

# SENATE BILL No. 1128

February 21, 2002, Introduced by Senators SCHWARZ and GOUGEON and referred to the Committee on Appropriations.

A bill to amend 1943 PA 240, entitled "State employees' retirement act," by amending sections 1b, 1d, 5, 11, 13, 19, 20, 20d, 21, 24, 33, 38, 46, 48, 49, and 52 (MCL 38.1b, 38.1d, 38.5, 38.11, 38.13, 38.19, 38.20, 38.20d, 38.21, 38.24, 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, section 19 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 section 19g.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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

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)

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

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

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

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

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



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

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 ACTUARIAL VALUATION PREPARED PURSUANT TO  
5 SECTION 38 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

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

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

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.

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

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

18       (2) A member who is 55 years of age or older, but less than  
19 60 years of age, and has 15 or more years of credited service,  
20 may retire upon written application to the retirement board stat-  
21 ing a date ~~—, not less than 30 or more than 90 days after the~~  
22 ~~execution and filing of the application,~~ on which he or she  
23 desires to retire. Upon retirement he or she shall receive a  
24 retirement allowance computed according to section 20(1). Except  
25 as otherwise provided in this act, the retirement allowance of a  
26 member who has less than 30 years of credited service shall be  
27 reduced by an amount that is 0.5% of the retirement allowance



1 multiplied by the number of months the person's age at retirement  
2 is under 60 years. The reduction of 1/2 of 1% for each month and  
3 fraction of a month from the member's retirement allowance effective date to the date of the member's sixtieth birthday provided  
4 for in this subsection does not apply to a member who retired  
5 before July 1, 1974 and before attainment of age 60, with 30 or  
6 more years of credited service. The retirement allowance of a  
7 retirant or beneficiary of a retirant who retired before that  
8 date shall be recalculated disregarding the reduction, and the  
9 person receiving the retirement allowance is eligible to receive  
10 an adjusted retirement allowance based on the recalculation  
11 beginning October 1, 1987, but is not eligible to receive the  
12 adjusted amount attributable to any month beginning before  
13 October 1, 1987. The recalculated retirement allowance provided  
14 by this subsection shall be paid by January 1, 1988. The retirement allowance of a retirant who dies before January 1, 1988, and  
15 who has not nominated a retirement allowance beneficiary pursuant  
16 to section 31, shall not be recalculated pursuant to this  
17 subsection.

20 (3) Notwithstanding any other provision of this section,  
21 effective April 1, 1988, a member may retire with a retirement  
22 allowance computed according to section 20(1), without regard to  
23 the reduction in subsection (2), if all of the following apply:

24 (a) The member files a written application with the retirement board stating a date, not less than 30 or more than 90 days  
25 after the execution and filing of the application, on which the  
26

1 member desires to retire, and which is within the early  
2 retirement effective period.

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

8 (c) On the last day of the month immediately preceding the  
9 retirement allowance effective date stated in the application,  
10 the member's combined age and length of credited service is equal  
11 to or greater than 80 years and the member is 50 years of age or  
12 older.

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

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

17 (ii) For a member employed by a hospital or facility owned  
18 or operated by the department formerly known as the department of  
19 mental health that is in the process of being closed by the  
20 department formerly known as the department of mental health, the  
21 period beginning on April 1, 1988 and ending on October 1, 1989.

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

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

24 (i) Southwest Michigan community living services.

25 (ii) Wayne community living services.

26 (b) "Department inpatient facility" means 1 of the  
27 following:

1       (i) A developmental disability center that is directly  
2 operated by the department formerly known as the department of  
3 mental health for purposes of providing inpatient care and treat-  
4 ment services to persons with developmental disabilities.

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

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

19       (a) The member is 51 years of age or older and has 25 or  
20 more years of credited service, the last 5 of which are as an  
21 employee of an agency of the department designated for closure or  
22 a department inpatient facility designated for closure.

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

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

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

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

21 (8) A member who is on layoff status, is not working for the  
22 state, and becomes eligible to receive a retirement allowance  
23 under subsection (5) and who was an employee of an agency of the  
24 department or a department inpatient facility that has been des-  
25 ignated for closure as provided in subsection (5) and that actu-  
26 ally closes on or after October 1, 1989, may retire upon written  
27 application to the retirement board, stating a date ~~—, not less~~

1 ~~than 30 or more than 180 days after the facility actually~~  
2 ~~closes,~~ upon which he or she wishes to retire. Beginning on the  
3 retirement allowance effective date, he or she shall receive a  
4 retirement allowance computed according to section 20(1).

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

10 (10) A member who is an employee of the state accident fund  
11 on the date of transfer to a permitted transferee as that term is  
12 defined by section 701a of the worker's disability compensation  
13 act of 1969, 1969 PA 317, MCL 418.701a, may retire if the  
14 member's age and his or her length of service is equal to or  
15 greater than 70 years on the date of transfer. The member may  
16 retire upon written application to the retirement board, stating  
17 a date, not less than 30 or more than 90 days after the execution  
18 and filing of the application, on which he or she desires to  
19 retire. Beginning on the retirement allowance effective date, he  
20 or she shall receive a retirement allowance computed according to  
21 section 20(1) without regard to the reduction required by subsec-  
22 tion (2).

23 (11) A member who is an employee of the Michigan biologic  
24 products institute on the date the institute is conveyed pursuant  
25 to the Michigan biologic products institute transfer act, 1996  
26 PA 522, MCL 333.26331 to 333.26340, may retire if the member's  
27 age and his or her length of service is equal to or greater than

1 70 years on the date of the conveyance. The member may retire  
2 upon written application to the retirement board, stating a date,  
3 not less than 30 or more than 90 days after the execution and  
4 filing of the application, on which he or she desires to retire.  
5 Beginning on the retirement allowance effective date, he or she  
6 shall receive a retirement allowance computed according to  
7 section 20(1) without regard to the reduction required by  
8 subsection (2).

9 (12) A member who is an employee of the liquor control com-  
10 mission created by section ~~5 of the Michigan liquor control act,~~  
11 ~~1933 (Ex Sess) PA 8, MCL 436.5~~ 209 OF THE MICHIGAN LIQUOR CON-  
12 TROL CODE OF 1998, 1998 PA 5, MCL 436.1209, whose employment is  
13 terminated due to the privatization of the distribution of spir-  
14 its within this state is effectuated pursuant to the resolution  
15 and order adopted by the liquor control commission on February 7,  
16 1996, a plan adopted pursuant to statute or court order, or a  
17 plan adopted pursuant to both statute and order of the liquor  
18 control commission may retire if the member's age and his or her  
19 length of service is equal to or greater than 70 years on the  
20 date the privatization is effectuated. The member may retire  
21 under this subsection upon written application to the retirement  
22 board, stating a date, not less than 30 or more than 90 days  
23 after the execution and filing of the application, on which he or  
24 she desires to retire. Beginning on the retirement allowance  
25 effective date, he or she shall receive a retirement allowance  
26 computed according to section 20(1), without regard to the  
27 reduction required by subsection (2). The cost of benefits paid

1 under this section shall be paid out of the revolving fund  
 2 created under section ~~10~~ 221 of the Michigan liquor control  
 3 ~~act, 1933 (Ex Sess) PA 8, MCL 436.10~~ CODE OF 1998, 1998 PA 58,  
 4 MCL 436.1221.

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

8 (A) ON OR BEFORE NOVEMBER 1, 2002, OR ON THE EFFECTIVE DATE  
 9 OF HIS OR HER RETIREMENT, WHICHEVER IS EARLIER, THE MEMBER MEETS  
 10 1 OR MORE OF THE FOLLOWING:

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

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

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

18 (C) THE MEMBER WAS EMPLOYED BY THIS STATE FOR THE 6-MONTH  
 19 PERIOD ENDING ON THE EFFECTIVE DATE OF HIS OR HER RETIREMENT OR  
 20 WAS AN EMPLOYEE OF THE STATE JUDICIAL COUNCIL ON SEPTEMBER 30,  
 21 1996 AS DESCRIBED IN SECTION 44A. A MEMBER WHO IS ON LAYOFF  
 22 STATUS FROM STATE EMPLOYMENT IS CONSIDERED TO HAVE MET THE  
 23 EMPLOYMENT REQUIREMENT OF THIS SUBDIVISION.

24 (D) EXCEPT AS MAY BE PROVIDED OTHERWISE IN SUBSECTION (5),  
 25 THE MEMBER EXECUTES AND FILES A WRITTEN APPLICATION WITH THE  
 26 RETIREMENT BOARD, ON OR AFTER APRIL 1, 2002, BUT NOT LATER THAN  
 27 APRIL 30, 2002, STATING A DATE ON OR AFTER JULY 1, 2002, BUT NOT

1 LATER THAN NOVEMBER 1, 2002, ON WHICH HE OR SHE DESIRES TO  
2 RETIRE. A MEMBER MAY WITHDRAW A WRITTEN APPLICATION ON OR BEFORE  
3 MAY 15, 2002. A WRITTEN APPLICATION SUBMITTED BY A MEMBER AND  
4 NOT WITHDRAWN ON OR BEFORE MAY 15, 2002 IS IRREVOCABLE.

5 (E) THE MEMBER IS NOT EMPLOYED IN A COVERED POSITION AS  
6 DEFINED IN SECTION 45.

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

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

12 (A) ON OR BEFORE NOVEMBER 1, 2002, OR ON THE EFFECTIVE DATE  
13 OF HIS OR HER RETIREMENT, WHICHEVER IS EARLIER, THE MEMBER'S COM-  
14 BINED AGE AND LENGTH OF CREDITED SERVICE IS EQUAL TO OR GREATER  
15 THAN 80 YEARS OR THE MEMBER IS 60 YEARS OF AGE OR OLDER AND HAS  
16 10 OR MORE YEARS OF CREDITED SERVICE.

17 (B) THE MEMBER IS AN EMPLOYEE OF THE LEGISLATURE, IS AN  
18 EMPLOYEE OF THE OFFICE OF GOVERNOR, OR IS AN UNCLASSIFIED  
19 EMPLOYEE WITHIN THE STATE CIVIL SERVICE.

20 (C) THE MEMBER WAS EMPLOYED BY THIS STATE OR THE LEGISLATURE  
21 FOR THE 6-MONTH PERIOD ENDING ON THE EFFECTIVE DATE OF HIS OR HER  
22 RETIREMENT. A MEMBER WHO IS ON LAYOFF STATUS FROM STATE EMPLOY-  
23 MENT IS CONSIDERED TO HAVE MET THE EMPLOYMENT REQUIREMENT OF THIS  
24 SUBDIVISION.

25 (D) THE MEMBER EXECUTES AND FILES A WRITTEN APPLICATION WITH  
26 THE RETIREMENT BOARD, ON OR AFTER APRIL 1, 2002, BUT NOT LATER  
27 THAN APRIL 30, 2002, STATING A DATE ON OR AFTER JULY 1, 2002, BUT



1 NOT LATER THAN NOVEMBER 1, 2002, ON WHICH HE OR SHE DESIRES TO  
2 RETIRE. A MEMBER MAY WITHDRAW A WRITTEN APPLICATION ON OR BEFORE  
3 MAY 15, 2002. A WRITTEN APPLICATION SUBMITTED BY A MEMBER AND  
4 NOT WITHDRAWN ON OR BEFORE MAY 15, 2002 IS IRREVOCABLE. THIS  
5 SUBDIVISION IS SUBJECT TO SUBSECTION (5).

6 (E) THE MEMBER IS NOT EMPLOYED IN A COVERED POSITION AS  
7 DEFINED IN SECTION 45.

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

10 (3) ANY AMOUNT THAT A MEMBER RETIRING UNDER THIS SECTION  
11 WOULD OTHERWISE BE ENTITLED TO RECEIVE IN A LUMP SUM AT RETIRE-  
12 MENT ON ACCOUNT OF ACCUMULATED SICK LEAVE SHALL BE PAID IN 60  
13 CONSECUTIVE EQUAL MONTHLY INSTALLMENTS BEGINNING ON OR AFTER  
14 OCTOBER 1, 2002. PAYMENTS RECEIVED UNDER THIS SUBSECTION MAY NOT  
15 BE USED TO PURCHASE SERVICE CREDIT UNDER THIS ACT. THESE PAY-  
16 MENTS FOR ACCUMULATED SICK LEAVE ARE TO BE PAID FROM FUNDS APPRO-  
17 PRIATED TO THE APPOINTING AUTHORITY AND NOT FROM FUNDS OF THE  
18 RETIREMENT SYSTEM. THESE PAYMENTS SHALL BE CONSIDERED TAXABLE  
19 INCOME UNDER THE INCOME TAX ACT OF 1967, 1967 PA 281, MCL 206.1  
20 TO 206.532.

21 (4) ANY AMOUNT THAT A MEMBER RETIRING UNDER THIS SECTION IS  
22 ENTITLED TO RECEIVE IN A LUMP SUM AT RETIREMENT ON ACCOUNT OF  
23 ACCUMULATED ANNUAL LEAVE SHALL BE PAID ON OR AFTER OCTOBER 1,  
24 2002.

25 (5) THE DIRECTOR OF A PRINCIPAL DEPARTMENT MAY REQUEST THAT  
26 THE EFFECTIVE DATE OF RETIREMENT UNDER SUBSECTION (1) OF A MEMBER  
27 EMPLOYED BY THAT DEPARTMENT BE EXTENDED TO A DATE NOT LATER THAN

1 FEBRUARY 1, 2004. TO MAKE A REQUEST UNDER THIS SUBSECTION, THE  
2 DIRECTOR SHALL SUBMIT A WRITTEN REQUEST AND THE WRITTEN CONCUR-  
3 RENCE OF THE MEMBER TO THE OFFICE OF THE STATE EMPLOYER AND THE  
4 STATE BUDGET OFFICE ON OR BEFORE MAY 31, 2002. UPON RECEIPT OF  
5 THE WRITTEN REQUEST AND CONCURRENCE, THE OFFICE OF THE STATE  
6 EMPLOYER AND THE STATE BUDGET OFFICE MAY EXTEND THE EFFECTIVE  
7 DATE OF RETIREMENT OF A MEMBER OTHERWISE ELIGIBLE TO RETIRE UNDER  
8 SUBSECTION (1) TO A DATE NOT LATER THAN FEBRUARY 1, 2004. UPON  
9 WRITTEN APPROVAL OF THE SENATE MAJORITY LEADER FOR A MEMBER WHO  
10 IS AN EMPLOYEE OF THE SENATE, THE SPEAKER OF THE HOUSE OF REPRE-  
11 SENTATIVES FOR A MEMBER WHO IS AN EMPLOYEE OF THE HOUSE OF REPRE-  
12 SENTATIVES, THE SENATE MAJORITY LEADER AND THE SPEAKER OF THE  
13 HOUSE OF REPRESENTATIVES FOR A MEMBER WHO IS AN EMPLOYEE OF THE  
14 OFFICE OF THE AUDITOR GENERAL, OR THE CHAIR AND ALTERNATE CHAIR  
15 OF THE LEGISLATIVE COUNCIL FOR A MEMBER WHO IS AN EMPLOYEE OF AN  
16 AGENCY UNDER THE JURISDICTION OF THE LEGISLATIVE COUNCIL, AND  
17 UPON WRITTEN CONCURRENCE OF THE MEMBER, THE EFFECTIVE DATE OF  
18 RETIREMENT FOR THAT MEMBER UNDER SUBSECTION (2) MAY BE EXTENDED  
19 TO A DATE NOT LATER THAN FEBRUARY 1, 2004. UPON WRITTEN APPROVAL  
20 OF THE CHIEF JUSTICE FOR A MEMBER WHO IS AN EMPLOYEE OF THE JUDI-  
21 CIAL BRANCH, INCLUDING, BUT NOT LIMITED TO, MEMBERS DESCRIBED IN  
22 SECTION 44A, AND UPON WRITTEN CONCURRENCE OF THE MEMBER, THE  
23 EFFECTIVE DATE OF RETIREMENT FOR THAT MEMBER UNDER SUBSECTION (1)  
24 MAY BE EXTENDED TO A DATE NOT LATER THAN FEBRUARY 1, 2004. THE  
25 INDIVIDUAL OR INDIVIDUALS WHO APPROVE THE EXTENSION OF AN EFFEC-  
26 TIVE DATE OF RETIREMENT FOR A MEMBER WHO IS AN EMPLOYEE OF THE  
27 LEGISLATURE, SUPREME COURT, OR COURT OF APPEALS SHALL SUBMIT

1 WRITTEN NOTIFICATION TO THE OFFICE OF RETIREMENT SERVICES OF ALL  
2 EXTENSIONS APPROVED ON OR BEFORE MAY 31, 2002.

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

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

23       (8) FOR PURPOSES OF THIS SECTION, AN INDIVIDUAL WHO ELECTED  
24 TO TERMINATE MEMBERSHIP UNDER SECTION 50 AND WHO, BUT FOR THAT  
25 ELECTION, WOULD OTHERWISE BE ELIGIBLE FOR MEMBERSHIP IN TIER 1  
26 UNDER SECTION 13, SHALL BE CONSIDERED A MEMBER OF TIER 1 FOR THE

1 LIMITED PURPOSE OF RECEIVING A RETIREMENT ALLOWANCE CALCULATED  
2 UNDER THIS SECTION AND PAID BY THE RETIREMENT SYSTEM.

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

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

23       (3) If a retirant dies before receiving payment of his or  
24 her retirement allowance in an aggregate amount equal to the  
25 retirant's accumulated contributions credited to the retirant in  
26 the employees' savings fund at the time of his or her retirement,  
27 the difference between his or her accumulated contributions and

1 the amount of retirement allowance received by him or her shall  
2 be paid to the person or persons that he or she nominated by  
3 written designation ~~duly~~ executed and filed with the retirement  
4 board. If the person or persons do not survive the retirant,  
5 then the difference, if any, shall be paid to the retirant's  
6 legal representative or estate. Benefits shall not be paid under  
7 this subsection on account of the death of the retirant if he or  
8 she elected an option provided for in section 31(1).

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

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

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

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

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

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

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

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

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



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

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

21       (3) THE DEPARTMENT OF MANAGEMENT AND BUDGET SHALL CALCULATE  
22 FOR EACH FISCAL YEAR ANY COST SAVINGS THAT HAVE ACCRUED TO THIS  
23 STATE AS A RESULT OF THE IMPLEMENTATION OF 1996 PA 487 OVER THE  
24 COSTS THAT WOULD HAVE BEEN INCURRED BY THIS STATE TO FUND PREMI-  
25 UMS PAYABLE PURSUANT TO SECTION 68 HAD 1996 PA 487 NOT BEEN  
26 IMPLEMENTED. THE TOTAL AMOUNT OF THE COST SAVINGS, IF ANY, SHALL

1 BE ALLOCATED TO THE HEALTH ADVANCE FUNDING SUBACCOUNT CREATED  
2 UNDER SECTION 11(9).

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

6 (5) ~~-(4)-~~ For purposes of this section, "retirant" includes  
7 a person who retires under section 306 or 410 of the Michigan  
8 military act, ~~Act No. 150 of the Public Acts of 1967, being~~  
9 ~~sections 32.706 and 32.810 of the Michigan Compiled Laws 1967~~  
10 PA 150, MCL 32.706 AND 32.810.

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

26 (1) EXCEPT AS MAY BE PROVIDED OTHERWISE IN SECTIONS 33 AND  
27 34, A MEMBER WHO BECOMES TOTALLY INCAPACITATED FOR DUTY BECAUSE

1 OF A PERSONAL INJURY OR DISEASE SHALL BE RETIRED, IF ALL OF THE  
2 FOLLOWING APPLY:

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

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

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

16 (D) THE RETIREMENT BOARD CONCURS IN THE RECOMMENDATION OF  
17 THE MEDICAL ADVISOR.

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

22 Sec. 24. ~~Subject to the provisions of sections 33 and 34,~~  
23 ~~upon application of a member, or his department head, or the~~  
24 ~~state personnel director, a member who has been a state employee~~  
25 ~~at least 10 years becomes totally and permanently incapacitated~~  
26 ~~for duty as the result of causes occurring not in the performance~~  
27 ~~of duty to the state, may be retired by the retirement board.~~

~~1 Provided, The medical advisor after a medical examination of such  
2 member, shall certify that such member is mentally or physically  
3 incapacitated for the further performance of duty, and such inca-  
4 pacity is likely to be permanent and that such member should be  
5 retired.~~

6 (1) EXCEPT AS MAY OTHERWISE BE PROVIDED IN SECTIONS 33 AND  
7 34, A MEMBER WHO BECOMES TOTALLY INCAPACITATED FOR DUTY BECAUSE  
8 OF A PERSONAL INJURY OR DISEASE THAT IS NOT THE NATURAL AND PROX-  
9 IMATE RESULT OF THE MEMBER'S PERFORMANCE OF DUTY MAY BE RETIRED  
10 IF ALL OF THE FOLLOWING APPLY:

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

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

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

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

1        Sec. 33. (a) ~~Once each year during the first 5 years~~  
 2 ~~following the retirement of a member on a disability retirement~~  
 3 ~~allowance, and at least once in every 3 year period thereafter~~  
 4 ~~the~~ THE retirement board may, and upon the retirant's applica-  
 5 tion shall, require any disability retirant ~~—~~ who has not  
 6 attained age 60 years ~~—~~ to undergo a medical examination. ~~→~~  
 7 ~~such~~ THE examination IS to be made by or under the direction of  
 8 the medical advisor at the RETIRANT'S place of residence ~~of said~~  
 9 ~~retirant,~~ or other place mutually agreed upon. Should any dis-  
 10 ability retirant ~~—~~ who has not attained age 60 years ~~—~~ refuse  
 11 to submit to ~~such~~ THE medical examination, ~~in any such~~  
 12 ~~period,~~ his OR HER disability retirement allowance may be dis-  
 13 continued until his OR HER withdrawal of ~~such~~ THE refusal. ~~→~~  
 14 ~~and should such~~ IF THE refusal ~~continue~~ CONTINUES for 1 year,  
 15 all ~~his~~ rights in and to his OR HER disability retirement  
 16 allowance may be revoked by the retirement board. If upon ~~such~~  
 17 THE medical examination of a disability retirant, the medical  
 18 advisor reports and his OR HER report is concurred in by the  
 19 retirement board, that the disability retirant is physically able  
 20 and capable of resuming employment, ~~he shall be restored to~~  
 21 ~~active service with the state and~~ his OR HER disability retire-  
 22 ment allowance shall cease AFTER 6 MONTHS.

23        (b) ~~Should~~ IF the secretary ~~report~~ REPORTS and ~~certify~~  
 24 CERTIFIES to the retirement board that ~~such~~ A disability bene-  
 25 ficiary is engaged in a gainful occupation paying more than the  
 26 difference between his OR HER disability retirement allowance and  
 27 his OR HER final compensation, and ~~should~~ IF the retirement

1 board ~~concur~~ CONCURS in ~~such~~ THE report, then the amount of  
2 his OR HER retirement allowance shall be reduced to an amount  
3 which together with the amount earned by him OR HER shall equal  
4 his OR HER final compensation. Should the earnings of ~~such~~ THE  
5 disability retirant be later changed, the amount of his OR HER  
6 retirement allowance shall be further modified in like manner.

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

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

5       (3) Except as otherwise provided in this subsection, the  
6 contribution rate for benefits other than those provided for in  
7 subsection (2) shall be computed using an individual projected  
8 benefit entry age normal cost method of valuation. For the  
9 1995-96 state fiscal year and for each subsequent fiscal year IN  
10 WHICH THE ACTUARIAL ACCRUED LIABILITY FOR HEALTH BENEFITS IS LESS  
11 THAN 100% FUNDED, the contribution rate for benefits provided  
12 under section 20d shall be computed using a cash disbursement  
13 method. BEGINNING IN THE FISCAL YEAR AFTER THE FISCAL YEAR IN  
14 WHICH THE ACTUARIAL ACCRUED LIABILITY FOR HEALTH BENEFITS UNDER  
15 SECTION 20D IS AT LEAST 100% FUNDED BY THE HEALTH ADVANCE FUNDING  
16 SUBACCOUNT CREATED UNDER SECTION 11(9), AND CONTINUING FOR EACH  
17 SUBSEQUENT FISCAL YEAR, THE CONTRIBUTION RATE FOR HEALTH BENEFITS  
18 PROVIDED UNDER SECTION 20D SHALL BE COMPUTED USING AN INDIVIDUAL  
19 PROJECTED BENEFIT ENTRY AGE NORMAL COST METHOD OF VALUATION. The  
20 contribution rate for service that may be rendered in the current  
21 year, the normal cost contribution rate, shall be equal to the  
22 aggregate amount of individual entry age normal costs divided by  
23 1% of the aggregate amount of active members' valuation  
24 compensation. The unfunded actuarial accrued liability shall be  
25 equal to the actuarial present value of benefits reduced by the  
26 actuarial present value of future normal cost contributions and  
27 the actuarial value of assets on the valuation date. The

1 unfunded actuarial accrued liability shall be amortized in  
2 accordance with generally accepted governmental accounting stan-  
3 dards over a period equal to or less than 40 years.

4       (4) The legislature annually shall appropriate to the  
5 retirement system the amount determined pursuant to subsections  
6 (2) and (3). The state treasurer shall transfer monthly to the  
7 retirement system an amount equal to the product of the contribu-  
8 tion rates determined in subsections (2) and (3) times the aggre-  
9 gate amount of active member compensation paid during that  
10 month. Not later than 60 days after the termination of each  
11 state fiscal year, the executive secretary of the retirement  
12 board shall certify to the director of the department of manage-  
13 ment and budget the actual aggregate compensations paid to active  
14 members during the preceding state fiscal year. Upon receipt of  
15 that certification, the director of the department of management  
16 and budget shall compute the difference, if any, between actual  
17 state contributions received during the preceding state fiscal  
18 year and the product of the contribution rates determined in sub-  
19 sections (2) and (3) times the aggregate compensations paid to  
20 active members during the preceding state fiscal year. Except as  
21 otherwise provided in subsection (5), the difference, if any,  
22 shall be submitted in the executive budget to the legislature for  
23 appropriation in the next succeeding state fiscal year. THIS  
24 SUBSECTION DOES NOT APPLY FOR THOSE FISCAL YEARS IN WHICH A  
25 DEPOSIT OCCURS PURSUANT TO SUBSECTION (6).

26       (5) For differences occurring in fiscal years beginning on  
27 or after October 1, 1991, a minimum of 20% of the difference



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

15 (6) FOR EACH FISCAL YEAR THAT BEGINS ON OR AFTER OCTOBER 1,  
16 2001, IF THE ACTUARIAL VALUATION PREPARED PURSUANT TO THIS SEC-  
17 TION FOR EACH FISCAL YEAR DEMONSTRATES THAT AS OF THE BEGINNING  
18 OF A FISCAL YEAR, AND AFTER ALL CREDITS AND TRANSFERS REQUIRED BY  
19 THIS ACT FOR THE PREVIOUS FISCAL YEAR HAVE BEEN MADE, THE SUM OF  
20 THE ACTUARIAL VALUE OF ASSETS AND THE ACTUARIAL PRESENT VALUE OF  
21 FUTURE NORMAL COST CONTRIBUTIONS EXCEEDS THE ACTUARIAL PRESENT  
22 VALUE OF BENEFITS, THE ANNUAL LEVEL PERCENT OF PAYROLL CONTRIBU-  
23 TION RATE AS DETERMINED PURSUANT TO SUBSECTIONS (1), (2), AND (3)  
24 MAY BE DEPOSITED INTO THE HEALTH ADVANCE FUNDING SUBACCOUNT CRE-  
25 ATED UNDER SECTION 11(9).

1       Sec. 46. (1) A supplemental member may retire with a  
2 supplemental early retirement allowance provided in section 47  
3 upon satisfaction of each of the following conditions:

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

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

7       (c) His OR HER last 3 years of credited service are covered  
8 service.

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

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

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

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

21       (c) His OR HER last 3 years of credited service are covered  
22 service.

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

1       (3) The state personnel director shall determine all  
2 questions on eligibility for supplemental early retirement  
3 benefits within the meaning of sections 45 to 47.

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

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

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

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

17       (3) A member may retire under subsection (1) or (2) upon  
18 written application to the retirement board stating a date upon  
19 which he or she desires to retire. ~~that is not less than 30 or~~  
20 ~~more than 90 days after the execution and filing of the~~  
21 ~~application.~~ Beginning on the retirement allowance effective  
22 date, he or she shall receive a retirement allowance equal to 60%  
23 of the member's annual compensation for the member's most highly  
24 compensated 24 consecutive months of service as a conservation  
25 officer. The formula for calculating a member's retirement  
26 allowance under this subsection shall never exceed the formula  
27 for calculating a retirement allowance under section 24 of the

1 state police retirement act of 1986, ~~Act No. 182 of the Public~~  
2 ~~Acts of 1986, being section 38.1624 of the Michigan Compiled~~  
3 ~~Laws~~ 1986 PA 182, MCL 38.1624.

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

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

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

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

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

26 (6) Before the effective date of the retirement allowance, a  
27 member who is a conservation officer and who retires under this

1 section shall elect to receive his or her retirement allowance  
2 under a form of payment as provided in section 31(1).

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

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

24       (9) The director of the department of natural resources, or  
25 his or her designee, shall certify to the retirement board that a  
26 member who applies to retire under this section is a conservation  
27 officer.

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

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

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

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

24       (4) If a member retires before age 62, the amount of  
25 \$90,000.00 in subsection (2) is actuarially reduced to reflect  
26 payment before age 62. The retirement system shall use an  
27 interest rate of 5% per year compounded annually to calculate the

1 actuarial reduction in this subsection. If this subsection  
2 produces a limitation of less than \$75,000.00 at age 55, the lim-  
3 itation at age 55 is \$75,000.00 and the limitations for ages  
4 under age 55 shall be calculated from a limitation of \$75,000.00  
5 at age 55.

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

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

23 (7) The retirement system shall return post-tax member con-  
24 tributions made by a member and received by the retirement system  
25 to a member upon retirement, pursuant to internal revenue service  
26 regulations and approved internal revenue service exclusion ratio  
27 tables.

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

6       (9) If the retirement system is terminated, the interest of  
7 the members, vested former members, retirants, and retirement  
8 allowance beneficiaries in the retirement system is nonforfeit-  
9 able to the extent funded as described in section 411(d)(3) of  
10 the internal revenue code and related internal revenue service  
11 regulations applicable to governmental plans.

12       (10) Notwithstanding any other provision of this act to the  
13 contrary that would limit a distributee's election under this  
14 act, a distributee may elect, at the time and in the manner pre-  
15 scribed by the retirement board, to have any portion of an eligi-  
16 ble rollover distribution paid directly to an eligible retirement  
17 plan specified by the distributee in a direct rollover. This  
18 subsection applies to distributions made on or after January 1,  
19 1993.

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

24       (12) Notwithstanding any other provision of this section,  
25 the retirement system shall be administered in compliance with  
26 the provisions of section 415 of the internal revenue code and  
27 revenue service regulations under that section that are



1 applicable to governmental plans. If there is a conflict between  
2 this section and another section of this or any other act of this  
3 state, this section prevails.

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

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

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

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

15 Enacting section 1. The designation, by this amendatory  
16 act, that any payments made under section 19g(3) are taxable  
17 under the income tax act of 1967, 1967 PA 281, MCL 206.1 to  
18 206.32, is intended to clarify the legislative intent and correct  
19 misinterpretations surrounding the fact that payments under  
20 section 19g(3) are not made by the retirement system and are not  
21 retirement payments exempt from income tax.