

**SUBSTITUTE FOR  
SENATE BILL NO. 869**

A bill to amend 1992 PA 234, entitled  
"The judges retirement act of 1992,"  
by amending sections 715 and 719 (MCL 38.2665 and 38.2669), section  
715 as amended by 1999 PA 215 and section 719 as added by 1996 PA  
523.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

- 1           Sec. 715. (1) A qualified participant is immediately 100%  
2 vested in his or her contributions made to Tier 2. A qualified  
3 participant shall vest in the employer contributions made on his or  
4 her behalf to Tier 2 according to the following schedule:
- 5           (a) Upon completion of 2 years of service, 50%.
  - 6           (b) Upon completion of 3 years of service, 75%.
  - 7           (c) Upon completion of 4 years of service, 100%.

1           (2) A qualified participant **WHO WAS FIRST ELIGIBLE TO BECOME A**  
2 **QUALIFIED PARTICIPANT ON OR BEFORE DECEMBER 31, 2007** is vested in  
3 the health insurance coverage provided in section 719 if the  
4 qualified participant meets 1 of the following requirements:

5           (a) The qualified participant has completed 4 years of service  
6 as a qualified participant and was not a member, deferred vested  
7 member, or former nonvested member of Tier 1.

8           (b) The qualified participant was a member, deferred vested  
9 member, or former nonvested member of Tier 1 who made an election  
10 to participate in Tier 2 pursuant to section 701 or 701a, and who  
11 has met the service requirements he or she would have been required  
12 to meet in order to vest in health benefits under section 509.

13           **(3) A QUALIFIED PARTICIPANT WHO FIRST BECAME ELIGIBLE TO**  
14 **BECOME A QUALIFIED PARTICIPANT ON AND AFTER JANUARY 1, 2008 IS**  
15 **VESTED IN THE HEALTH INSURANCE COVERAGE PROVIDED IN SECTION 719 IF**  
16 **THE QUALIFIED PARTICIPANT HAS COMPLETED 4 YEARS OF SERVICE AND WAS**  
17 **NOT A MEMBER, DEFERRED VESTED MEMBER, OR FORMER NONVESTED MEMBER OF**  
18 **TIER 1.**

19           Sec. 719. (1) A former qualified participant may elect health  
20 insurance benefits in the manner prescribed in this section if he  
21 or she meets both of the following requirements:

22           (a) The former qualified participant is vested in health  
23 benefits under section 715(2) **OR (3)**.

24           (b) The former qualified participant meets or exceeds the  
25 benefit commencement age employed in the actuarial present value  
26 calculation under section 702 and the service requirements that  
27 would have applied to that former participant under Tier 1 for

1 receiving health insurance coverage under section 509, if that  
2 former participant was a member of Tier 1.

3 (2) A former qualified participant who is eligible to elect  
4 health insurance coverage under subsection (1) may elect health  
5 insurance coverage in a health benefit plan or plans as authorized  
6 by section 509, or in another plan as provided in subsection (6). A  
7 former qualified participant who is eligible to elect health  
8 insurance coverage under subsection (1) may also elect health  
9 insurance coverage for his or her health benefit dependents, if  
10 any. A surviving health benefit dependent of a deceased former  
11 qualified participant who is eligible to elect health insurance  
12 coverage under subsection (1) may elect health insurance coverage  
13 in the manner prescribed in this section.

14 (3) Except as otherwise provided in subsection ~~(6)~~-(7), an  
15 individual who elects health insurance coverage under this section  
16 shall become a member of a health insurance coverage group  
17 authorized pursuant to section 509.

18 (4) For a former qualified participant who is eligible to  
19 elect health insurance coverage under subsection (1) and who is  
20 vested in those benefits under section 715(2)(a), and for his or  
21 her health benefit dependents, this state shall pay a portion of  
22 the health insurance premium as calculated under this subsection on  
23 a cash disbursement method. An individual described in this  
24 subsection who elects health insurance coverage under this section  
25 shall pay to the retirement system the remaining portion of the  
26 health insurance coverage premium not paid by this state under this  
27 subsection. The portion of the health insurance coverage premium

1 paid by this state under this subsection shall be 50% of the  
2 payments for health insurance coverage under section 509 if the  
3 former qualified participant has 4 years of service; 75% of the  
4 payments for health insurance coverage under section 509 if the  
5 former qualified participant has 5 years of service; or 90% of the  
6 payments for health insurance coverage under section 509 if the  
7 former qualified participant has 6 years of service. If the  
8 individual elects the health insurance coverage provided under  
9 section 509, the state shall transfer its portion of the amount  
10 calculated under this subsection to the reserve for health benefits  
11 created by section 214.

12 (5) For a former qualified participant who is eligible to  
13 elect health insurance coverage under subsection (1) and who is  
14 vested in those benefits under section 715(2)(b), and for his or  
15 her health benefit dependents, this state shall pay a portion of  
16 the health insurance premium as calculated under this subsection on  
17 a cash disbursement method. An individual described in this  
18 subsection who elects health insurance coverage under this section  
19 shall pay to the retirement system the remaining portion of the  
20 health insurance coverage premium not paid by this state under this  
21 subsection. The portion of the health insurance coverage premium  
22 paid by this state under this subsection shall be equal to the  
23 premium amounts paid on behalf of retirants of Tier 1 for health  
24 insurance coverage under section 509. If the individual elects the  
25 health insurance coverage provided under section 509, the state  
26 shall transfer its portion of the amount calculated under this  
27 subsection to the reserve for health benefits created by section

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1 214.

2 (6) FOR A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO  
3 ELECT HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) AND WHO IS  
4 VESTED IN THOSE BENEFITS UNDER SECTION 715(3), AND FOR HIS OR HER  
5 HEALTH BENEFIT DEPENDENTS, THIS STATE SHALL PAY A PORTION OF THE  
6 HEALTH INSURANCE PREMIUM AS CALCULATED UNDER THIS SUBSECTION ON A  
7 CASH DISBURSEMENT METHOD. AN INDIVIDUAL DESCRIBED IN THIS  
8 SUBSECTION WHO ELECTS HEALTH INSURANCE COVERAGE UNDER THIS SECTION  
9 SHALL PAY TO THE RETIREMENT SYSTEM THE REMAINING PORTION OF THE  
10 HEALTH INSURANCE PREMIUM NOT PAID BY THIS STATE UNDER THIS  
11 SUBSECTION. THE PORTION OF HEALTH INSURANCE COVERAGE PREMIUM PAID  
12 BY THIS STATE UNDER THIS SUBSECTION SHALL BE 30% OF THE PAYMENTS  
13 FOR HEALTH INSURANCE COVERAGE UNDER SECTION 509 IF THE FORMER  
14 QUALIFIED PARTICIPANT HAS COMPLETED 4 YEARS OF SERVICE. IF THE  
15 FORMER QUALIFIED PARTICIPANT HAS COMPLETED MORE THAN 4 <<YEARS, NOT TO  
16 EXCEED>> 14 YEARS OF SERVICE, THE PORTION OF THE PREMIUM PAID BY THIS  
17 STATE SHALL INCREASE 6% FOR EACH COMPLETED YEAR OF SERVICE THROUGH  
18 14 YEARS OF SERVICE AND SHALL NOT EXCEED 90% OF THE PAYMENTS FOR  
19 HEALTH INSURANCE AND THE REMAINING PORTION OF THE PREMIUMS SHALL BE  
20 PAID BY THE FORMER QUALIFIED PARTICIPANT.

21 (7) ~~(6)~~—A former qualified participant or health benefit  
22 dependent who is eligible to elect health insurance coverage under  
23 this section and who elects health insurance coverage under a  
24 different plan than the plan authorized under section 509 may elect  
25 to have an amount up to the amount of the retirement system's share  
26 of the monthly health insurance premium subsidy provided in this  
27 section paid by the retirement system directly to the other health

1 insurance plan or to a medical savings account established pursuant  
2 to section 220 of the internal revenue code, to the extent allowed  
3 by law or under the provisions and procedures of Tier 2.

4 (8) ~~(7)~~—If the department of management and budget receives  
5 notification from the United States internal revenue service that  
6 this section or any portion of this section will cause the  
7 retirement system to be disqualified for tax purposes under the  
8 internal revenue code, then the portion that will cause the  
9 disqualification does not apply.