retirement board. An appointed state  
13 official who is a member of a state board, commission, or council  
14 and who receives a per diem rate in his or her capacity as a  
15 member of the board, commission, or council is excluded from mem-  
16 bership in the retirement system for the service rendered in his  
17 or her capacity as a member of the board, commission, or  
18 council. Service performed by an elected or appointed official  
19 during the time the official elects not to participate shall not  
20 be used in meeting the service requirement or in computing the  
21 amount of retirement allowance to be paid by the retirement  
22 system. A member who elects not to participate shall be refunded  
23 all contributions made before the election.

24 (3) Membership in the retirement system does not include any  
25 of the following:

26 (a) A person who is a contributing member in the public  
27 school employees' retirement system provided for in the public

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1 school employees retirement act of 1979, ~~Act No. 300 of the~~  
2 ~~Public Acts of 1980, being sections 38.1301 to 38.1408 of the~~  
3 ~~Michigan Compiled Laws~~ 1980 PA 300, MCL 38.1301 TO 38.1408.

4 (b) A person who is a contributing member in the Michigan  
5 judges retirement system provided for in the judges retirement  
6 act of 1992, ~~Act No. 234 of the Public Acts of 1992, being sec-~~  
7 ~~tions 38.2101 to 38.2608 of the Michigan Compiled Laws~~ 1992  
8 PA 234, MCL 38.2101 TO 38.2670.

9 (c) A person who comes within the Michigan state police  
10 retirement system provided for in the state police retirement act  
11 of 1986, ~~Act No. 182 of the Public Acts of 1986, being sections~~  
12 ~~38.1601 to 38.1648 of the Michigan Compiled Laws~~ 1986 PA 182,  
13 MCL 38.1601 TO 38.1648.

14 (d) An individual who is first employed and entered upon the  
15 payroll on or after March 31, 1997 for employment for which the  
16 individual would have been eligible for membership under this  
17 section before March 31, 1997. An individual described in this  
18 subdivision is eligible to be a qualified participant in Tier 2  
19 subject to sections 50 to 69.

20 (e) ~~An~~ EXCEPT AS PROVIDED IN SECTION 19G, AN individual  
21 who elects to terminate membership under section 50 and who, but  
22 for that election, would otherwise be eligible for membership in  
23 Tier 1 under this section.

24 (4) A person who is hired in state classified or unclassi-  
25 fied service after June 30, 1974, who is first employed and  
26 entered upon the payroll before March 31, 1997, and who possesses  
27 a Michigan teaching certificate shall be a member of this

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1 retirement system. After June 30, 1974, but before March 31,  
2 1997, a person who returns to state employment in the classified  
3 or unclassified service who previously was a contributing member  
4 of the Michigan public school employees' retirement system shall  
5 have the person's accumulated contributions and service trans-  
6 ferred to this retirement system, or having withdrawn the contri-  
7 butions, may pay into the retirement system the amount withdrawn  
8 together with regular interest and have credit restored as pro-  
9 vided for in section 16. On and after March 31, 1997, an indi-  
10 vidual described in this subsection who returns to state service  
11 shall make an irrevocable election to remain in Tier 1 or to  
12 become a qualified participant of Tier 2 in the manner prescribed  
13 in section 50.

14 (5) A person, not regularly employed by this state, who is  
15 employed through participation in 1 or more of the following pro-  
16 grams, shall not be a member of the retirement system and shall  
17 not receive service credit for the employment:

18 (a) A program authorized, undertaken, and financed pursuant  
19 to the comprehensive employment and training act of 1973, former  
20 Public Law 93-203, 87 Stat. 839.

21 (b) A summer youth employment program established pursuant  
22 to the Michigan youth corps act, ~~Act No. 69 of the Public Acts~~  
23 ~~of 1983, being sections 409.221 to 409.229 of the Michigan~~  
24 ~~Compiled Laws~~ 1983 PA 69, MCL 409.221 TO 409.229.

25 (c) A program established pursuant to the job training part-  
26 nership act, Public Law 97-300, 96 Stat. 1322.

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1 (d) A program established pursuant to the Michigan  
2 opportunity and skills training program, first established under  
3 sections 12 to 23 of Act No. 259 of the Public Acts of 1983.

4 (e) A program established pursuant to the Michigan community  
5 service corps program, first established under sections 25 to 35  
6 of Act No. 259 of the Public Acts of 1983.

7 (6) A person, not regularly employed by this state, who is  
8 employed to administer a program described in subsection (5)  
9 shall not be a member of the retirement system and shall not  
10 receive service credit for the employment.

11 (7) If a person described in subsection (5)(a) later becomes  
12 a member of this retirement system within 12 months after the  
13 date of termination as a participant in a transitional public  
14 employment program, service credit shall be given for employment  
15 which is excluded in subsection (5) for purposes of determining a  
16 retirement allowance upon the payment by the person's employer  
17 under subsection (5) from funds provided under the comprehensive  
18 employment and training act of 1973, former Public Law 93-203,  
19 87 Stat. 839, as funds permit, to the retirement system of the  
20 contributions, plus regular interest, the employer would have  
21 paid had the employment been rendered in a position covered by  
22 this act. During the person's employment in the transitional  
23 public employment program, the person's employer shall place in  
24 reserve a reasonable but not necessarily an actuarially deter-  
25 mined amount equal to the contributions that the employer would  
26 have paid to the retirement system for those employees in the  
27 transitional public employment program as if they were members

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1 under this act, but only for that number of employees that the  
2 employer determined would move from the transitional public  
3 employment program into positions covered by this act. If the  
4 funds provided under the comprehensive employment and training  
5 act of 1973, former Public Law 93-203, 87 Stat. 839, are insuffi-  
6 cient, the remainder of the employer contributions shall be paid  
7 by the person's current employer.

8 (8) FOR PURPOSES OF SECTION 19G, A FORMER MEMBER SHALL BE  
9 CONSIDERED A MEMBER AND SHALL BE CONSIDERED TO HAVE SATISFIED THE  
10 REQUIREMENTS OF SECTION 19G(1)(C) AND (2)(C) IF THE FORMER MEMBER  
11 WAS EMPLOYED BY THE DEPARTMENT FORMERLY KNOWN AS THE DEPARTMENT  
12 OF MENTAL HEALTH ON JANUARY 1, 1996 AND WENT ON LAYOFF STATUS  
13 BEFORE JANUARY 1, 1997.

Sec. 17i. (1) On and after June 23, 1987, a member who is otherwise entitled to purchase service credit under section 17g, 17h, 17i, 17k, 17l, ~~or~~ 17m, OR 17N shall not purchase a combined total of more than 10 years of service credit under those sections.

(2) On and after June 23, 1987, a member who under section 17c, ~~17e, 17f, 17g, 17h, 17i, 17k, 17l, 17m, 17N, or 18(2)~~ is otherwise entitled to purchase service credit may purchase the service credit in separate increments equal to 1 or more full years, or a remaining fraction of a year, if any, or both. Partial purchase of service credit under this section does not bar future purchases otherwise in compliance with this section and the provisions of this act authorizing the purchase, but computation of the amount of payment due shall be made separately for each purchase.

(3) If a member who made payment under this section dies and a retirement allowance is not payable or if the member leaves service with this state before his or her retirement allowance becomes effective, the payment made by the member shall be refunded upon request to the member, to the person designated by the member in writing to the board, or if a person is not designated, then to the member's legal representative or estate.

(4) Actuarial cost shall be equal to the product of subdivisions (a), (b), and (c), as follows:

(a) A percentage, determined by the retirement board and the department, that when multiplied by a member's compensation, as determined under subdivision (b), results in the average actuarial present value of the additional benefits resulting from the crediting of 1 additional year of service. The percentage may vary because of age, credited service, or benefit coverage. An increase or decrease in the percentage under this subdivision shall not become effective before the expiration of 6 months or more after the retirement board notifies the members of the increase or decrease.

(b) A member's compensation. The member's compensation shall be the member's FULL-TIME OR EQUIVALENT FULL-TIME compensation earned in the fiscal year immediately before the fiscal year in which the application to purchase and payment for the service are made. The compensation amount

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used shall not be less than the highest compensation previously earned by the member.

(c) The number of years, including any fraction of a year, of credited service a member elects to purchase up to the maximum allowed.

SEC. 17N. (1) A MEMBER MAY TRANSFER OR PURCHASE SERVICE CREDIT EARNED WHEN THE MEMBER WAS AN EMPLOYEE OF A CITY WITH A POPULATION OVER 750,000 IF ALL OF THE FOLLOWING APPLY:

(A) THE MEMBER BECAME A MEMBER ON SEPTEMBER 1, 1981.

(B) THE MEMBER WAS EMPLOYED BY A CITY WITH A POPULATION OVER 750,000 ON AUGUST 31, 1981.

(C) THE PENSION SYSTEM OF THE CITY WITH A POPULATION OVER 750,000, THE CITY WITH A POPULATION OVER 750,000, OR THE MEMBER AGREES TO CONTRIBUTE THE ACTUARIAL COST OF THE SERVICE CREDIT TRANSFERRED OR PURCHASED TO THE RETIREMENT SYSTEM.

(2) UPON PAYMENT OF THE ACTUARIAL COST OF THE SERVICE CREDIT PURCHASED, THE RETIREMENT SYSTEM SHALL CREDIT THE MEMBER WITH THE SERVICE.

14       Sec. 19. (1) A member who is 60 years of age or older and  
15       has 10 or more years of credited service or a member who is 60  
16       years of age or older and has 5 or more years of credited service  
17       as provided in section 20(4) or (5) may retire upon written  
18       application to the retirement board, stating a date ~~—, not less~~  
19       ~~than 30 or more than 90 days after the execution and filing of~~  
20       ~~the application,~~ on which he or she desires to retire.  
21       Beginning on the retirement allowance effective date, he or she  
22       shall receive a retirement allowance computed according to sec-  
23       tion 20(1).

24       (2) A member who is 55 years of age or older, but less than  
25       60 years of age, and has 15 or more years of credited service,  
26       may retire upon written application to the retirement board  
27       stating a date ~~—, not less than 30 or more than 90 days after the~~

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1 ~~execution and filing of the application,~~ on which he or she  
2 desires to retire. Upon retirement he or she shall receive a  
3 retirement allowance computed according to section 20(1). Except  
4 as otherwise provided in this act, the retirement allowance of a  
5 member who has less than 30 years of credited service shall be  
6 reduced by an amount that is 0.5% of the retirement allowance  
7 multiplied by the number of months the person's age at retirement  
8 is under 60 years. The reduction of 1/2 of 1% for each month and  
9 fraction of a month from the member's retirement allowance effec-  
10 tive date to the date of the member's sixtieth birthday provided  
11 for in this subsection does not apply to a member who retired  
12 before July 1, 1974 and before attainment of age 60, with 30 or  
13 more years of credited service. The retirement allowance of a  
14 retirant or beneficiary of a retirant who retired before that  
15 date shall be recalculated disregarding the reduction, and the  
16 person receiving the retirement allowance is eligible to receive  
17 an adjusted retirement allowance based on the recalculation  
18 beginning October 1, 1987, but is not eligible to receive the  
19 adjusted amount attributable to any month beginning before  
20 October 1, 1987. The recalculated retirement allowance provided  
21 by this subsection shall be paid by January 1, 1988. The retire-  
22 ment allowance of a retirant who dies before January 1, 1988, and  
23 who has not nominated a retirement allowance beneficiary pursuant  
24 to section 31, shall not be recalculated pursuant to this  
25 subsection.

26 (3) Notwithstanding any other provision of this section,  
27 effective April 1, 1988, a member may retire with a retirement

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1 allowance computed according to section 20(1), without regard to  
2 the reduction in subsection (2), if all of the following apply:

3 (a) The member files a written application with the retire-  
4 ment board stating a date, not less than 30 or more than 90 days  
5 after the execution and filing of the application, on which the  
6 member desires to retire, and which is within the early retire-  
7 ment effective period.

8 (b) The member was employed by the state for the 6-month  
9 period immediately preceding the member's retirement allowance  
10 effective date. This subdivision does not apply to a member who  
11 had been restored to active service during that 6-month period  
12 pursuant to section 33.

13 (c) On the last day of the month immediately preceding the  
14 retirement allowance effective date stated in the application,  
15 the member's combined age and length of credited service is equal  
16 to or greater than 80 years and the member is 50 years of age or  
17 older.

18 (d) For purposes of this subsection, "early retirement  
19 effective period" means 1 of the following:

20 (i) Except as provided in subparagraph (ii), the period  
21 beginning on April 1, 1988 and ending on April 1, 1989.

22 (ii) For a member employed by a hospital or facility owned  
23 or operated by the department formerly known as the department of  
24 mental health that is in the process of being closed by the  
25 department formerly known as the department of mental health, the  
26 period beginning on April 1, 1988 and ending on October 1, 1989.

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1 (4) As used in subsections (5) to (9):

2 (a) "Agency of the department" means 1 of the following:

3 (i) Southwest Michigan community living services.

4 (ii) Wayne community living services.

5 (b) "Department inpatient facility" means 1 of the  
6 following:

7 (i) A developmental disability center that is directly oper-  
8 ated by the department formerly known as the department of mental  
9 health for purposes of providing inpatient care and treatment  
10 services to persons with developmental disabilities.

11 (ii) A psychiatric hospital that is directly operated by the  
12 department formerly known as the department of mental health for  
13 purposes of providing inpatient diagnostic and therapeutic serv-  
14 ices to persons who are mentally ill.

15 (5) Notwithstanding any other provision of this section, a  
16 member who is an employee of an agency of the department or a  
17 department inpatient facility and is on layoff status because the  
18 agency or inpatient facility has been designated by the state  
19 officer formerly known as the director of mental health for clo-  
20 sure on or after October 1, 1989, may retire as provided in sub-  
21 section (7) or (8), as applicable, with a retirement allowance  
22 computed according to section 20(1), without regard to the reduc-  
23 tion in subsection (2), upon satisfaction of any 1 of the follow-  
24 ing conditions:

25 (a) The member is 51 years of age or older and has 25 or  
26 more years of credited service, the last 5 of which are as an

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1 employee of an agency of the department designated for closure or  
2 a department inpatient facility designated for closure.

3 (b) The member is at least 56 years of age and has 10 or  
4 more years of credited service, the last 5 of which are as an  
5 employee of an agency of the department designated for closure or  
6 a department inpatient facility designated for closure.

7 (c) The member has 25 or more years of credited service,  
8 regardless of age, as an employee of an agency of the department  
9 designated for closure or a department inpatient facility desig-  
10 nated for closure.

11 (6) When a department inpatient facility or agency is desig-  
12 nated for closure on or after October 1, 1989, the state officer  
13 formerly known as the director of mental health shall certify in  
14 writing to the state legislature and the retirement board, not  
15 less than 240 days before the designated official date of clo-  
16 sure, which facility or agency is to be closed and the designated  
17 official date of closure.

18 (7) Except as provided in subsection (8), a member who is  
19 eligible to receive a retirement allowance under subsection (5)  
20 may retire effective on the date that an agency of the department  
21 or a department inpatient facility designated for closure as pro-  
22 vided in subsection (5) actually closes, upon written application  
23 to the retirement board not less than 30 or more than 180 days  
24 before the designated official date of closure. Beginning on the  
25 retirement allowance effective date, he or she shall receive a  
26 retirement allowance computed according to section 20(1).

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1       (8) A member who is on layoff status, is not working for the  
2 state, and becomes eligible to receive a retirement allowance  
3 under subsection (5) and who was an employee of an agency of the  
4 department or a department inpatient facility that has been des-  
5 ignated for closure as provided in subsection (5) and that actu-  
6 ally closes on or after October 1, 1989, may retire upon written  
7 application to the retirement board, stating a date ~~—, not less~~  
8 ~~than 30 or more than 180 days after the facility actually~~  
9 ~~closes,~~ upon which he or she wishes to retire. Beginning on the  
10 retirement allowance effective date, he or she shall receive a  
11 retirement allowance computed according to section 20(1).

12       (9) Any additional accrued actuarial cost and costs for  
13 health insurance resulting from the implementation of subsection  
14 (5) shall be funded from appropriations to the department  
15 formerly known as the department of mental health for this  
16 purpose.

17       (10) A member who is an employee of the state accident fund  
18 on the date of transfer to a permitted transferee as that term is  
19 defined by section 701a of the worker's disability compensation  
20 act of 1969, 1969 PA 317, MCL 418.701a, may retire if the  
21 member's age and his or her length of service is equal to or  
22 greater than 70 years on the date of transfer. The member may  
23 retire upon written application to the retirement board, stating  
24 a date, not less than 30 or more than 90 days after the execution  
25 and filing of the application, on which he or she desires to  
26 retire. Beginning on the retirement allowance effective date, he  
27 or she shall receive a retirement allowance computed according to

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1 section 20(1) without regard to the reduction required by  
2 subsection (2).

3 (11) A member who is an employee of the Michigan biologic  
4 products institute on the date the institute is conveyed pursuant  
5 to the Michigan biologic products institute transfer act, 1996  
6 PA 522, MCL 333.26331 to 333.26340, may retire if the member's  
7 age and his or her length of service is equal to or greater than  
8 70 years on the date of the conveyance. The member may retire  
9 upon written application to the retirement board, stating a date,  
10 not less than 30 or more than 90 days after the execution and  
11 filing of the application, on which he or she desires to retire.  
12 Beginning on the retirement allowance effective date, he or she  
13 shall receive a retirement allowance computed according to  
14 section 20(1) without regard to the reduction required by  
15 subsection (2).

16 (12) A member who is an employee of the liquor control com-  
17 mission created by section ~~5 of the Michigan liquor control act,~~  
18 ~~1933 (Ex Sess) PA 8, MCL 436.5~~ 209 OF THE MICHIGAN LIQUOR CON-  
19 TROL CODE OF 1998, 1998 PA 5, MCL 436.1209, whose employment is  
20 terminated due to the privatization of the distribution of spir-  
21 its within this state is effectuated pursuant to the resolution  
22 and order adopted by the liquor control commission on February 7,  
23 1996, a plan adopted pursuant to statute or court order, or a  
24 plan adopted pursuant to both statute and order of the liquor  
25 control commission may retire if the member's age and his or her  
26 length of service is equal to or greater than 70 years on the  
27 date the privatization is effectuated. The member may retire

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1 under this subsection upon written application to the retirement  
2 board, stating a date, not less than 30 or more than 90 days  
3 after the execution and filing of the application, on which he or  
4 she desires to retire. Beginning on the retirement allowance  
5 effective date, he or she shall receive a retirement allowance  
6 computed according to section 20(1), without regard to the reduc-  
7 tion required by subsection (2). The cost of benefits paid under  
8 this section shall be paid out of the revolving fund created  
9 under section ~~10~~ 221 of the Michigan liquor control ~~act, 1933~~  
10 ~~(Ex Sess) PA 8, MCL 436.10~~ CODE OF 1998, 1998 PA 58,  
11 MCL 436.1221.

12 SEC. 19G. (1) NOTWITHSTANDING SECTION 19, A MEMBER MAY  
13 RETIRE AND RECEIVE A RETIREMENT ALLOWANCE COMPUTED UNDER THIS  
14 SECTION IF THE MEMBER MEETS ALL OF THE FOLLOWING REQUIREMENTS:

15 (A) ON OR BEFORE NOVEMBER 1, 2002, OR ON THE EFFECTIVE DATE  
16 OF HIS OR HER RETIREMENT, WHICHEVER IS EARLIER, THE MEMBER MEETS  
17 1 OR MORE OF THE FOLLOWING:

18 (i) THE MEMBER'S COMBINED AGE AND LENGTH OF CREDITED SERVICE  
19 IS EQUAL TO OR GREATER THAN 80 YEARS.

20 (ii) THE MEMBER IS 60 YEARS OF AGE OR OLDER AND HAS 10 OR  
21 MORE YEARS OF CREDITED SERVICE.

22 (B) THE MEMBER IS WITHIN THE CLASSIFIED STATE CIVIL SERVICE,  
23 IS AN EMPLOYEE OF THE JUDICIAL BRANCH, OR IS AN INDIVIDUAL NOT  
24 DESCRIBED IN SUBSECTION (2)(B).

25 (C) EXCEPT AS PROVIDED IN SECTION 13(8), THE MEMBER WAS  
26 EMPLOYED BY THIS STATE FOR THE 6-MONTH PERIOD ENDING ON THE  
27 EFFECTIVE DATE OF HIS OR HER RETIREMENT OR WAS AN EMPLOYEE OF THE

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1 STATE JUDICIAL COUNCIL ON SEPTEMBER 30, 1996 AS DESCRIBED IN  
2 SECTION 44A. A MEMBER WHO IS ON LAYOFF STATUS FROM STATE EMPLOY-

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MENT IS CONSIDERED TO HAVE MET THE EMPLOYMENT REQUIREMENT OF THIS  
SUBDIVISION.

(D) EXCEPT AS MAY BE PROVIDED OTHERWISE IN SUBSECTION (5),  
THE MEMBER EXECUTES AND FILES A WRITTEN APPLICATION WITH THE  
RETIREMENT BOARD, ON OR AFTER APRIL 1, 2002, BUT NOT LATER THAN  
APRIL 30, 2002, STATING A DATE ON OR AFTER JULY 1, 2002, BUT NOT  
LATER THAN NOVEMBER 1, 2002, ON WHICH HE OR SHE DESIRES TO  
RETIRE. A MEMBER MAY WITHDRAW A WRITTEN APPLICATION ON OR BEFORE  
MAY 15, 2002 OR 7 DAYS AFTER THE REJECTION OF AN EXTENSION  
REQUESTED UNDER SUBSECTION (5), WHICHEVER IS LATER. A WRITTEN  
APPLICATION SUBMITTED BY A MEMBER AND NOT WITHDRAWN ON OR BEFORE  
MAY 15, 2002 OR 7 DAYS AFTER THE REJECTION OF AN EXTENSION  
REQUESTED UNDER SUBSECTION (5), WHICHEVER IS LATER, IS  
IRREVOCABLE.

(E) THE MEMBER IS NOT ELIGIBLE FOR A SUPPLEMENTAL EARLY  
RETIREMENT UNDER SECTION 46 AS A COVERED EMPLOYEE DEFINED IN  
SECTION 45 ON OR AFTER JULY 1, 2002 THROUGH THE EFFECTIVE DATE OF  
THE MEMBER'S RETIREMENT UNDER THIS SECTION.

(F) THE MEMBER IS NOT A CONSERVATION OFFICER AS DESCRIBED IN  
SECTION 48.

(2) NOTWITHSTANDING SECTION 19, A MEMBER MAY RETIRE AND  
RECEIVE A RETIREMENT ALLOWANCE COMPUTED UNDER THIS SECTION IF THE  
MEMBER MEETS ALL OF THE FOLLOWING REQUIREMENTS:

(A) ON OR BEFORE NOVEMBER 1, 2002, OR ON THE EFFECTIVE DATE  
OF HIS OR HER RETIREMENT, WHICHEVER IS EARLIER, THE MEMBER'S  
COMBINED AGE AND LENGTH OF CREDITED SERVICE IS EQUAL TO OR

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1 GREATER THAN 80 YEARS OR THE MEMBER IS 60 YEARS OF AGE OR OLDER  
2 AND HAS 10 OR MORE YEARS OF CREDITED SERVICE.

3 (B) THE MEMBER IS AN EMPLOYEE OF THE LEGISLATURE, IS AN  
4 EMPLOYEE OF THE OFFICE OF GOVERNOR, OR IS AN UNCLASSIFIED  
5 EMPLOYEE WITHIN THE EXECUTIVE BRANCH .

6 (C) EXCEPT AS PROVIDED IN SECTION 13(8), THE MEMBER WAS  
7 EMPLOYED BY THIS STATE OR THE LEGISLATURE FOR THE 6-MONTH PERIOD  
8 ENDING ON THE EFFECTIVE DATE OF HIS OR HER RETIREMENT. A MEMBER  
9 WHO IS ON LAYOFF STATUS FROM STATE EMPLOYMENT IS CONSIDERED TO  
10 HAVE MET THE EMPLOYMENT REQUIREMENT OF THIS SUBDIVISION.

11 (D) THE MEMBER EXECUTES AND FILES A WRITTEN APPLICATION WITH  
12 THE RETIREMENT BOARD, ON OR AFTER APRIL 1, 2002, BUT NOT LATER  
13 THAN APRIL 30, 2002, STATING A DATE ON OR AFTER JULY 1, 2002, BUT  
14 NOT LATER THAN NOVEMBER 1, 2002, ON WHICH HE OR SHE DESIRES TO  
15 RETIRE. A MEMBER MAY WITHDRAW A WRITTEN APPLICATION ON OR BEFORE  
16 MAY 15, 2002. A WRITTEN APPLICATION SUBMITTED BY A MEMBER AND  
17 NOT WITHDRAWN ON OR BEFORE MAY 15, 2002 IS IRREVOCABLE. THIS  
18 SUBDIVISION IS SUBJECT TO SUBSECTION (5).

19 (E) THE MEMBER IS NOT ELIGIBLE FOR A SUPPLEMENTAL EARLY  
20 RETIREMENT UNDER SECTION 46 AS A COVERED EMPLOYEE DEFINED IN  
21 SECTION 45 ON OR AFTER JULY 1, 2002 THROUGH THE EFFECTIVE DATE OF THE  
22 MEMBER'S RETIREMENT UNDER THIS SECTION.

23 (F) THE MEMBER IS NOT A CONSERVATION OFFICER AS DESCRIBED IN  
24 SECTION 48.

25 (3) ANY AMOUNT THAT A MEMBER RETIRING UNDER THIS SECTION  
26 WOULD OTHERWISE BE ENTITLED TO RECEIVE IN A LUMP SUM AT RETIRE-  
27 MENT ON ACCOUNT OF ACCUMULATED SICK LEAVE SHALL BE PAID IN 60  
CONSECUTIVE EQUAL MONTHLY INSTALLMENTS BEGINNING ON OR AFTER

OCTOBER 1, 2002. PAYMENTS RECEIVED UNDER THIS SUBSECTION MAY NOT BE USED TO PURCHASE SERVICE CREDIT UNDER THIS ACT. THESE PAYMENTS FOR ACCUMULATED SICK LEAVE ARE TO BE PAID FROM FUNDS APPROPRIATED TO THE APPOINTING AUTHORITY AND NOT FROM FUNDS OF THE RETIREMENT SYSTEM. THESE PAYMENTS ARE NOT PENSIONS, ANNUITIES, RETIREMENT ALLOWANCES, OPTIONAL BENEFITS, OR ANY OTHER RIGHTS DESCRIBED IN SECTION 40(1), ARE NOT EXEMPT FROM TAXATION. ARE SUBJECT TO EXECUTION, GARNISHMENT. ATTACHMENT. THE OPERATION OF BANKRUPTCY OR INSOLVENCY LAWS, OR OTHER PROCESS OF LAW, AND MAY BE ASSIGNABLE AS PROVIDED IN THIS ACT.

(4) ANY AMOUNT THAT A MEMBER RETIRING UNDER THIS SECTION IS ENTITLED TO RECEIVE IN A LUMP SUM AT RETIREMENT ON ACCOUNT OF ACCUMULATED ANNUAL LEAVE SHALL BE PAID ON OR AFTER OCTOBER 1,

2002. THESE PAYMENTS ARE NOT PENSIONS. ANNUITIES. RETIREMENT ALLOWANCES, OPTIONAL BENEFITS. OR ANY OTHER RIGHTS DESCRIBED IN SECTION 40(1), ARE NOT EXEMPT FROM TAXATION. ARE SUBJECT TO EXECUTION. GARNISHMENT. ATTACHMENT. THE OPERATION OF BANKRUPTCY OR INSOLVENCY LAWS. OR OTHER PROCESS OF LAW, AND MAY BE ASSIGNABLE AS PROVIDED IN THIS ACT.

(5) THE DIRECTOR OF A PRINCIPAL DEPARTMENT MAY REQUEST THAT THE EFFECTIVE DATE OF RETIREMENT UNDER SUBSECTION (1) OF A MEMBER EMPLOYED BY THAT DEPARTMENT BE EXTENDED TO A DATE NOT LATER THAN FEBRUARY 1, 2004. TO MAKE A REQUEST UNDER THIS SUBSECTION, THE DIRECTOR SHALL SUBMIT A WRITTEN REQUEST AND THE WRITTEN CONCURRENCE OF THE MEMBER TO THE OFFICE OF THE STATE EMPLOYER AND THE STATE BUDGET OFFICE ON OR BEFORE MAY 31, 2002. UPON RECEIPT OF THE WRITTEN REQUEST AND CONCURRENCE, THE OFFICE OF THE STATE EMPLOYER AND THE STATE BUDGET OFFICE MAY EXTEND THE EFFECTIVE DATE OF RETIREMENT OF A MEMBER OTHERWISE ELIGIBLE TO RETIRE UNDER SUBSECTION (1) TO A DATE NOT LATER THAN FEBRUARY 1, 2004. UPON WRITTEN APPROVAL OF THE SENATE MAJORITY LEADER FOR A MEMBER WHO IS AN EMPLOYEE OF THE SENATE, THE SPEAKER OF THE HOUSE OF REPRESENTATIVES FOR A MEMBER WHO IS AN EMPLOYEE OF THE HOUSE OF REPRESENTATIVES, THE SENATE MAJORITY LEADER AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES FOR A MEMBER WHO IS AN EMPLOYEE OF THE

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1 OFFICE OF THE AUDITOR GENERAL. DIRECTOR OR CHAIR OF THE LEGISLATIVE  
RETIREMENT SYSTEM FOR A MEMBER WHO IS AN EMPLOYEE OF THE LEGISLATIVE  
2 OF THE LEGISLATIVE COUNCIL FOR A MEMBER WHO IS AN EMPLOYEE OF AN  
3 AGENCY UNDER THE JURISDICTION OF THE LEGISLATIVE COUNCIL, AND  
4 UPON WRITTEN CONCURRENCE OF THE MEMBER, THE EFFECTIVE DATE OF  
5 RETIREMENT FOR THAT MEMBER UNDER SUBSECTION (2) MAY BE EXTENDED  
6 TO A DATE NOT LATER THAN FEBRUARY 1, 2004. UPON WRITTEN APPROVAL  
7 OF THE CHIEF JUSTICE FOR A MEMBER WHO IS AN EMPLOYEE OF THE JUDI-  
8 CIAL BRANCH, INCLUDING, BUT NOT LIMITED TO, MEMBERS DESCRIBED IN  
9 SECTION 44A, AND UPON WRITTEN CONCURRENCE OF THE MEMBER, THE  
10 EFFECTIVE DATE OF RETIREMENT FOR THAT MEMBER UNDER SUBSECTION (1)  
11 MAY BE EXTENDED TO A DATE NOT LATER THAN FEBRUARY 1, 2004. THE  
12 INDIVIDUAL OR INDIVIDUALS WHO APPROVE THE EXTENSION OF AN EFFEC-  
13 TIVE DATE OF RETIREMENT FOR A MEMBER WHO IS AN EMPLOYEE OF THE  
14 LEGISLATURE, SUPREME COURT, OR COURT OF APPEALS SHALL SUBMIT  
15 WRITTEN NOTIFICATION TO THE OFFICE OF RETIREMENT SERVICES OF ALL  
16 EXTENSIONS APPROVED ON OR BEFORE MAY 31, 2002.

17 (6) UPON HIS OR HER RETIREMENT AS PROVIDED IN THIS SECTION,  
18 A MEMBER WHO DID NOT MAKE AN ELECTION UNDER SECTION 50 TO TERMI-  
19 NATE MEMBERSHIP IN TIER 1 AND BECOME A QUALIFIED PARTICIPANT IN  
20 TIER 2 SHALL RECEIVE A RETIREMENT ALLOWANCE EQUAL TO THE MEMBER'S  
21 NUMBER OF YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE MULTI-  
22 PLIED BY 1-3/4% OF HIS OR HER FINAL AVERAGE COMPENSATION. EXCEPT  
23 FOR THE CALCULATION PROVIDED IN THIS SUBSECTION, THE MEMBER'S  
24 RETIREMENT ALLOWANCE IS SUBJECT TO SECTION 20. THE MEMBER'S  
25 RETIREMENT ALLOWANCE IS NOT SUBJECT TO REDUCTION PURSUANT TO  
26 SECTION 19(2).

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1           (7) UPON HIS OR HER RETIREMENT AS PROVIDED IN THIS SECTION,  
2 A FORMER MEMBER WHO MADE AN ELECTION UNDER SECTION 50 TO  
3 TERMINATE MEMBERSHIP IN TIER 1 AND BECOME A QUALIFIED PARTICIPANT  
4 IN TIER 2 SHALL RECEIVE A RETIREMENT ALLOWANCE EQUAL TO THE  
5 MEMBER'S NUMBER OF YEARS AND FRACTION OF A YEAR OF CREDITED SERV-  
6 ICE MULTIPLIED BY 1/4% OF HIS OR HER FINAL AVERAGE COMPENSATION.  
7 EXCEPT FOR THE CALCULATION PROVIDED IN THIS SUBSECTION, THE  
8 FORMER MEMBER'S RETIREMENT ALLOWANCE IS SUBJECT TO SECTION 20.  
9 THE FORMER MEMBER'S RETIREMENT ALLOWANCE IS NOT SUBJECT TO REDUC-  
10 TION PURSUANT TO SECTION 19(2).

11           (8) FOR PURPOSES OF THIS SECTION, AN INDIVIDUAL WHO ELECTED  
12 TO TERMINATE MEMBERSHIP UNDER SECTION 50 AND WHO, BUT FOR THAT  
13 ELECTION, WOULD OTHERWISE BE ELIGIBLE FOR MEMBERSHIP IN TIER 1  
14 UNDER SECTION 13, SHALL BE CONSIDERED A MEMBER OF TIER 1 FOR THE  
15 LIMITED PURPOSE OF RECEIVING A RETIREMENT ALLOWANCE CALCULATED  
16 UNDER THIS SECTION AND PAID BY THE RETIREMENT SYSTEM.

17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED]  
20 [REDACTED]  
21 [REDACTED]  
22 [REDACTED]  
23 [REDACTED]  
24 [REDACTED]  
25 [REDACTED]  
26 [REDACTED]

1 [REDACTED]  
2 [REDACTED]  
3 [REDACTED]  
SEC. 19H. PAYMENTS MADE AFTER SEPTEMBER 30, 1991, UNDER SECTIONS 19B(2), 19C(2), 19D(2), 19E(2), AND 19F(3) ARE NOT PENSIONS, ANNUITIES, RETIREMENT ALLOWANCES, OPTIONAL BENEFITS, OR ANY OTHER RIGHTS DESCRIBED IN SECTION 40(1), ARE NOT EXEMPT FROM TAXATION, ARE SUBJECT TO EXECUTION, GARNISHMENT, ATTACHMENT, THE OPERATION OF BANKRUPTCY OR INSOLVENCY LAWS, OR OTHER PROCESS OF LAW, AND MAY BE ASSIGNABLE AS PROVIDED IN THIS ACT.

4 Sec. 20. (1) Upon his or her retirement, as provided for in  
5 section 19, 19a, 19b, 19c, or 19d, a member shall receive a  
6 retirement allowance equal to the member's number of years and  
7 fraction of a year of credited service multiplied by 1-1/2% of  
8 his or her final average compensation. The member's retirement  
9 allowance is subject to subsection (3). Upon his or her retire-  
10 ment, the member may elect an option provided for in  
11 section 31(1).

12 (2) Pursuant to rules promulgated by the retirement board, a  
13 member who retires before becoming 65 years of age may elect to  
14 have his or her regular retirement allowance equated on an actu-  
15 arial basis to provide an increased retirement allowance payable  
16 up to his or her attainment of 65 years of age and a reduced  
17 retirement allowance payable after his or her attainment of 65  
18 years of age. His or her increased retirement allowance payable  
19 up to age 65 shall approximately equal the sum of his or her  
20 reduced retirement allowance payable after age 65 and his or her  
21 estimated social security primary insurance amount. In addition,  
22 upon retirement the member may elect an option provided for in  
23 section 31(1).

24 (3) If a retirant dies before receiving payment of his or  
25 her retirement allowance in an aggregate amount equal to the  
26 retirant's accumulated contributions credited to the retirant in  
27 the employees' savings fund at the time of his or her retirement,  
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1 the difference between his or her accumulated contributions and  
2 the amount of retirement allowance received by him or her shall  
3 be paid to the person or persons that he or she nominated by  
4 written designation ~~duly~~ executed and filed with the retirement  
5 board. If the person or persons do not survive the retirant,  
6 then the difference, if any, shall be paid to the retirant's  
7 legal representative or estate. Benefits shall not be paid under  
8 this subsection on account of the death of the retirant if he or  
9 she elected an option provided for in section 31(1).

10 (4) If a member has 10 or more years of credited service, or  
11 has 5 or more years of credited service as an elected officer or  
12 in a position in the executive branch or the legislative branch  
13 excepted or exempt from the classified state civil service as  
14 provided in section 5 of article XI of the state constitution of  
15 1963, and is separated from the service of the state for a reason  
16 other than retirement or death, he or she shall remain a member  
17 during the period of absence from the state service for the  
18 exclusive purpose of receiving a retirement allowance provided  
19 for in this section. If a former employee of the state accident  
20 fund who had 5 or more years of service as an employee of the  
21 state accident fund returns to employment with the state before  
22 receiving a retirement allowance under this act, the employee  
23 shall be required to accumulate 10 or more years of credited  
24 service before receiving a retirement allowance under this act.  
25 If a former employee of the Michigan biologic products institute  
26 who is eligible to and has elected to purchase additional  
27 credited service pursuant to section 17(2) returns to employment

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1 with the state before receiving a retirement allowance under this  
2 act, the employee shall be required to accumulate 10 or more  
3 years of credited service, without regard to the additional cred-  
4 ited service purchased pursuant to section 17(2) but including  
5 any credited service authorized under section 16, before receiv-  
6 ing a retirement allowance under this act. If the member with-  
7 draws all or part of his or her accumulated contributions, he or  
8 she ceases to be a member. Upon becoming 60 years of age or  
9 older, the member may retire upon his or her written application  
10 to the retirement board as provided in section 19(1). If a  
11 member elects an option as provided under section 31(4), but dies  
12 before the effective date of his or her retirement, the option  
13 elected by the member shall be carried out, and the beneficiary  
14 of the member is entitled to all advantages due under that  
15 option.

16 (5) A person who is a member after January 1, 1981, who has  
17 at least 5 years of credited service, and whose employment with  
18 the department formerly known as the department of mental health  
19 is terminated by reason of reduction in force related to deinsti-  
20 tutionalization that may or may not result in facility closure,  
21 shall remain a member during the period of absence from the state  
22 service for the exclusive purpose of receiving a service retire-  
23 ment allowance as provided in this subsection. As used in this  
24 subsection, "deinstitutionalization" means planned reduction of  
25 state center or hospital beds through placement of individuals  
26 from the hospital or facility, or through limiting admissions to  
27 centers and hospitals, or both. If a member withdraws all or

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1 part of the member's accumulated contributions, the member ceases  
2 to be a member. Upon becoming 60 years of age or older, the  
3 member may retire upon written application to the retirement  
4 board. The application shall specify a date ~~—, not less than 30~~  
5 ~~days or more than 90 days after the execution and filing of the~~  
6 ~~application,~~ on which the member desires to retire. Upon  
7 retirement, the member shall receive a retirement allowance equal  
8 to the number of years and fraction of a year of credited state  
9 service multiplied by 1-1/2% of the member's final average  
10 compensation. Upon retirement, the member may elect an option  
11 provided in section 31(1). If the member elects an option pro-  
12 vided for in section 31(4), but dies before the effective date of  
13 retirement, the option elected by the member shall be carried  
14 out, and a beneficiary of the member is entitled to all advan-  
15 tages due under the option.

16 (6) A retirant or the beneficiary of a retirant who retired  
17 before July 1, 1974 shall have his or her retirement allowance  
18 recalculated based on the retirant's number of years and fraction  
19 of a year of credited service multiplied by 1.5% of his or her  
20 final average compensation. The retirant or beneficiary is eli-  
21 gible to receive the recalculated retirement allowance beginning  
22 October 1, 1987, but is not eligible to receive the adjusted  
23 amount attributable to any month beginning before October 1,  
24 1987. The recalculated retirement allowance provided by this  
25 subsection shall be paid by January 1, 1988 and shall be the  
26 basis on which future adjustments to the allowance, including the  
27 supplement provided by section 20h, are calculated. The

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1 retirement allowance of a retirant who dies before January 1,  
2 1988, and who did not nominate a retirement allowance beneficiary  
3 pursuant to section 31, shall not be recalculated pursuant to  
4 this subsection.

5 (7) Each retirement allowance payable under this act shall  
6 date from the first of the month following the month in which the  
7 applicant satisfies the age and service or other requirements for  
8 receiving the retirement allowance and terminates state service.  
9 A full month's retirement allowance is payable for the month in  
10 which a retirement allowance ceases.

11 (8) An employee of the state accident fund who has 5 or more  
12 but less than 10 years of credited service as of the effective  
13 date of the transfer authorized by section 701a of the worker's  
14 disability compensation act of 1969, ~~Act No. 317 of the Public~~  
15 ~~Acts of 1969, being section 418.701a of the Michigan Compiled~~  
16 ~~Laws~~ 1969 PA 317, MCL 418.701A, and who is permitted to receive  
17 a retirement allowance under subsection (4) is eligible for  
18 health care benefits under section 20d on the date of his or her  
19 retirement to the same extent as a member with 10 years of cred-  
20 ited service who vested on the same date.

21 (9) An employee of the Michigan biologic products institute  
22 who has 5 or more but less than 10 years of credited service as  
23 of the effective date of the conveyance authorized by the  
24 Michigan biologic products institute transfer act and who is per-  
25 mitted to receive a retirement allowance under subsection (4) is  
26 eligible for health care benefits under section 20d on the date

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1 of his or her retirement to the same extent as a member with 10  
2 years of credited service who vested on the same date.

3       Sec. 20d. (1) On and after July 1, 1974, hospitalization  
4 and medical coverage insurance premium payable by any retirant or  
5 his or her beneficiary and his or her dependents under any group  
6 health 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 health insurance reserve fund created  
9 in section 11. The amount payable shall be in the same propor-  
10 tion of premium payable by the state of Michigan for the classi-  
11 fied employees occupying positions in the state civil service.  
12 The hospitalization and medical insurance premium payable shall  
13 be paid from appropriations made for this purpose to the health  
14 insurance reserve fund sufficient to cover the premium payment  
15 needed to be made.

16       (2) Effective January 1, 1988, 90% of the premium payable by  
17 a retirant or the retirant's beneficiary and his or her depen-  
18 dents for dental coverage or vision coverage, or both, under any  
19 group plan authorized by the Michigan civil service commission  
20 and the department of management and budget shall be paid by the  
21 retirement board from the health insurance reserve fund created  
22 in section 11.

23       (3) THE DEPARTMENT OF MANAGEMENT AND BUDGET SHALL CALCULATE  
24 FOR EACH FISCAL YEAR ANY COST SAVINGS THAT HAVE ACCRUED TO THIS  
25 STATE AS A RESULT OF THE IMPLEMENTATION OF 1996 PA 487 OVER THE  
26 COSTS THAT WOULD HAVE BEEN INCURRED BY THIS STATE TO FUND  
27 PREMIUMS PAYABLE PURSUANT TO SECTION 68 HAD 1996 PA 487 NOT BEEN

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1 IMPLEMENTED. THE TOTAL AMOUNT OF THE COST SAVINGS, IF ANY, SHALL  
2 BE ALLOCATED TO THE HEALTH ADVANCE FUNDING SUBACCOUNT CREATED  
3 UNDER SECTION 11(9).

4 (4) ~~-(3)-~~ On and after March 31, 1997, the retirement system  
5 shall also pay health insurance premiums described in this sec-  
6 tion in the manner prescribed in section 68.

7 (5) ~~-(4)-~~ For purposes of this section, "retirant" includes  
8 a person who retires under section 306 or 410 of the Michigan  
9 military act, ~~Act No. 150 of the Public Acts of 1967, being~~  
10 ~~sections 32.706 and 32.810 of the Michigan Compiled Laws 1967~~  
11 PA 150, MCL 32.706 AND 32.810.

12 Sec. 21. ~~Subject to the provisions of sections 33 and 34,~~  
13 ~~upon the application of a member, or his department head, or the~~  
14 ~~state personnel director, a member who becomes totally incapaciti-~~  
15 ~~tated for duty in the service of the state of Michigan without~~  
16 ~~willful negligence on his part, by reason of a personal injury or~~  
17 ~~disease, which the retirement board finds to have occurred as the~~  
18 ~~natural and proximate result of the said member's actual per-~~  
19 ~~formance of duty in the service of the state, shall be retired:~~  
20 ~~Provided, The medical advisor after a medical examination of said~~  
21 ~~member shall certify in writing that said member is mentally or~~  
22 ~~physically totally incapacitated for the further performance of~~  
23 ~~duty in the service of the state, and that such incapacity will~~  
24 ~~probably be permanent, and that said member should be retired:~~  
25 ~~And provided further, That the retirement board concurs in the~~  
26 ~~recommendation of the medical advisor.~~

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1           (1) EXCEPT AS MAY BE PROVIDED OTHERWISE IN SECTIONS 33 AND  
2 34, A MEMBER WHO BECOMES TOTALLY INCAPACITATED FOR DUTY BECAUSE  
3 OF A PERSONAL INJURY OR DISEASE SHALL BE RETIRED, IF ALL OF THE  
4 FOLLOWING APPLY:

5           (A) THE MEMBER, THE MEMBER'S PERSONAL REPRESENTATIVE OR  
6 GUARDIAN, THE MEMBER'S DEPARTMENT HEAD, OR THE STATE PERSONNEL  
7 DIRECTOR FILES AN APPLICATION ON BEHALF OF THE MEMBER WITH THE  
8 RETIREMENT BOARD NO LATER THAN 1 YEAR AFTER TERMINATION OF THE  
9 MEMBER'S EMPLOYMENT.

10           (B) THE RETIREMENT BOARD FINDS THAT THE MEMBER'S PERSONAL  
11 INJURY OR DISEASE IS THE NATURAL AND PROXIMATE RESULT OF THE  
12 MEMBER'S PERFORMANCE OF DUTY.

13           (C) A MEDICAL ADVISOR CONDUCTS A MEDICAL EXAMINATION OF THE  
14 MEMBER AND CERTIFIES IN WRITING THAT THE MEMBER IS MENTALLY OR  
15 PHYSICALLY TOTALLY INCAPACITATED FOR FURTHER PERFORMANCE OF DUTY,  
16 THAT THE TOTAL INCAPACITATION IS PROBABLY PERMANENT, AND THAT THE  
17 MEMBER SHOULD BE RETIRED.

18           (D) THE RETIREMENT BOARD CONCURS IN THE RECOMMENDATION OF  
19 THE MEDICAL ADVISOR.

20           (2) UPON APPEAL TO THE RETIREMENT BOARD, THE RETIREMENT  
21 BOARD, FOR GOOD CAUSE, MAY ACCEPT AN APPLICATION FOR A DISABILITY  
22 RETIREMENT ALLOWANCE NOT LATER THAN 2 YEARS AFTER TERMINATION OF  
23 THE MEMBER'S STATE EMPLOYMENT.

24           Sec. 24. ~~Subject to the provisions of sections 33 and 34,~~  
25 ~~upon application of a member, or his department head, or the~~  
26 ~~state personnel director, a member who has been a state employee~~  
27 ~~at least 10 years becomes totally and permanently incapacitated~~

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~~1 for duty as the result of causes occurring not in the performance  
2 of duty to the state, may be retired by the retirement board:  
3 Provided, The medical advisor after a medical examination of such  
4 member, shall certify that such member is mentally or physically  
5 incapacitated for the further performance of duty, and such inca-  
6 pacity is likely to be permanent and that such member should be  
7 retired.~~

8 (1) EXCEPT AS MAY OTHERWISE BE PROVIDED IN SECTIONS 33 AND  
9 34, A MEMBER WHO BECOMES TOTALLY INCAPACITATED FOR DUTY BECAUSE  
10 OF A PERSONAL INJURY OR DISEASE THAT IS NOT THE NATURAL AND PROX-  
11 IMATE RESULT OF THE MEMBER'S PERFORMANCE OF DUTY MAY BE RETIRED  
12 IF ALL OF THE FOLLOWING APPLY:

13 (A) THE MEMBER, THE MEMBER'S PERSONAL REPRESENTATIVE OR  
14 GUARDIAN, THE MEMBER'S DEPARTMENT HEAD, OR THE STATE PERSONNEL  
15 DIRECTOR FILES AN APPLICATION ON BEHALF OF THE MEMBER WITH THE  
16 RETIREMENT BOARD NO LATER THAN 1 YEAR AFTER TERMINATION OF THE  
17 MEMBER'S STATE EMPLOYMENT.

18 (B) A MEDICAL ADVISOR CONDUCTS A MEDICAL EXAMINATION OF THE  
19 MEMBER AND CERTIFIES IN WRITING THAT THE MEMBER IS MENTALLY OR  
20 PHYSICALLY TOTALLY INCAPACITATED FOR FURTHER PERFORMANCE OF DUTY,  
21 THAT THE INCAPACITATION IS LIKELY TO BE PERMANENT, AND THAT THE  
22 MEMBER SHOULD BE RETIRED.

23 (C) THE MEMBER HAS BEEN A STATE EMPLOYEE FOR AT LEAST 10  
24 YEARS.

25 (2) UPON APPEAL TO THE RETIREMENT BOARD, THE RETIREMENT  
26 BOARD, FOR GOOD CAUSE, MAY ACCEPT AN APPLICATION FOR A DISABILITY

1 RETIREMENT ALLOWANCE NOT LATER THAN 2 YEARS AFTER TERMINATION OF

2 THE MEMBER'S STATE EMPLOYMENT.

Sec. 31. (1) Except as provided in subsection (6), before the effective date of retirement, but not after the effective date of retirement, a member or deferred member who is eligible for retirement, as provided in this act, shall elect to receive his or her benefit in a retirement allowance payable throughout life, which shall be called a regular retirement allowance, or to receive the actuarial equivalent at that time of his or her regular retirement allowance in a reduced retirement allowance payable throughout the lives of the retirant and a retirement allowance beneficiary, pursuant to 1 of the following payment options: (a) Option A. Upon the retirant's death, his or her reduced retirement allowance shall be continued throughout the life of and paid to the retirement allowance beneficiary whom the member nominated by written designation duly executed and filed with the retirement board before the effective date of his or her retirement. (b) Option B. Upon the retirant's death, 1/2 of his or her reduced retirement allowance shall be continued throughout the life of and paid to the retirement allowance beneficiary whom the member nominated by written designation duly executed and filed with the retirement board before the effective date of his or her retirement. (c) Option C. On and after January 1, 2000, upon the retirant's death, 3/4 of his or her reduced retirement allowance shall be continued throughout the life of and paid to the retirement allowance beneficiary whom the member nominated by written designation duly executed and filed with the retirement board before the effective date of his or her retirement.

(2) Except as provided in subsections (3) and (8), the election of a payment option under subsection (1) shall not be changed on or after the effective date of the retirement allowance. A retirement allowance beneficiary designated under this section shall not be changed on or after the effective date of the retirement allowance, and shall be either a spouse, brother, sister, parent, child, including an adopted child, or grandchild of the person making the designation. Payment to a retirement allowance beneficiary shall begin on the first day of the month following the death of the retirant or member.

(3) If the retirement allowance beneficiary named under a payment option under subsection (1) predeceases the retirant, the retirant's benefit shall revert to the regular retirement allowance, effective with the first day of the month following the retirement allowance beneficiary's death. For a retirant whose effective date of retirement was on or before June 28, 1976, this subsection shall apply, but the regular retirement allowance is not payable for any month beginning before the later of the retirement allowance beneficiary's death or January 1, 1986. A retirant who on January 1, 1986 is receiving a reduced retirement allowance because the retirant designated a retirement allowance beneficiary and the retirement allowance beneficiary predeceased the retirant is eligible to receive the regular retirement allowance beginning January 1, 1986, but the regular retirement allowance is not payable for any month beginning before January 1, 1986.

(4) A member who continues in the employ of this state on and after the date he or she acquires 10 years of service credit or becomes eligible for deferred retirement as provided by section 20(4) or (5), whichever occurs first, may by written declaration duly executed and filed with the retirement board elect option A, provided for in subsection (1)(a), and nominate a retirement allowance beneficiary in the same manner as if the member were then retiring from service, notwithstanding that the member may not have attained 60 years of age. If the beneficiary's death or divorce from the member occurs before the effective date of the member's retirement, the member's election of option A and nomination of retirement allowance beneficiary shall be

automatically revoked and the member may again elect option A and

nominate a retirement allowance beneficiary at any time before the effective date of retirement. If a member who has made an election and nominated a retirement allowance beneficiary as provided in this subsection dies before the effective date of his or her retirement, then the retirement allowance beneficiary shall immediately receive the retirement allowance that he or she would have been entitled to receive under option A if the member had been regularly retired on the date of the member's death. Except as otherwise provided by subsection (5), if a member who has made an election under this subsection subsequently retires under this act, his or her election of option A shall take effect at the time of retirement. Subject to the requirements of subsection (5), the member, before the effective date of retirement, but not after the effective date of retirement, may revoke his or her previous election of option A and elect to receive his or her retirement allowance as a regular retirement allowance or under option B or C as provided for in subsection (1). A retirement allowance shall not be paid under this subsection on account of the death of a member if any benefits are paid under section 27 on account of his or her death. If a deferred member who has an option A election in effect dies before the effective date of his or her retirement, the retirement allowance payable under option A shall be paid to the retirement allowance beneficiary at the time the deceased deferred member otherwise would have been eligible to begin receiving benefits.

(5) If a member, deferred member, retiring member, or retiring deferred member is married at the effective date of the retirement allowance, an election under this section, other than an election of a payment option under subsection (1) naming the spouse as retirement allowance beneficiary, shall not be effective unless the election is signed by the spouse. However, this requirement may be waived by the retirement board if the signature of a spouse cannot be obtained because of extenuating circumstances. As used in this subsection, "spouse" means the person to whom the member, deferred member, retiring member, or retiring deferred member is married at the effective date of the retirement allowance.

(6) Until July 1, 1991, upon request in a form as determined by the retirement board, a nonduty disability retirant who retired under section 24 may change his or her election to receive a disability retirement allowance computed as a regular retirement allowance and elect to receive the actuarial equivalent at the time of the election pursuant to this subsection of his or her disability retirement allowance in a reduced retirement allowance payable to the retirant and the retirant's spouse pursuant to the provisions of a payment option as provided in subsection (1), if the disability retirement allowance effective date was before November 12, 1985 and the retirant had 25 or more years of credited service on the disability retirement allowance effective date. The nonduty disability retirant shall begin to receive the reduced retirement allowance under this subsection effective the first day of the month following the month in which the retirant makes the election pursuant to this subsection. As used in this subsection, "spouse" means the person to whom the nonduty disability retirant was married on the effective date of his or her disability retirement allowance and on the date the retirant makes the election pursuant to this subsection.

(7) If a member who continues in the employ of this state on and after the date he or she acquires 10 years of service credit, or on and after the date he or she becomes eligible for deferred retirement as provided by section 20(4) or (5), whichever occurs first, and who does not have an election of option A in force as provided in subsection (4), dies before the effective date of retirement and leaves a surviving spouse, the spouse shall receive a retirement allowance computed in the same manner as if the member had retired effective the day before the

date of his or her death, elected option A, and nominated the spouse as retirement allowance beneficiary. When the retirement allowance beneficiary dies, his or her retirement allowance shall terminate. If the aggregate amount of retirement allowance payments received by the

beneficiary is less than the accumulated contributions credited to the member's account in the employees' savings fund at the time of the member's death. the difference between the accumulated contributions and the aggregate amount of retirement allowance payments received by the beneficiary shall be transferred from the employer's accumulation fund or pension reserve fund to the employees' savings fund and paid pursuant to section 29. A retirement allowance shall not be paid under this subsection on account of the death of a member if benefits are paid under section 27 on account of his or her death. IF THE OTHER REQUIREMENTS OF THIS SUBSECTION ARE MET BUT A SURVIVING SPOUSE DOES NOT EXIST, EACH OF THE DECEASED MEMBER'S SURVIVING CHILDREN LESS THAN 18 YEARS OF AGE SHALL RECEIVE AN ALLOWANCE OF AN EQUAL SHARE OF THE RETIREMENT ALLOWANCE THAT WOULD HAVE BEEN PAID TO THE SPOUSE IF LIVING AT THE TIME OF THE DECEASED MEMBER'S DEATH. PAYMENTS UNDER THIS SUBSECTION SHALL CEASE UPON THE SURVIVING CHILD'S MARRIAGE, ADOPTION, OR BECOMING 18 YEARS OF AGE, WHICHEVER OCCURS FIRST.

(8) If a retirant receiving a reduced retirement allowance under a payment option under subsection (1) is divorced from the spouse who had been designated as the retirant's retirement allowance beneficiary under the option, the election of the payment option shall be considered void by the retirement system if the judgment of divorce or award or order of the court, or an amended judgment of divorce or award or order of the court, described in ~~section 40~~ THE PUBLIC EMPLOYEE RETIREMENT BENEFIT PROTECTION ACT and dated after June 27, 1991 provides that the election of the payment option under subsection (1) is to be considered void by the retirement system and the retirant provides a certified copy of the judgment of divorce or award or order of the court, or an amended judgment of divorce or award or order of the court, to the retirement system. If the election of a payment option under subsection (1) is considered void by the retirement system under this subsection, the retirant's retirement allowance shall revert to a regular retirement allowance, including postretirement adjustments, if any, subject to an award or order of the court as described in ~~section 40~~ THE PUBLIC EMPLOYEE RETIREMENT BENEFIT PROTECTION ACT. The retirement allowance shall revert to a regular retirement allowance under this subsection effective the first of the month after the date the retirement system receives a certified copy of the judgment of divorce or award or order of the court. This subsection does not supersede a judgment of divorce or award or order of the court in effect on June 27, 1991. This subsection does not require the retirement system to distribute or pay retirement assets on behalf of a retirant in an amount that exceeds the actuarially determined amount that would otherwise become payable if a judgment of divorce had not been rendered.

~~(9) A retirement allowance payable under a payment option provided in this section is subject to an eligible domestic relations order under the eligible domestic relations order act, 1991 PA 46, MCL 38.1701 to 38.1711.~~

3       Sec. 33. (a) ~~Once each year during the first 5 years fol-~~  
4 ~~lowing the retirement of a member on a disability retirement~~  
5 ~~allowance, and at least once in every 3 year period thereafter~~  
6 ~~the~~ THE retirement board may, and upon the retirant's applica-  
7 tion shall, require any disability retirant —, who has not

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8 attained age 60 years —, to undergo a medical examination. →  
9 ~~such~~ THE RETIREMENT BOARD SHALL NOT REQUIRE A DISABILITY RETIR-  
10 ANT TO UNDERGO MORE THAN 1 MEDICAL EXAMINATION IN ANY CALENDAR  
11 YEAR. THE examination IS to be made by or under the direction of

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12 the medical advisor at the RETIRANT'S place of residence ~~of said~~  
13 ~~retirant,~~ or other place mutually agreed upon. Should any dis-  
14 ability retirant ~~,~~ who has not attained age 60 years ~~,~~ refuse  
15 to submit to ~~such~~ THE medical examination, ~~in any such~~  
16 ~~period,~~ his OR HER disability retirement allowance may be dis-  
17 continued until his OR HER withdrawal of ~~such~~ THE refusal. ~~,~~  
18 ~~and should such~~ IF THE refusal ~~continue~~ CONTINUES for 1 year,  
19 all ~~his~~ rights in and to his OR HER disability retirement  
20 allowance may be revoked by the retirement board. If upon ~~such~~  
21 THE medical examination of a disability retirant, the medical  
22 advisor reports and his OR HER report is concurred in by the  
23 retirement board, that the disability retirant is physically able  
24 and capable of resuming employment, he OR SHE shall be restored to  
25 active service with the state and his OR HER disability retire-  
26 ment allowance shall cease .

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1           (b) ~~Should~~ IF the secretary ~~report~~ REPORTS and ~~certify~~  
2 CERTIFIES to the retirement board that ~~such~~ A disability  
3 beneficiary is engaged in a gainful occupation paying more than  
4 the difference between his OR HER disability retirement allowance  
5 and his OR HER final compensation, and ~~should~~ IF the retirement  
6 board ~~concur~~ CONCURS in ~~such~~ THE report, then the amount of  
7 his OR HER retirement allowance shall be reduced to an amount  
8 which together with the amount earned by him OR HER shall equal  
9 his OR HER final compensation. Should the earnings of ~~such~~ THE  
10 disability retirant be later changed, the amount of his OR HER  
11 retirement allowance shall be further modified in like manner.

12           Sec. 38. (1) The annual level percent of payroll contribu-  
13 tion rate to finance the benefits provided under this act shall  
14 be determined by actuarial valuation pursuant to subsections (2)  
15 and (3), upon the basis of the risk assumptions adopted by the  
16 retirement board with approval of the department of management  
17 and budget, and in consultation with the investment counsel and  
18 the actuary. An annual actuarial valuation shall be made of the  
19 retirement system in order to determine the actuarial condition  
20 of the retirement system and the required contribution to the  
21 retirement system. The actuary shall report to the legislature  
22 by April 15 of each year on the actuarial condition of the  
23 retirement system as of the end of the previous fiscal year and  
24 on the projections of state contributions for the next fiscal  
25 year. The actuary shall certify in the report that the tech-  
26 niques and methodologies used are generally accepted within the  
27 actuarial profession and that the assumptions and cost estimates

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1 used fall within the range of reasonable and prudent assumptions  
2 and cost estimates. An annual actuarial gain-loss experience  
3 study of the retirement system shall be made in order to deter-  
4 mine the financial effect of variations of actual retirement  
5 system experience from projected experience.

6 (2) The contribution rate for monthly benefits payable in  
7 the event of the death of a member before retirement or the dis-  
8 ability of a member shall be computed using a terminal funding  
9 method of actuarial valuation.

10 (3) Except as otherwise provided in this subsection, the  
11 contribution rate for benefits other than those provided for in  
12 subsection (2) shall be computed using an individual projected  
13 benefit entry age normal cost method of valuation. For the  
14 1995-96 state fiscal year and for each subsequent fiscal year IN  
15 WHICH THE ACTUARIAL ACCRUED LIABILITY FOR HEALTH BENEFITS IS LESS  
16 THAN 100% FUNDED, the contribution rate for benefits provided  
17 under section 20d shall be computed using a cash disbursement  
18 method. BEGINNING IN THE FISCAL YEAR AFTER THE FISCAL YEAR IN  
19 WHICH THE ACTUARIAL ACCRUED LIABILITY FOR HEALTH BENEFITS UNDER  
20 SECTION 20D IS AT LEAST 100% FUNDED BY THE HEALTH ADVANCE FUNDING  
21 SUBACCOUNT CREATED UNDER SECTION 11(9), AND CONTINUING FOR EACH  
22 SUBSEQUENT FISCAL YEAR, THE CONTRIBUTION RATE FOR HEALTH BENEFITS  
23 PROVIDED UNDER SECTION 20D SHALL BE COMPUTED USING AN INDIVIDUAL  
24 PROJECTED BENEFIT ENTRY AGE NORMAL COST METHOD OF VALUATION. The  
25 contribution rate for service that may be rendered in the current  
26 year, the normal cost contribution rate, shall be equal to the  
27 aggregate amount of individual entry age normal costs divided by

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1 1% of the aggregate amount of active members' valuation  
2 compensation. The unfunded actuarial accrued liability shall be  
3 equal to the actuarial present value of benefits reduced by the  
4 actuarial present value of future normal cost contributions and  
5 the actuarial value of assets on the valuation date. The  
6 unfunded actuarial accrued liability shall be amortized in  
7 accordance with generally accepted governmental accounting stan-  
8 dards over a period equal to or less than 40 years.

9 (4) The legislature annually shall appropriate to the  
10 retirement system the amount determined pursuant to subsections  
11 (2) and (3). The state treasurer shall transfer monthly to the  
12 retirement system an amount equal to the product of the contribu-  
13 tion rates determined in subsections (2) and (3) times the aggre-  
14 gate amount of active member compensation paid during that  
15 month. Not later than 60 days after the termination of each  
16 state fiscal year, the executive secretary of the retirement  
17 board shall certify to the director of the department of manage-  
18 ment and budget the actual aggregate compensations paid to active  
19 members during the preceding state fiscal year. Upon receipt of  
20 that certification, the director of the department of management  
21 and budget shall compute the difference, if any, between actual  
22 state contributions received during the preceding state fiscal  
23 year and the product of the contribution rates determined in sub-  
24 sections (2) and (3) times the aggregate compensations paid to  
25 active members during the preceding state fiscal year. Except as  
26 otherwise provided in subsection (5), the difference, if any,  
27 shall be submitted in the executive budget to the legislature for

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1 appropriation in the next succeeding state fiscal year. THIS  
2 SUBSECTION DOES NOT APPLY FOR THOSE FISCAL YEARS IN WHICH A  
3 DEPOSIT OCCURS PURSUANT TO SUBSECTION (6).

4 (5) For differences occurring in fiscal years beginning on  
5 or after October 1, 1991, a minimum of 20% of the difference  
6 between the estimated and the actual aggregate compensation and  
7 the estimated and the actual contribution rate described in  
8 subsection (4), if any, may be submitted in the executive budget  
9 to the legislature for appropriation in the next succeeding state  
10 fiscal year and a minimum of 25% of the remaining difference  
11 shall be submitted in the executive budget to the legislature for  
12 appropriation in each of the following 4 state fiscal years, or  
13 until 100% of the remaining difference is submitted, whichever  
14 first occurs. In addition, interest shall be included for each  
15 year that a portion of the remaining difference is carried  
16 forward. The interest rate shall equal the actuarially assumed  
17 rate of investment return for the state fiscal year in which pay-  
18 ment is made. THIS SUBSECTION DOES NOT APPLY FOR THOSE FISCAL  
19 YEARS IN WHICH A DEPOSIT OCCURS PURSUANT TO SUBSECTION (6).

20 (6) FOR EACH FISCAL YEAR THAT BEGINS ON OR AFTER OCTOBER 1,  
21 2001, IF THE ACTUARIAL VALUATION PREPARED PURSUANT TO THIS SEC-  
22 TION FOR EACH FISCAL YEAR DEMONSTRATES THAT AS OF THE BEGINNING  
23 OF A FISCAL YEAR, AND AFTER ALL CREDITS AND TRANSFERS REQUIRED BY  
24 THIS ACT FOR THE PREVIOUS FISCAL YEAR HAVE BEEN MADE, THE SUM OF  
25 THE ACTUARIAL VALUE OF ASSETS AND THE ACTUARIAL PRESENT VALUE OF  
26 FUTURE NORMAL COST CONTRIBUTIONS EXCEEDS THE ACTUARIAL PRESENT  
27 VALUE OF BENEFITS, THE ANNUAL LEVEL PERCENT OF PAYROLL

1 CONTRIBUTION RATE AS DETERMINED PURSUANT TO SUBSECTIONS (1), (2),  
2 AND (3) MAY BE DEPOSITED INTO THE HEALTH ADVANCE FUNDING SUBAC-  
3 COUNT CREATED UNDER SECTION 11(9).

(7) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT. IF THE RETIREMENT BOARD ESTABLISHES AN ARRANGEMENT AND FUND AS DESCRIBED IN SECTION 6 OF THE PUBLIC EMPLOYEE RETIREMENT BENEFIT PROTECTION ACT. THE BENEFITS THAT ARE REQUIRED TO BE PAID FROM THAT FUND SHALL BE PAID FROM A PORTION OF THE EMPLOYER CONTRIBUTIONS DESCRIBED IN THIS SECTION OR OTHER ELIGIBLE FUNDS. THE RETIREMENT BOARD SHALL DETERMINE THE AMOUNT OF THE EMPLOYER CONTRIBUTIONS OR OTHER ELIGIBLE FUNDS THAT SHALL BE ALLOCATED TO THAT FUND AND DEPOSIT THAT AMOUNT IN THAT FUND BEFORE IT DEPOSITS ANY REMAINING EMPLOYER CONTRIBUTIONS OR OTHER ELIGIBLE FUNDS IN THE PENSION FUND.

4 Sec. 46. (1) A supplemental member may retire with a sup-  
5 plemental early retirement allowance provided in section 47 upon  
6 satisfaction of each of the following conditions:

7 (a) He OR SHE is age 51 years or older but less than age 62  
8 years.

9 (b) He OR SHE has 25 or more years of covered service.

10 (c) His OR HER last 3 years of credited service are covered  
11 service.

12 (d) He OR SHE files a written request for retirement with  
13 the retirement board stating the date that he OR SHE wishes to be  
14 retired. ~~which shall not be less than 30 days or more than 90~~  
15 ~~days after the date his application is filed.~~

16 (2) A supplemental member may be separated from employment  
17 in a covered position the first day of the calendar month follow-  
18 ing the month in which he OR SHE attains age 56 years. A supple-  
19 mental member ~~so~~ separated UNDER THIS SUBSECTION may retire  
20 with a supplemental early retirement allowance provided in sec-  
21 tion 47 if he OR SHE satisfies each of the following conditions:

22 (a) He OR SHE has not attained age 62 years.

23 (b) He OR SHE has 10 or more years of covered service.

24 (c) His OR HER last 3 years of credited service are covered  
25 service.

26 (d) He OR SHE files a written request for retirement with  
27 the retirement board stating the date that he OR SHE wishes to be

1 retired. ~~which shall not be less than 30 days or more than 90~~  
2 ~~days after the date his application is filed.~~

3 (3) The state personnel director shall determine all ques-  
4 tions on eligibility for supplemental early retirement benefits  
5 within the meaning of sections 45 to 47.

6 Sec. 48. (1) A member who is a conservation officer may  
7 retire under this section if all of the following requirements  
8 are met:

9 (a) The member is a conservation officer on April 1, 1991.

10 (b) The member has 25 or more years of credited service, of  
11 which 20 years of credited service are as a conservation officer  
12 and of which the last 2 years of credited service are as a con-  
13 servation officer.

14 (2) A member who is a conservation officer may retire under  
15 this section if the member has 25 or more years of credited serv-  
16 ice, of which 23 years of credited service are as a conservation  
17 officer and of which the last 2 years of credited service are as  
18 a conservation officer.

19 (3) A member may retire under subsection (1) or (2) upon  
20 written application to the retirement board stating a date upon  
21 which he or she desires to retire. ~~that is not less than 30 or~~  
22 ~~more than 90 days after the execution and filing of the~~  
23 ~~application.~~ Beginning on the retirement allowance effective  
24 date, he or she shall receive a retirement allowance equal to 60%

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25 of the member's annual compensation for the member's most highly  
26 compensated 24 consecutive months of service as a conservation  
27 officer. The formula for calculating a member's retirement

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1 allowance under this subsection shall never exceed the formula  
2 for calculating a retirement allowance under section 24 of the  
3 state police retirement act of 1986, ~~Act No. 182 of the Public~~  
4 ~~Acts of 1986, being section 38.1624 of the Michigan Compiled~~  
5 ~~Laws~~ 1986 PA 182, MCL 38.1624.

6 (4) A member who is a conservation officer may retire under  
7 this section if all of the following requirements are met:

8 (a) The member is a conservation officer on April 1, 1991.

9 (b) The member is 50 years of age or older.

10 (c) The member has 10 years of credited service as a conser-  
11 vation officer and the last 2 years of credited service are as a  
12 conservation officer.

13 (5) A member may retire under subsection (4) upon written  
14 application to the retirement board, on or after April 1, 1991,  
15 but not later than April 1, 1992, stating a date on which he or  
16 she desires to retire. The retirement allowance effective date  
17 shall be on or after May 1, 1991 but not later than July 1,  
18 1992. Beginning on the retirement allowance effective date, he  
19 or she shall receive a retirement allowance equal to 2% of the  
20 member's annual compensation for the member's most highly compen-  
21 sated 24 consecutive months of service as a conservation officer  
22 times the number of years, including any fraction of a year, of  
23 service credited to the member under this act. However, a  
24 retirement allowance payable under this subsection shall not  
25 exceed 60% of the member's annual compensation for the member's  
26 most highly compensated 24 consecutive months of service as a  
27 conservation officer.

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1       (6) Before the effective date of the retirement allowance, a  
2 member who is a conservation officer and who retires under this  
3 section shall elect to receive his or her retirement allowance  
4 under a form of payment as provided in section 31(1).

5       (7) Pursuant to rules promulgated by the retirement board, a  
6 member who retires under this section before becoming 65 years  
7 old may elect to have his or her regular retirement allowance  
8 equated on an actuarial basis to provide an increased retirement  
9 allowance payable to age 65 and a reduced retirement allowance  
10 payable after becoming 65 years old. The retirant's increased  
11 retirement allowance payable to age 65 shall approximately equal  
12 the sum of his or her reduced retirement allowance payable after  
13 age 65 and his or her estimated social security primary insurance  
14 amount.

15       (8) If a member who retires under this section dies before  
16 receiving payment of his or her retirement allowance in an aggre-  
17 gate amount equal to the accumulated contributions standing to  
18 the retirant's account in the employees' savings fund at the time  
19 of his or her retirement, the difference between his or her accu-  
20 mulated contributions and the amount of the retirement allowance  
21 received by him or her shall be paid to the person or persons  
22 that the retirant has nominated by written designation duly exe-  
23 cuted and filed with the retirement board, or, if there is no  
24 such designated person or persons surviving, then to the  
25 retirant's legal representative or estate.

26       (9) The director of the department of natural resources, or  
27 his or her designee, shall certify to the retirement board that a

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1 member who applies to retire under this section is a conservation  
2 officer.

3 (10) This section does not prohibit a member who is a con-  
4 servation officer and who does not meet the requirements of this  
5 section from qualifying for a retirement allowance under any  
6 other provision of this act.

7 Sec. 49. (1) This section is enacted pursuant to  
8 section 401(a) of the internal revenue code that imposes certain  
9 administrative requirements and benefit limitations for qualified  
10 governmental plans. This state intends that the retirement  
11 system be a qualified pension plan created in trust under section  
12 401 of the internal revenue code and that the trust be an exempt  
13 organization under section 501 of the internal revenue code. The  
14 department shall administer the retirement system to fulfill this  
15 intent.

16 (2) Except as otherwise provided in this section,  
17 employer-financed benefits provided by the retirement system  
18 under this act shall not exceed the lesser of \$90,000.00 or 100%  
19 of the member's average compensation for high 3 years as  
20 described in section 415(b)(3) of the internal revenue code for  
21 retirement occurring at age 62 or older.

22 (3) The limitation on employer financed benefits provided by  
23 the retirement system under subsection (2) applies unless appli-  
24 cation of subsections (4) and (5) produces a higher limitation,  
25 in which case the higher limitation applies.

26 (4) If a member retires before age 62, the amount of  
27 \$90,000.00 in subsection (2) is actuarially reduced to reflect

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1 payment before age 62. The retirement system shall use an  
2 interest rate of 5% per year compounded annually to calculate the  
3 actuarial reduction in this subsection. If this subsection  
4 produces a limitation of less than \$75,000.00 at age 55, the lim-  
5 itation at age 55 is \$75,000.00 and the limitations for ages  
6 under age 55 shall be calculated from a limitation of \$75,000.00  
7 at age 55.

8 (5) Section 415(d) of the internal revenue code requires the  
9 commissioner of internal revenue to adjust the \$90,000.00 limita-  
10 tion in subsection (2) to reflect cost of living increases,  
11 beginning with calendar year 1988. This subsection shall be  
12 administered using the limitations applicable to each calendar  
13 year as adjusted by the commissioner of internal revenue under  
14 section 415(d) of the internal revenue code. The retirement  
15 system shall adjust the benefits subject to the limitation each  
16 year to conform with the adjusted limitation.

17 (6) The assets of the retirement system shall be held in  
18 trust and invested for the sole purpose of meeting the legitimate  
19 obligations of the retirement system and shall not be used for  
20 any other purpose. The assets shall not be used for or diverted  
21 to a purpose other than for the exclusive benefit of the members,  
22 vested former members, retirants, and retirement allowance bene-  
23 ficiaries before satisfaction of all retirement system  
24 liabilities.

25 (7) The retirement system shall return post-tax member con-  
26 tributions made by a member and received by the retirement system  
27 to a member upon retirement, pursuant to internal revenue service

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1 regulations and approved internal revenue service exclusion ratio  
2 tables.

3 (8) The required beginning date for retirement allowances  
4 and other distributions shall not be later than April 1 of the  
5 calendar year following the calendar year in which the employee  
6 attains age 70-1/2 or April 1 of the calendar year following the  
7 calendar year in which the employee retires.

8 (9) If the retirement system is terminated, the interest of  
9 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 (10) Notwithstanding any other provision of this act to the  
15 contrary that would limit a distributee's election under this  
16 act, a distributee 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 distributee in a direct rollover. This  
20 subsection applies to distributions made on or after January 1,  
21 1993.

22 (11) For purposes of determining actuarial equivalent  
23 retirement allowances under sections 31(1)(a) and (b) and 20(2),  
24 the actuarially assumed interest rate shall be 8% with utiliza-  
25 tion of the 1983 group annuity and mortality table.

26 (12) Notwithstanding any other provision of this section,  
27 the retirement system shall be administered in compliance with

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1 the provisions of section 415 of the internal revenue code and  
2 revenue service regulations under that section that are applica-  
3 ble to governmental plans. If there is a conflict between this  
4 section and another section of this or any other act of this  
5 state, this section prevails.

6 (13) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT, THE  
7 COMPENSATION OF A MEMBER OF THE RETIREMENT SYSTEM SHALL BE TAKEN  
8 INTO ACCOUNT FOR ANY YEAR UNDER THE RETIREMENT SYSTEM ONLY TO THE  
9 EXTENT THAT IT DOES NOT EXCEED THE COMPENSATION LIMIT ESTABLISHED  
10 IN SECTION 401(A)(17) OF THE INTERNAL REVENUE CODE, AS ADJUSTED  
11 BY THE COMMISSIONER OF INTERNAL REVENUE. THIS SUBSECTION APPLIES  
12 TO ANY PERSON WHO FIRST BECOMES A MEMBER OF THE RETIREMENT SYSTEM  
13 ON OR AFTER OCTOBER 1, 1996.

14 (14) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT, CON-  
15 TRIBUTIONS, BENEFITS, AND SERVICE CREDIT WITH RESPECT TO QUALI-  
16 FIED MILITARY SERVICE WILL BE PROVIDED UNDER THE RETIREMENT  
17 SYSTEM IN ACCORDANCE WITH SECTION 414(U) OF THE INTERNAL REVENUE  
18 CODE. THIS SUBSECTION APPLIES TO ALL QUALIFIED MILITARY SERVICE  
19 ON OR AFTER DECEMBER 12, 1994.

20 Sec. 52. After consulting the retirement system's actuary,  
21 the department of management and budget shall calculate for each  
22 fiscal year any cost savings that have accrued to this state as a  
23 result of the implementation of ~~the amendatory act that added~~  
24 ~~this section~~ 1996 PA 487 over the costs that would have been  
25 incurred by this state to fund this retirement system had ~~the~~  
26 ~~amendatory act that added this section~~ 1996 PA 487 not been  
27 implemented. ~~The total amount of such cost savings shall be~~

1 ~~submitted in the executive budget to the legislature for~~  
2 ~~appropriation in the next succeeding state fiscal year to the~~  
3 ~~health insurance reserve fund created by section 11(8). Any~~  
4 ~~amount appropriated pursuant to this section and accumulated~~  
5 ~~earnings on those amounts shall not be expended until the actuar-~~  
6 ~~ial accrued liability for health benefits under section 20d is~~  
7 ~~100% funded.~~ FOR EACH FISCAL YEAR IN WHICH A DEPOSIT UNDER SEC-  
8 TION 38(6) DOES NOT OCCUR, THE DEPARTMENT MAY DEPOSIT ALL OR PART  
9 OF THE COST SAVINGS CALCULATED PURSUANT TO THIS SECTION INTO THE  
10 HEALTH ADVANCE FUNDING SUBACCOUNT CREATED UNDER SECTION 11(9) BY  
11 REDUCING THE NORMAL COST AND UNFUNDED ACTUARIAL ACCRUED LIABILITY  
12 CONTRIBUTION RATES AS CALCULATED PURSUANT TO SECTION 38, AND  
13 INCREASING THE CONTRIBUTION RATE FOR BENEFITS PROVIDED UNDER  
14 SECTION 20D BY THE SAME AMOUNT. HOWEVER, THE NORMAL COST AND  
15 UNFUNDED ACCRUED ACTUARIAL LIABILITY RATES SHALL NOT BE REDUCED  
16 TO AN AMOUNT LESS THAN ZERO.

17 Enacting section 1. The provisions of section 19h of the state  
18 employees' retirement act, 1943 PA 240, as added by this amendatory act,  
19 are curative and intended to correct any misinterpretation of legislative  
20 intent in the Michigan court of appeals decisions in Stone v. State of  
21 Michigan, Department of Treasury, docket no. 217485, and  
22 in Liken v. State of Michigan, Department of  
23 Treasurv, docket no. 222588. This legislation expresses the original  
intent of the legislature that payments under sections 19b(2), 19c(2),  
19d(2), 19e(2), and 19f(3) of the state employees' retirement act, 1943  
PA 240, MCL 38.19b, 38.19c, 38.19d, 38.19e, and 38.19f were not made by  
the retirement svstem and were not pensions, annuities, retirement  
allowances optional benefits, or any other rights described in section  
40(1) of the state employees' retirement act, 1943 PA 240, MCL 38.40, are  
not exempt from taxation, are subject to executions, garnishment,  
attachment, the operation of bankruptcy or insolvency laws, or other  
process of law, and may be assignable as provided in the state employees'  
retirement act, 1943 PA 240, MCL 38.1 to 38.69.

Enacting section 2. This amendatory act does not take effect unless  
House Bill No. 5109 of the 91st Legislature is enacted into law.