

# HOUSE BILL No. 4107

January 23, 2007, Introduced by Reps. Palmer, Acciavatti, DeRoche, Garfield, Hoogendyk, Amos, Meekhof, Opsommer, Pastor, Agema and Stahl and referred to the Committee on Education.

A bill to amend 1980 PA 300, entitled  
"The public school employees retirement act of 1979,"  
by amending sections 4, 8, 25, 26, 34, 61, 91, and 108 (MCL  
38.1304, 38.1308, 38.1325, 38.1326, 38.1334, 38.1361, 38.1391, and  
38.1408), section 4 as amended by 2003 PA 17, sections 8, 25, and  
26 as amended by 1997 PA 143, sections 34 and 108 as amended by  
2002 PA 94, section 61 as amended by 2006 PA 158, and section 91 as  
amended by 2004 PA 117, and by adding sections 41b, 60, 109, 110,  
111, and 112 and article 7.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 4. (1) "Compound interest" means interest compounded  
2       annually on July 1 on the contributions on account as of the

1 previous July 1 and computed at the rate of investment return  
2 determined under section 104a(1) for the last completed state  
3 fiscal year.

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

6 (3) "Deferred member" means a member who has ceased to be a  
7 public school employee and has satisfied the requirements of  
8 section 82 for a deferred vested service retirement allowance.

9 (4) "Department" means the department of management and  
10 budget.

11 (5) "Designated date" means September 30, 1997.

12 (6) "Direct rollover" means a payment by the retirement system  
13 to the eligible retirement plan specified by the distributee.

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

19 (8) Beginning January 1, 2002, except as otherwise provided in  
20 this subsection, "eligible retirement plan" means an individual  
21 retirement account described in section 408(a) of the internal  
22 revenue code, an individual retirement annuity described in section  
23 408(b) of the internal revenue code, an annuity plan described in  
24 section 403(a) of the internal revenue code, or a qualified trust  
25 described in section 401(a) of the internal revenue code, an  
26 annuity contract described in section 403(b) of the internal  
27 revenue code, or an eligible plan under section 457(b) of the

1 internal revenue code which is maintained by a state, political  
2 subdivision of a state, or an agency or instrumentality of a state  
3 or political subdivision of a state and which agrees to separately  
4 account for amounts transferred into such eligible plan under  
5 section 457(b) of the internal revenue code from this retirement  
6 system, that accepts the distributee's eligible rollover  
7 distribution. However, in the case of an eligible rollover  
8 distribution to a surviving spouse, an eligible retirement plan  
9 means an individual retirement account or an individual retirement  
10 annuity described above.

11 (9) Beginning January 1, 2002, "eligible rollover  
12 distribution" means a distribution of all or any portion of the  
13 balance to the credit of the distributee. Eligible rollover  
14 distribution does not include any of the following:

15 (a) A distribution made for the life or life expectancy of the  
16 distributee or the joint lives or joint life expectancies of the  
17 distributee and the distributee's designated beneficiary.

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

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

21 (d) The portion of any distribution that is not includable in  
22 federal gross income, determined without regard to the exclusion  
23 for net unrealized appreciation with respect to employer  
24 securities, except to the extent that the portion of a distribution  
25 that is not includable in federal gross income is paid to either of  
26 the following:

27 (i) An individual retirement account or annuity described in

1 section 408(a) or (b) of the internal revenue code.

2 (ii) A qualified defined contribution plan as described in  
3 section 401(a) or 403(a) of the internal revenue code that agrees  
4 to separately account for amounts transferred, including separately  
5 accounting for the portion of the distribution that is includable  
6 in gross income and the portion of the distribution which is not  
7 includable in gross income.

8 (10) "Employee organization professional services leave" or  
9 "professional services leave" means a leave of absence that is  
10 renewed annually by the reporting unit so that a member may accept  
11 a position with a public school employee organization to which he  
12 or she belongs and which represents employees of a reporting unit  
13 in employment matters. The member shall be included in membership  
14 of the retirement system during a professional services leave if  
15 all of the conditions of section 71(5) and (6) are satisfied.

16 (11) "Employee organization professional services released  
17 time" or "professional services released time" means a portion of  
18 the school fiscal year during which a member is released by the  
19 reporting unit from his or her regularly assigned duties to engage  
20 in employment matters for a public school employee organization to  
21 which he or she belongs. The member's compensation received or  
22 service rendered, or both, as applicable, by a member while on  
23 professional services released time shall be reportable to the  
24 retirement system if all of the conditions of section 71(5) and (6)  
25 are satisfied.

26 (12) "Final average compensation" means the aggregate amount  
27 of a member's compensation earned within the averaging period in

1 which the aggregate amount of compensation was highest divided by  
2 the member's number of years, including any fraction of a year, of  
3 credited service during the averaging period. The averaging period  
4 shall be 36 consecutive calendar months if the member contributes  
5 to the member investment plan; otherwise, the averaging period  
6 shall be 60 consecutive calendar months. If the member has less  
7 than 1 year of credited service in the averaging period, the number  
8 of consecutive calendar months in the averaging period shall be  
9 increased to the lowest number of consecutive calendar months that  
10 contains 1 year of credited service.

11 (13) "Health benefits" means hospital, medical-surgical, and  
12 sick care benefits and dental, vision, and hearing benefits for  
13 retirants, retirement allowance beneficiaries, and health insurance  
14 dependents provided pursuant to section 91.

15 (14) **"IMPLEMENTATION DATE" MEANS JULY 1, 2007.**

16 (15) ~~(14)~~ "Internal revenue code" means the United States  
17 internal revenue code of 1986.

18 (16) ~~(15)~~ "Long-term care insurance" means group insurance  
19 that is authorized by the retirement system for retirants,  
20 retirement allowance beneficiaries, and health insurance  
21 dependents, as that term is defined in section 91, to cover the  
22 costs of services provided to retirants, retirement allowance  
23 beneficiaries, and health insurance dependents, from nursing homes,  
24 assisted living facilities, home health care providers, adult day  
25 care providers, and other similar service providers.

26 (17) ~~(16)~~ "Member investment plan" means the program of member  
27 contributions described in section 43a.

1           (18) "PLAN DOCUMENT" MEANS THE DOCUMENT THAT CONTAINS THE  
2 PROVISIONS AND PROCEDURES OF TIER 2 IN CONFORMITY WITH THIS ACT AND  
3 THE INTERNAL REVENUE CODE.

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

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

8           (3) "State of Michigan service" means service performed as a  
9 state employee in the classified or unclassified service under the  
10 state employees' retirement act, 1943 PA 240, MCL 38.1 to 38.69.

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

15           (5) "TIER 1" MEANS THE RETIREMENT PLAN AVAILABLE TO A MEMBER  
16 UNDER THIS ACT WHO WAS FIRST EMPLOYED BY A REPORTING UNIT BEFORE  
17 THE IMPLEMENTATION DATE AND WHO DOES NOT ELECT TO BECOME A  
18 QUALIFIED PARTICIPANT OF TIER 2.

19           (6) "TIER 2" MEANS THE RETIREMENT PLAN OR PLANS ESTABLISHED  
20 PURSUANT TO THE PLAN DOCUMENTS THAT ARE AVAILABLE TO QUALIFIED  
21 PARTICIPANTS UNDER SECTIONS 109 TO 112 AND ARTICLE 7.

22           (7) ~~(5)~~—"Transitional public employment program" means  
23 participation in public service employment programs in the areas of  
24 environmental quality, health care, education, public safety, crime  
25 prevention and control, prison rehabilitation, transportation,  
26 recreation, maintenance of parks, streets, and other public  
27 facilities, solid waste removal, pollution control, housing and

1 neighborhood improvements, rural development, conservation,  
2 beautification, veterans' outreach, and other fields of human  
3 betterment and community improvement as part of a program of  
4 comprehensive manpower services authorized, undertaken, and  
5 financed under the comprehensive employment and training act of  
6 1973, former Public Law 93-203, 87 Stat. 839.

7 Sec. 25. (1) The board shall have only the rights, authority,  
8 and discretion in the proper discharge of its duties provided in  
9 this act and former 1945 PA 136.

10 (2) ~~The~~ **EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, THE**  
11 retirement board may promulgate rules pursuant to the  
12 administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to  
13 24.328, for the implementation and administration of this act. **THE**  
14 **RETIREMENT BOARD SHALL NOT PROMULGATE RULES FOR THE ESTABLISHMENT,**  
15 **IMPLEMENTATION, ADMINISTRATION, OPERATION, INVESTMENT, OR**  
16 **DISTRIBUTION OF A TIER 2 RETIREMENT PLAN.**

17 Sec. 26. (1) **THIS SECTION DOES NOT APPLY TO TIER 2.**

18 (2) ~~(1)~~—The state treasurer shall be treasurer of the  
19 retirement system and shall have investment authority, including  
20 the custodianship of the funds of the retirement system, and shall  
21 have fiduciary responsibility with regard to the investment of  
22 funds of the retirement system.

23 (3) ~~(2)~~—The state treasurer shall deposit the funds of the  
24 retirement system in the same manner and subject to the law  
25 governing the deposit of state funds by the treasurer. Income  
26 earned by the retirement system's funds shall be credited to the  
27 respective reserves under this act that earned the income.

1       Sec. 34. (1) The reserve for health benefits is the account to  
2       which payments of reporting units, **SUBSCRIBER COPAYMENTS, AND**  
3       **PAYMENTS BY THE RETIREMENT SYSTEM UNDER SECTION 136** for health  
4       benefits are credited. Benefits payable pursuant to ~~section 91~~  
5       **SECTIONS 91 AND 136** shall be paid from the reserve for health  
6       benefits. The assets and any earnings on the assets contained in  
7       the reserve for health benefits and the health advance funding  
8       subaccount are not to be treated as pension assets for any purpose.

9       (2) The health advance funding subaccount is the account to  
10      which amounts transferred pursuant to section 41 are credited.  
11      Except as otherwise provided in this section, any amounts received  
12      in the health advance funding subaccount and accumulated earnings  
13      on those amounts shall not be expended until the actuarial accrued  
14      liability for health benefits under section 91 is at least 100%  
15      funded. The department may expend funds or transfer funds to  
16      another account to expend for health benefits under section 91 if  
17      the actuarial accrued liability for health benefits under section  
18      91 is at least 100% funded. For each fiscal year that begins after  
19      the first fiscal year in which the actuarial accrued liability for  
20      health benefits under section 91 is at least 100% funded by the  
21      health advance funding subaccount, the amounts may be expended or  
22      credited to fund health benefits provided under section 91 as  
23      provided in section 41(2).

24      (3) Notwithstanding any other provision of this section, the  
25      department may transfer amounts from the health advance funding  
26      subaccount to the reserve for employer contributions established in  
27      section 30 if the department does both of the following:



1 (a) At least 45 days before the intended transfer, submits a  
2 request to the chairs of the senate and house appropriations  
3 committees and, at least 15 days before the intended transfer,  
4 obtains the approval of both the senate and house appropriations  
5 committees.

6 (b) Ensures that the request submitted to the senate and house  
7 appropriations committees contains an actuarial valuation prepared  
8 pursuant to section 41 that demonstrates that as of the beginning  
9 of a fiscal year, and after all credits and transfers required by  
10 this act for the previous fiscal year have been made, the sum of  
11 the actuarial value of assets and the actuarial present value of  
12 future normal cost contributions does not exceed the actuarial  
13 present value of benefits.

14 **SEC. 41B. FOR FISCAL YEARS THAT BEGIN ON OR AFTER THE**  
15 **EFFECTIVE DATE OF THIS SECTION, THE ANNUAL LEVEL PERCENTAGE OF**  
16 **PAYROLL CONTRIBUTION RATE AS IT APPLIES TO THE UNFUNDED ACTUARIAL**  
17 **ACCRUED LIABILITY DETERMINED UNDER SECTION 41 SHALL BE BASED ON AND**  
18 **APPLIED TO THE COMBINED PAYROLLS FOR MEMBERS OF TIER 1 AND**  
19 **QUALIFIED PARTICIPANTS OF TIER 2.**

20 **SEC. 60. (1) THIS SECTION APPLIES TO ALL SERVICE CREDIT**  
21 **PURCHASED BY A MEMBER UNDER THIS ACT IF THE MEMBER ELECTS TO**  
22 **PURCHASE SERVICE CREDIT AFTER JULY 1, 2007. ON AND AFTER JULY 1,**  
23 **2007, A MEMBER SHALL NOT PURCHASE SERVICE CREDIT UNDER THIS ACT**  
24 **UNLESS THE MEMBER HAS AT LEAST 2 YEARS OF CREDITED SERVICE AS A**  
25 **PUBLIC SCHOOL EMPLOYEE.**

26 **(2) AFTER JULY 1, 2007, IF A MEMBER ELECTS TO PURCHASE SERVICE**  
27 **CREDIT AND BECOMES A RETIRANT UNDER SECTION 43B, 81, OR 82, THE**

1 **MEMBER SHALL ONLY RECEIVE HEALTH BENEFITS AS DETERMINED UNDER**  
2 **SECTION 91(10) .**

3       Sec. 61. ~~(1)~~—Except as otherwise provided in this section, if  
4 a retirant is receiving a retirement allowance other than a  
5 disability allowance payable under this act or under former 1945 PA  
6 136, on account of either age or years of personal service  
7 performed, or both, and becomes employed by a reporting unit **OR IS**  
8 **HIRED ON A CONTRACTUAL BASIS AS AN INDEPENDENT CONTRACTOR BY A**  
9 **REPORTING UNIT**, the following shall take place:

10       (a) The retirant shall not be entitled to a new final average  
11 compensation or additional service credit under this retirement  
12 system unless additional service is performed equivalent to 5 or  
13 more years of service credit or, if the retirant has contributed to  
14 the member investment plan, the equivalent of 3 or more years of  
15 service credit. The retirant may elect to have the retirement  
16 allowance recomputed based on the added credit or the final average  
17 compensation resulting from the added service, or both. A  
18 retirement allowance shall not be recomputed until the retirant  
19 pays into the retirement system an amount equal to the retirant's  
20 new final average compensation multiplied by the percentage  
21 determined under section 41(2) for normal cost and unfunded  
22 actuarial accrued liabilities, not including the percentage  
23 required for the funding of health benefits, multiplied by the  
24 total service credit in the period in which the retirant's  
25 additional service was performed.

26       (b) The retirant's retirement allowance shall be reduced by  
27 the lesser of the amount that the earnings in a calendar year

1 exceed the amount permitted without a reduction of benefits under  
2 the social security act, chapter 531, 49 Stat. 620, or 1/3 of the  
3 retirant's final average compensation. For purposes of computing  
4 allowable earnings under this subdivision, the final average  
5 compensation shall be increased by 5% for each full year of  
6 retirement.

7 ~~—— (2) The retirement system may offset retirement benefits~~  
8 ~~payable under this act against amounts owed to the retirement~~  
9 ~~system by a retirant or retirement allowance beneficiary.~~

10 ~~—— (3) Subsection (1) does not apply to a retirant if all of the~~  
11 ~~following circumstances exist:~~

12 ~~—— (a) The retirant is a former teacher or administrator employed~~  
13 ~~in a teaching or research capacity by a university that is~~  
14 ~~considered a reporting unit for the limited purpose described in~~  
15 ~~section 7(3).~~

16 ~~—— (b) The retirant is not eligible to use any service or~~  
17 ~~compensation attributable to the employment described in~~  
18 ~~subdivision (a) for a recomputation of his or her retirement~~  
19 ~~allowance.~~

20 ~~—— (c) A university that employs a retirant pursuant to this~~  
21 ~~subsection shall report such employment to the retirement system by~~  
22 ~~July 1 of each year. The report to be filed shall include the name~~  
23 ~~of the retirant, the capacity in which the retirant is employed,~~  
24 ~~and the total annual compensation paid to the retirant.~~

25 ~~—— (4) Until July 1, 2011, subsection (1) does not apply to a~~  
26 ~~retirant if all of the following circumstances exist:~~

27 ~~—— (a) The retirant is employed by a reporting unit that has an~~

~~approved emergency situation, not including a situation caused by a labor dispute, that necessitates the hiring of a retirant in the capacity of a teacher, principal, stationary engineer, administrator, or other category as determined by the superintendent of public instruction to prevent depriving students of an education. The chief executive officer or superintendent of the school district shall include with the written notification documentation showing that more than 8% of all classes in the district during the 1998-99 school year are taught by full time substitute teachers who are not certificated in the subjects or grade levels which they teach. Within 30 days after receipt of the notification and documentation under this subdivision, the department of education shall notify the chief executive officer or superintendent and the retirement system of its approval or disapproval of the emergency situation. If disapproved by the department of education, this subsection does not apply.~~

~~—— (b) The retirant is employed under an emergency situation described in subdivision (a) for a period not to exceed 6 years.~~

~~—— (c) The retirant is not eligible to use any service or compensation attributable to the employment described in subdivision (a) for a recomputation of his or her retirement allowance.~~

~~—— (5) On or before July 1, 1999, the state superintendent of public instruction shall compile a listing of critical shortage disciplines. This listing shall be updated annually.~~

~~—— (6) Until July 1, 2011, subsection (1) does not apply to a retirant if all of the following circumstances exist:~~

~~1 (a) The retirant is employed by a reporting unit that has a  
2 situation, not including a situation caused by a labor dispute,  
3 that necessitates the hiring of a retirant in an area that has been  
4 identified by the state superintendent of public instruction as a  
5 critical shortage discipline pursuant to subsection (5).~~

~~6 (b) The retirant is employed under a situation described in  
7 subdivision (a) for a period not to exceed 6 years.~~

~~8 (c) The retirant is not eligible to use any service or  
9 compensation attributable to the employment described in  
10 subdivision (a) for a recomputation of his or her retirement  
11 allowance.~~

~~12 (7) The provisions of subsections (4) and (6) shall only apply  
13 for retirants who have been retired for at least 12 months before  
14 becoming employed under this section.~~

15       Sec. 91. (1) ~~The~~ **EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION,**  
16 **THE** retirement system shall pay the entire monthly premium or  
17 membership or subscription fee for hospital, medical-surgical, and  
18 sick care benefits for the benefit of a retirant or retirement  
19 allowance beneficiary who elects coverage in the plan authorized by  
20 the retirement board and the department.

21       (2) The retirement system may pay up to the maximum of the  
22 amount payable under subsection (1) toward the monthly premium for  
23 hospital, medical-surgical, and sick care benefits for the benefit  
24 of a retirant or retirement allowance beneficiary enrolled in a  
25 group health insurance or prepaid service plan not authorized by  
26 the retirement board and the department, if enrolled before June 1,  
27 1975, for whom the retirement system on July 18, 1983 was making a

1 payment towards his or her monthly premium.

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

7 (4) The retirement system shall pay 90% of the monthly premium  
8 or membership or subscription fee for dental, vision, and hearing  
9 benefits for the benefit of a retirant or retirement allowance  
10 beneficiary who elects coverage in the plan authorized by the  
11 retirement board and the department. Payments shall begin under  
12 this subsection upon approval by the retirement board and the  
13 department of plan coverage and a plan provider.

14 (5) The retirement system shall pay up to 90% of the maximum  
15 of the amount payable under subsection (1) toward the monthly  
16 premium or membership or subscription fee for hospital, medical-  
17 surgical, and sick care benefits coverage described in subsections  
18 (1) and (2) for each health insurance dependent of a retirant  
19 receiving benefits under subsection (1) or (2). Payment shall not  
20 exceed 90% of the actual monthly premium or membership or  
21 subscription fee. The retirement system shall pay 90% of the  
22 monthly premium or membership or subscription fee for dental,  
23 vision, and hearing benefits described in subsection (4) for the  
24 benefit of each health insurance dependent of a retirant receiving  
25 benefits under subsection (4). Payment for health benefits coverage  
26 for a health insurance dependent of a retirant shall not be made  
27 after the retirant's death, unless the retirant designated a

1 retirement allowance beneficiary as provided in section 85 and the  
2 dependent was covered or eligible for coverage as a health  
3 insurance dependent of the retirant on the retirant's date of  
4 death. Payment for health benefits coverage shall not be made for a  
5 health insurance dependent after the later of the retirant's death  
6 or the retirement allowance beneficiary's death. Payment under this  
7 subsection and subsection (6) began October 1, 1985 for health  
8 insurance dependents who on July 10, 1985 were covered by the  
9 hospital, medical-surgical, and sick care benefits plan authorized  
10 by the retirement board and the department. Payment under this  
11 subsection and subsection (6) for other health insurance dependents  
12 shall not begin before January 1, 1986.

13 (6) The payment described in subsection (5) shall also be made  
14 for each health insurance dependent of a deceased member or  
15 deceased duty disability retirant if a retirement allowance is  
16 being paid to a retirement allowance beneficiary because of the  
17 death of the member or duty disability retirant as provided in  
18 section 43c(c), 89, or 90. Payment for health benefits coverage for  
19 a health insurance dependent shall not be made after the retirement  
20 allowance beneficiary's death.

21 (7) The payments provided by this section shall not be made on  
22 behalf of a retiring section 82 deferred member or health insurance  
23 dependent of a deferred member having less than 21 full years of  
24 attained credited service or the retiring deferred member's  
25 retirement allowance beneficiary, and shall not be made on behalf  
26 of a retirement allowance beneficiary of a deferred member who dies  
27 before retiring. ~~The~~ **EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION**

1 (10), **THE** retirement system shall pay, on behalf of a retiring  
2 section 82 deferred member or health insurance dependent of a  
3 deferred member or a retirement allowance beneficiary of a deceased  
4 deferred member, either of whose allowance is based upon not less  
5 than 21 years of attained credited service, 10% of the payments  
6 provided by this section, increased by 10% for each attained full  
7 year of credited service beyond 21 years, not to exceed 100%. This  
8 subsection applies to any member who attains deferred status under  
9 section 82 after October 31, 1980.

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

16 (9) The hospital, medical-surgical, and sick care benefits  
17 plan, dental plan, vision plan, and hearing plan that covers  
18 retirants, retirement allowance beneficiaries, and health insurance  
19 dependents pursuant to this section shall contain a coordination of  
20 benefits provision that provides all of the following:

21 (a) If the person covered under the hospital, medical-  
22 surgical, and sick care benefits plan is also eligible for medicare  
23 or medicaid, or both, then the benefits under medicare or medicaid,  
24 or both, shall be determined before the benefits of the hospital,  
25 medical-surgical, and sick care benefits plan provided pursuant to  
26 this section.

27 (b) If the person covered under any of the plans provided by



1 this section is also covered under another plan that contains a  
2 coordination of benefits provision, the benefits shall be  
3 coordinated as provided by the coordination of benefits act, 1984  
4 PA 64, MCL 550.251 to 550.255.

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

10 (10) THIS SUBSECTION ONLY APPLIES TO A RETIRANT WHO ELECTS TO  
11 PURCHASE SERVICE CREDIT ON OR AFTER JULY 1, 2007. A RETIRANT WHO  
12 ELECTS TO PURCHASE SERVICE CREDIT AFTER JULY 1, 2007 SHALL HAVE HIS  
13 OR HER BENEFITS UNDER THIS SECTION DETERMINED BY THE RETIREMENT  
14 SYSTEM IN THE MANNER PRESCRIBED IN THIS SUBSECTION. THE RETIREMENT  
15 SYSTEM SHALL FIRST DETERMINE WHETHER THE PURCHASE OF SERVICE CREDIT  
16 ALLOWED THE RETIRANT TO RETIRE EARLIER THAN THE RETIRANT WOULD HAVE  
17 RETIRED WITHOUT THE PURCHASE OF SERVICE CREDIT. THE RETIREMENT  
18 SYSTEM SHALL THEN DETERMINE THE DIFFERENCE BETWEEN THE RETIRANT'S  
19 EFFECTIVE DATE AND THE EFFECTIVE DATE THAT THE RETIRANT WOULD HAVE  
20 RETIRED IF THE RETIRANT HAD NOT PURCHASED THE SERVICE CREDIT. THE  
21 RETIRANT WHO IS SUBJECT TO THIS SUBSECTION SHALL NOT BE ELIGIBLE  
22 FOR HEALTH CARE BENEFITS UNDER THIS SECTION UNTIL THE EFFECTIVE  
23 DATE THAT THE RETIRANT WOULD HAVE RETIRED IF THE RETIRANT HAD NOT  
24 PURCHASED THE SERVICE CREDIT.

25 (11) ~~(10)~~ For purposes of this section:

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

27 (i) The spouse of the retirant or the surviving spouse to whom

1 the retirant or deceased member was married at the time of the  
2 retirant's or deceased member's death.

3 (ii) An unmarried child, by birth or adoption, of the retirant  
4 or deceased member, until December 31 of the calendar year in which  
5 the child becomes 19 years of age.

6 (iii) An unmarried child, by birth or adoption, of the retirant  
7 or deceased member, until December 31 of the calendar year in which  
8 the child becomes 25 years of age, who is enrolled as a full-time  
9 student, and who is or was at the time of the retirant's or  
10 deceased member's death a dependent of the retirant or deceased  
11 member as defined in section 152 of the internal revenue code.

12 (iv) An unmarried child, by birth or adoption, of the retirant  
13 or deceased member who is incapable of self-sustaining employment  
14 because of mental or physical disability, and who is or was at the  
15 time of the retirant's or deceased member's death a dependent of  
16 the retirant or deceased member as defined in section 152 of the  
17 internal revenue code.

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

21 (vi) An unmarried child who is not the child by birth or  
22 adoption of the retirant or deceased member but who otherwise  
23 qualifies to be a health insurance dependent under subparagraph  
24 (ii), (iii), or (iv), if the retirant or deceased member is the legal  
25 guardian of the unmarried child.

26 (b) "Medicaid" means benefits under the federal medicaid  
27 program established under title XIX of the social security act,

1 chapter 531, 49 Stat. 620, 42 U.S.C.—USC 1396 to 1396f, 1396g-1 to  
2 1396r-6, and 1396r-8 to 1396v.

3 (c) "Medicare" means benefits under the federal medicare  
4 program established under title XVIII of the social security act,  
5 chapter 531, 49 Stat. 620, 42 U.S.C.—USC 1395 to 1395b, 1395b-2,  
6 1395b-6 to 1395b-7, 1395c to 1395i, 1395i-2 to 1395i-5, 1395j to  
7 1395t, 1395u to 1395w, 1395w-2 to 1395w-4, 1395w-21 to 1395w-28,  
8 1395x to 1395yy, and 1395bbb to 1395ggg.

9 Sec. 108. (1) This section is enacted pursuant to federal law  
10 that imposes certain administrative requirements and benefit  
11 limitations for qualified governmental plans. This state intends  
12 that the retirement system be a qualified pension plan created in  
13 trust under section 401 of the internal revenue code and that the  
14 trust be an exempt organization under section 501 of the internal  
15 revenue code. The department shall administer the retirement system  
16 to fulfill this intent.

17 ~~—— (2) Except as otherwise provided in this section, employer-~~  
18 ~~financed benefits provided by the retirement system under this act~~  
19 ~~shall not exceed \$10,000.00 per year for a retirant who has 15 or~~  
20 ~~more years of credited service at retirement.~~

21 ~~—— (3) Employer financed benefits provided by the retirement~~  
22 ~~system under this act shall not exceed the limitation under~~  
23 ~~subsection (2) unless application of this subsection results in a~~  
24 ~~higher limitation. The higher limitation of this subsection applies~~  
25 ~~to employer financed benefits provided by the retirement system~~  
26 ~~and, for purposes of section 415(b) of the internal revenue code,~~  
27 ~~applies to aggregated benefits received from all qualified pension~~

~~plans administered by the department of management and budget,  
office of retirement systems. Employer financed benefits provided  
by the retirement system shall not exceed the lesser of the  
following:~~

~~—— (a) One of the following amounts that is applicable to the  
member:~~

~~—— (i) If a member retires at age 62 or older, \$90,000.00 or the  
adjusted amount described in subsection (4) per year.~~

~~—— (ii) If a member retires at or after age 55 but before age 62,  
the actuarially reduced amount of the limitation prescribed in  
subparagraph (i) per year. The retirement system shall use an  
interest rate of 5% per year compounded annually to calculate the  
actuarial reduction in this subparagraph. However, the limitation  
in this subparagraph shall not be actuarially reduced below  
\$75,000.00.~~

~~—— (iii) If a member retires before age 55, the actuarially reduced  
amount of the limitation prescribed in subparagraph (ii) per year.  
The retirement system shall use an interest rate of 5% per year  
compounded annually to calculate the actuarial reduction in this  
subparagraph.~~

~~—— (b) 100% of the member's average compensation for high 3 years  
as described in section 415(b)(3) of the internal revenue code.~~

~~—— (4) Section 415(d) of the internal revenue code requires the  
secretary of the treasury or his or her delegate to annually adjust  
the \$10,000.00 limitation described in subsection (2) and the  
\$90,000.00 limitation described in subsection (3)(a)(i) for  
increases in cost of living, beginning in 1988. This section shall~~

~~be administered using the limitations applicable to each calendar year as adjusted by the secretary of the treasury or his or her delegate under section 415(d) of the internal revenue code. The retirement system shall adjust the benefits subject to the limitation each year to conform with the adjusted limitation.~~

(2) THE RETIREMENT SYSTEM SHALL BE ADMINISTERED IN COMPLIANCE WITH THE PROVISIONS OF SECTION 415 OF THE INTERNAL REVENUE CODE, 26 USC 415, AND REGULATIONS UNDER THAT SECTION THAT ARE APPLICABLE TO GOVERNMENTAL PLANS. EMPLOYER-FINANCED BENEFITS PROVIDED BY THE RETIREMENT SYSTEM UNDER THIS ACT SHALL NOT EXCEED THE APPLICABLE LIMITATIONS SET FORTH IN SECTION 415 OF THE INTERNAL REVENUE CODE, 26 USC 415, AS ADJUSTED BY THE COMMISSIONER OF INTERNAL REVENUE UNDER SECTION 415(D) OF THE INTERNAL REVENUE CODE, 26 USC 415, TO REFLECT COST-OF-LIVING INCREASES, AND THE RETIREMENT SYSTEM SHALL ADJUST THE BENEFITS SUBJECT TO THE LIMITATION EACH CALENDAR YEAR TO CONFORM WITH THE ADJUSTED LIMITATION. FOR PURPOSES OF SECTION 415(B) OF THE INTERNAL REVENUE CODE, 26 USC 415, THE APPLICABLE LIMITATION SHALL APPLY TO AGGREGATED BENEFITS RECEIVED FROM ALL QUALIFIED PENSION PLANS FOR WHICH THE OFFICE OF RETIREMENT SERVICES COORDINATES ADMINISTRATION OF THAT LIMITATION. IF THERE IS A CONFLICT BETWEEN THIS SECTION AND ANOTHER SECTION OF THIS ACT, THIS SECTION PREVAILS.

(3) ~~(5)~~—The assets of the retirement system shall be held in trust and invested for the sole purpose of meeting the legitimate obligations of the retirement system and shall not be used for any other purpose. The assets shall not be used for or diverted to a purpose other than for the exclusive benefit of the members,

1 deferred members, retirants, and retirement allowance  
2 beneficiaries.

3 (4) ~~(6)~~—The retirement system shall return post-tax member  
4 contributions made by a member and received by the retirement  
5 system to a member upon retirement, pursuant to internal revenue  
6 service regulations and approved internal revenue service exclusion  
7 ratio tables.

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

13 (6) ~~(8)~~—If the retirement system is terminated, the interest  
14 of the members, deferred members, retirants, and retirement  
15 allowance beneficiaries in the retirement system is nonforfeitable  
16 to the extent funded as described in section 411(d)(3) of the  
17 internal revenue code and the related internal revenue service  
18 regulations applicable to governmental plans.

19 (7) ~~(9)~~—Notwithstanding any other provision of this act to the  
20 contrary that would limit a distributee's election under this act,  
21 a distributee may elect, at the time and in the manner prescribed  
22 by the retirement board, to have any portion of an eligible  
23 rollover distribution paid directly to an eligible retirement plan  
24 specified by the distributee in a direct rollover. This subsection  
25 applies to distributions made on or after January 1, 1993.

26 (8) ~~(10)~~—For purposes of determining actuarial equivalent  
27 retirement allowances under sections 45 and 85(1)(b), (1)(c),

1 (1)(d), and (2), the actuarially assumed interest rate shall be 8%  
2 with utilization of the 1983 group annuity and mortality table.

3 ~~—— (11) Notwithstanding any other provision of this section, the~~  
4 ~~retirement system shall be administered in compliance with the~~  
5 ~~provisions of section 415 of the internal revenue code and revenue~~  
6 ~~service regulations under that section that are applicable to~~  
7 ~~governmental plans. If there is a conflict between this section and~~  
8 ~~another section of this or any other act of this state, this~~  
9 ~~section prevails.~~

10 (9) ~~(12)~~ Notwithstanding any other provision of this act, the  
11 compensation of a member of the retirement system shall be taken  
12 into account for any year under the retirement system only to the  
13 extent that it does not exceed the compensation limit established  
14 in section 401(a)(17) of the internal revenue code, as adjusted by  
15 the commissioner of internal revenue. This subsection applies to  
16 any person who first becomes a member of the retirement system on  
17 or after October 1, 1996.

18 (10) ~~(13)~~ Notwithstanding any other provision of this act,  
19 contributions, benefits, and service credit with respect to  
20 qualified military service will be provided under the retirement  
21 system in accordance with section 414(u) of the internal revenue  
22 code. This subsection applies to all qualified military service on  
23 or after December 12, 1994.

24 **SEC. 109. (1) AN INDIVIDUAL WHO WAS A DEFERRED MEMBER OR**  
25 **FORMER NONVESTED MEMBER ON THE DAY BEFORE THE IMPLEMENTATION DATE,**  
26 **WHO IS EMPLOYED BY A REPORTING UNIT ON OR AFTER THE IMPLEMENTATION**  
27 **DATE, AND WHO BY VIRTUE OF THAT EMPLOYMENT WOULD BE ELIGIBLE FOR**

1 MEMBERSHIP IN TIER 1 MAY MAKE AN ELECTION AS PRESCRIBED IN SECTION  
2 110.

3 (2) AN INDIVIDUAL WHO IS FIRST EMPLOYED AND ENTERED UPON THE  
4 PAYROLL OF A REPORTING UNIT ON OR AFTER THE IMPLEMENTATION DATE  
5 SHALL BECOME A QUALIFIED PARTICIPANT OF TIER 2. THE DATE OF  
6 MEMBERSHIP IN TIER 1 OR PARTICIPATION IN TIER 2 UNDER THIS  
7 SUBSECTION DATES BACK TO THE DATE THE INDIVIDUAL WAS FIRST EMPLOYED  
8 AND ENTERED UPON THE PAYROLL OF A REPORTING UNIT.

9 SEC. 110. (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (2),  
10 THE RETIREMENT SYSTEM SHALL PROVIDE AN OPPORTUNITY FOR EACH MEMBER  
11 WHO IS A TIER 1 MEMBER ON THE DAY BEFORE THE IMPLEMENTATION DATE,  
12 TO ELECT IN WRITING TO TERMINATE MEMBERSHIP IN TIER 1 AND ELECT TO  
13 BECOME A QUALIFIED PARTICIPANT IN TIER 2. AN ELECTION MADE BY A  
14 MEMBER UNDER THIS SUBSECTION IS IRREVOCABLE. THE RETIREMENT SYSTEM  
15 SHALL ACCEPT WRITTEN ELECTIONS UNDER THIS SUBSECTION FROM MEMBERS  
16 DURING THE PERIOD BEGINNING ON AUGUST 31, 2007 AND ENDING ON  
17 NOVEMBER 30, 2007. A MEMBER WHO DOES NOT MAKE A WRITTEN ELECTION OR  
18 WHO DOES NOT FILE THE ELECTION DURING THE PERIOD SPECIFIED IN THIS  
19 SUBSECTION CONTINUES TO BE A MEMBER OF TIER 1. A MEMBER WHO MAKES  
20 AND FILES A WRITTEN ELECTION UNDER THIS SUBSECTION ELECTS TO DO ALL  
21 OF THE FOLLOWING:

22 (A) CEASE TO BE A MEMBER OF TIER 1 EFFECTIVE 12 MIDNIGHT ON  
23 DECEMBER 31, 2007.

24 (B) BECOME A QUALIFIED PARTICIPANT IN TIER 2 EFFECTIVE 12:01  
25 A.M. ON JANUARY 1, 2008.

26 (C) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, WAIVE  
27 ALL OF HIS OR HER RIGHTS TO A PENSION, AN ANNUITY, A RETIREMENT



1 ALLOWANCE, OR ANY OTHER BENEFIT UNDER TIER 1 EFFECTIVE 12 MIDNIGHT  
2 ON THE DAY DESCRIBED IN SUBDIVISION (A). THIS SUBDIVISION DOES NOT  
3 AFFECT A PERSON'S RIGHT TO HEALTH BENEFITS PROVIDED UNDER THIS ACT  
4 PURSUANT TO SECTION 136.

5 (2) THIS SUBSECTION APPLIES TO AN INDIVIDUAL WHO WAS A VESTED  
6 MEMBER OF TIER 1 ON THE DAY BEFORE THE IMPLEMENTATION DATE AND WHO  
7 TERMINATES THE EMPLOYMENT UPON WHICH THAT MEMBERSHIP IS BASED ON OR  
8 AFTER THE IMPLEMENTATION DATE BUT ON OR BEFORE DECEMBER 31, 2007.  
9 BEFORE THE TERMINATION OF HIS OR HER EMPLOYMENT, AN INDIVIDUAL  
10 DESCRIBED IN THIS SUBSECTION MAY ELECT IN WRITING TO TERMINATE  
11 MEMBERSHIP IN TIER 1 AND BECOME A QUALIFIED PARTICIPANT IN TIER 2.  
12 AN ELECTION MADE BY A MEMBER UNDER THIS SUBSECTION IS IRREVOCABLE.  
13 THE RETIREMENT SYSTEM SHALL ACCEPT WRITTEN ELECTIONS UNDER THIS  
14 SUBSECTION FROM A MEMBER DURING THE PERIOD BEGINNING ON THE  
15 IMPLEMENTATION DATE AND ENDING ON DECEMBER 31, 2007. A MEMBER  
16 DESCRIBED IN THIS SUBSECTION WHO DOES NOT MAKE A WRITTEN ELECTION  
17 OR WHO DOES NOT FILE THE ELECTION BEFORE THE TERMINATION OF HIS OR  
18 HER EMPLOYMENT CONTINUES TO BE A MEMBER OR DEFERRED MEMBER OF TIER  
19 1. A MEMBER WHO MAKES AND FILES A WRITTEN ELECTION UNDER THIS  
20 SUBSECTION TO TERMINATE MEMBERSHIP IN TIER 1 ELECTS TO DO ALL OF  
21 THE FOLLOWING:

22 (A) CEASE TO BE A MEMBER OF TIER 1 AND BECOME A QUALIFIED  
23 PARTICIPANT IN TIER 2 EFFECTIVE 12 MIDNIGHT ON THE DAY IMMEDIATELY  
24 PRECEDING THE DATE OF THE TERMINATION OF EMPLOYMENT.

25 (B) BECOME A FORMER QUALIFIED PARTICIPANT IN TIER 2 EFFECTIVE  
26 12:01 A.M. ON THE DAY IMMEDIATELY FOLLOWING THE DATE DESCRIBED IN  
27 SUBDIVISION (A).

1 (C) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, WAIVE  
2 ALL OF HIS OR HER RIGHTS TO A PENSION, AN ANNUITY, A RETIREMENT  
3 ALLOWANCE, AN INSURANCE BENEFIT, OR ANY OTHER BENEFIT UNDER TIER 1  
4 EFFECTIVE 12 MIDNIGHT ON THE DATE DESCRIBED IN SUBDIVISION (A).  
5 THIS SUBDIVISION DOES NOT AFFECT AN INDIVIDUAL'S RIGHT TO HEALTH  
6 BENEFITS PROVIDED UNDER THIS ACT PURSUANT TO SECTION 136.

7 (3) IF AN INDIVIDUAL WHO WAS A DEFERRED MEMBER ON THE DAY  
8 BEFORE THE IMPLEMENTATION DATE OR AN INDIVIDUAL WHO WAS A FORMER  
9 NONVESTED MEMBER ON THE DAY BEFORE THE IMPLEMENTATION DATE IS  
10 EMPLOYED BY A REPORTING UNIT ON OR AFTER THE IMPLEMENTATION DATE  
11 AND BY VIRTUE OF THAT EMPLOYMENT IS AGAIN ELIGIBLE FOR MEMBERSHIP  
12 IN TIER 1, THE INDIVIDUAL SHALL ELECT IN WRITING TO REMAIN A MEMBER  
13 OF TIER 1 OR TO TERMINATE MEMBERSHIP IN TIER 1 AND BECOME A  
14 QUALIFIED PARTICIPANT IN TIER 2. AN ELECTION MADE BY A DEFERRED  
15 MEMBER OR A FORMER NONVESTED MEMBER UNDER THIS SUBSECTION IS  
16 IRREVOCABLE. THE RETIREMENT SYSTEM SHALL ACCEPT WRITTEN ELECTIONS  
17 UNDER THIS SUBSECTION FROM A DEFERRED MEMBER OR A FORMER NONVESTED  
18 MEMBER DURING THE PERIOD BEGINNING ON THE DATE OF THE INDIVIDUAL'S  
19 REEMPLOYMENT AND ENDING UPON THE EXPIRATION OF 60 DAYS AFTER THE  
20 DATE OF THAT REEMPLOYMENT. A DEFERRED MEMBER OR FORMER NONVESTED  
21 MEMBER WHO MAKES AND FILES A WRITTEN ELECTION TO REMAIN A MEMBER OF  
22 TIER 1 RETAINS ALL RIGHTS AND IS SUBJECT TO ALL CONDITIONS AS A  
23 MEMBER OF TIER 1 UNDER THIS ACT. A DEFERRED MEMBER OR FORMER  
24 NONVESTED MEMBER WHO DOES NOT MAKE A WRITTEN ELECTION OR WHO DOES  
25 NOT FILE THE ELECTION DURING THE PERIOD SPECIFIED IN THIS  
26 SUBSECTION CONTINUES TO BE A MEMBER OF TIER 1. A DEFERRED MEMBER OR  
27 FORMER NONVESTED MEMBER WHO MAKES AND FILES A WRITTEN ELECTION TO

1 TERMINATE MEMBERSHIP IN TIER 1 ELECTS TO DO ALL OF THE FOLLOWING:

2 (A) CEASE TO BE A MEMBER OF TIER 1 EFFECTIVE 12 MIDNIGHT ON  
3 THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF THE  
4 ELECTION.

5 (B) BECOME A QUALIFIED PARTICIPANT IN TIER 2 EFFECTIVE 12:01  
6 A.M. ON THE FIRST DAY OF THE PAYROLL PERIOD IMMEDIATELY FOLLOWING  
7 THE DATE OF THE ELECTION.

8 (C) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, WAIVE  
9 ALL OF HIS OR HER RIGHTS TO A PENSION, AN ANNUITY, A RETIREMENT  
10 ALLOWANCE, AN INSURANCE BENEFIT, OR ANY OTHER BENEFIT UNDER TIER 1  
11 EFFECTIVE 12 MIDNIGHT ON THE LAST DAY OF THE PAYROLL PERIOD THAT  
12 INCLUDES THE DATE OF THE ELECTION. THIS SUBDIVISION DOES NOT AFFECT  
13 AN INDIVIDUAL'S RIGHT TO HEALTH BENEFITS PROVIDED UNDER THIS ACT  
14 PURSUANT TO SECTION 136.

15 (4) AFTER CONSULTATION WITH THE RETIREMENT SYSTEM'S ACTUARY  
16 AND THE RETIREMENT BOARD, THE DEPARTMENT SHALL DETERMINE THE METHOD  
17 BY WHICH A MEMBER, DEFERRED MEMBER, OR FORMER NONVESTED MEMBER  
18 SHALL MAKE A WRITTEN ELECTION UNDER THIS SECTION. IF THE MEMBER,  
19 DEFERRED MEMBER, OR FORMER NONVESTED MEMBER IS MARRIED AT THE TIME  
20 OF THE ELECTION, THE ELECTION IS NOT EFFECTIVE UNLESS THE ELECTION  
21 IS SIGNED BY THE INDIVIDUAL'S SPOUSE. HOWEVER, THE RETIREMENT BOARD  
22 MAY WAIVE THIS REQUIREMENT IF THE SPOUSE'S SIGNATURE CANNOT BE  
23 OBTAINED BECAUSE OF EXTENUATING CIRCUMSTANCES.

24 (5) AN ELECTION UNDER THIS SECTION IS SUBJECT TO THE ELIGIBLE  
25 DOMESTIC RELATIONS ORDER ACT, 1991 PA 46, MCL 38.1701 TO 38.1711.

26 (6) IF AN INDIVIDUAL WHO WAS A DEFERRED MEMBER OF THE STATE  
27 EMPLOYEES' RETIREMENT SYSTEM ON THE DAY BEFORE THE IMPLEMENTATION

1 DATE IS FIRST EMPLOYED AND ENTERED UPON THE PAYROLL OF A REPORTING  
2 UNIT ON OR AFTER THE IMPLEMENTATION DATE, THE RETIREMENT SYSTEM  
3 SHALL PROVIDE AN OPPORTUNITY FOR THAT INDIVIDUAL TO ELECT IN  
4 WRITING TO BECOME A MEMBER OF TIER 1 OR TO BECOME A QUALIFIED  
5 PARTICIPANT OF TIER 2. THE RETIREMENT SYSTEM AND THE INDIVIDUAL  
6 SHALL FOLLOW THE PROVISIONS AND PROCEDURES PROVIDED IN THIS SECTION  
7 AND BY THE DEPARTMENT AS IF THE INDIVIDUAL WERE A DEFERRED MEMBER  
8 OF TIER 1 ON THE DAY BEFORE THE IMPLEMENTATION DATE.

9 (7) IF THE DEPARTMENT RECEIVES NOTIFICATION FROM THE UNITED  
10 STATES INTERNAL REVENUE SERVICE THAT THIS SECTION OR ANY PORTION OF  
11 THIS SECTION WILL CAUSE THE RETIREMENT SYSTEM TO BE DISQUALIFIED  
12 FOR TAX PURPOSES UNDER THE INTERNAL REVENUE CODE, THEN THE PORTION  
13 THAT WILL CAUSE THE DISQUALIFICATION DOES NOT APPLY.

14 SEC. 111. (1) FOR A MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP  
15 IN TIER 1 UNDER SECTION 110(1), THE RETIREMENT SYSTEM SHALL DIRECT  
16 THE STATE TREASURER TO TRANSFER A LUMP SUM AMOUNT FROM THE  
17 APPROPRIATE RESERVE CREATED UNDER ARTICLE 2 TO THE QUALIFIED  
18 PARTICIPANT'S ACCOUNT IN TIER 2 ON OR BEFORE JULY 1, 2008. THE  
19 RETIREMENT SYSTEM SHALL CALCULATE THE AMOUNT TO BE TRANSFERRED,  
20 WHICH SHALL BE EQUAL TO THE SUM OF THE FOLLOWING:

21 (A) THE MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY, FROM THE  
22 RESERVE FOR EMPLOYEE CONTRIBUTIONS AS OF 12 MIDNIGHT DECEMBER 31,  
23 2007.

24 (B) FOR A MEMBER WHO IS A PARTICIPANT IN THE MEMBER INVESTMENT  
25 PLAN, THE MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY, FROM THE  
26 RESERVE FOR MEMBER INVESTMENT PLAN AS OF 12 MIDNIGHT DECEMBER 31,  
27 2007.

1 (C) FOR A MEMBER WHO IS VESTED UNDER SECTION 81 AS OF 12  
2 MIDNIGHT DECEMBER 31, 2007, THE EXCESS, IF ANY, OF THE ACTUARIAL  
3 PRESENT VALUE OF THE MEMBER'S ACCUMULATED BENEFIT OBLIGATION, OVER  
4 THE AMOUNT SPECIFIED IN SUBDIVISIONS (A) AND (B), FROM THE RESERVE  
5 FOR EMPLOYER CONTRIBUTIONS. EXCEPT AS PROVIDED IN SUBSECTION (7),  
6 FOR THE PURPOSES OF THIS SUBSECTION, THE PRESENT VALUE OF THE  
7 MEMBER'S ACCUMULATED BENEFIT OBLIGATION IS BASED UPON THE MEMBER'S  
8 ACTUAL CREDITED SERVICE AND ACTUAL FINAL AVERAGE COMPENSATION AS OF  
9 12 MIDNIGHT DECEMBER 31, 2007. THE ACTUARIAL PRESENT VALUE SHALL BE  
10 COMPUTED AS OF 12 MIDNIGHT DECEMBER 31, 2007 AND SHALL BE BASED ON  
11 THE FOLLOWING:

12 (i) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
13 ANNUALLY.

14 (ii) A 50% MALE AND 50% FEMALE GENDER NEUTRAL BLEND OF THE  
15 MORTALITY TABLES USED TO PROJECT RETIRANT LONGEVITY IN THE MOST  
16 RECENT ACTUARIAL VALUATION REPORT.

17 (iii) A BENEFIT COMMENCEMENT AGE, BASED UPON THE MEMBER'S  
18 ESTIMATED CREDITED SERVICE AS OF 12 MIDNIGHT DECEMBER 31, 2007. THE  
19 BENEFIT COMMENCEMENT AGE SHALL BE THE YOUNGER OF THE FOLLOWING, BUT  
20 SHALL NOT BE YOUNGER THAN THE MEMBER'S AGE AS OF 12 MIDNIGHT  
21 DECEMBER 31, 2007:

22 (A) AGE 60.

23 (B) AGE 55, IF THE MEMBER'S ESTIMATED CREDITED SERVICE EQUALS  
24 OR EXCEEDS 30 YEARS.

25 (C) THE AGE OF THE MEMBER IF THE MEMBER'S CREDITED SERVICE  
26 EQUALS OR EXCEEDS 30 YEARS AND THE MEMBER CONTRIBUTES TO THE MEMBER  
27 INVESTMENT PLAN.

1 (D) INTEREST ON ANY AMOUNTS DETERMINED IN SUBDIVISIONS (A),  
2 (B), AND (C) FROM JANUARY 1, 2008 TO THE DATE OF THE TRANSFER,  
3 BASED UPON 8% ANNUAL INTEREST, COMPOUNDED ANNUALLY.

4 (2) FOR A MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP IN TIER 1  
5 UNDER SECTION 110(2), THE RETIREMENT SYSTEM SHALL DIRECT THE STATE  
6 TREASURER TO TRANSFER A LUMP SUM AMOUNT FROM THE APPROPRIATE  
7 RESERVE CREATED UNDER ARTICLE 2 TO THE FORMER QUALIFIED  
8 PARTICIPANT'S ACCOUNT IN TIER 2 ON OR BEFORE THE EXPIRATION OF 60  
9 DAYS AFTER THE DATE OF THE INDIVIDUAL'S TERMINATION OF EMPLOYMENT.  
10 THE RETIREMENT SYSTEM SHALL CALCULATE THE AMOUNT TO BE TRANSFERRED,  
11 WHICH SHALL BE EQUAL TO THE SUM OF THE FOLLOWING:

12 (A) THE MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY, FROM THE  
13 RESERVE FOR EMPLOYEE CONTRIBUTIONS AS OF 12 MIDNIGHT ON THE DAY  
14 IMMEDIATELY PRECEDING THE DATE OF THE TERMINATION OF EMPLOYMENT.

15 (B) FOR A MEMBER WHO IS A PARTICIPANT IN THE MEMBER INVESTMENT  
16 PLAN, THE MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY, FROM THE  
17 RESERVE FOR MEMBER INVESTMENT PLAN AS OF 12 MIDNIGHT ON THE DAY  
18 IMMEDIATELY PRECEDING THE DATE OF THE TERMINATION OF EMPLOYMENT.

19 (C) THE EXCESS OF ANY ACTUARIAL PRESENT VALUE OF THE MEMBER'S  
20 ACCUMULATED BENEFIT OBLIGATION, OVER THE AMOUNT SPECIFIED IN  
21 SUBDIVISIONS (A) AND (B), FROM THE RESERVE FOR EMPLOYER  
22 CONTRIBUTIONS. EXCEPT AS PROVIDED IN SUBSECTION (7), FOR THE  
23 PURPOSES OF THIS SUBSECTION, THE PRESENT VALUE OF THE MEMBER'S  
24 ACCUMULATED BENEFIT OBLIGATION IS BASED UPON THE MEMBER'S ACTUAL  
25 CREDITED SERVICE AND ACTUAL FINAL AVERAGE COMPENSATION AS OF 12  
26 MIDNIGHT ON THE DAY IMMEDIATELY PRECEDING THE DATE OF THE  
27 TERMINATION OF EMPLOYMENT. THE ACTUARIAL PRESENT VALUE SHALL BE

1 COMPUTED AS OF 12 MIDNIGHT ON THAT DATE AND SHALL BE BASED ON THE  
2 FOLLOWING:

3 (i) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
4 ANNUALLY.

5 (ii) A 50% MALE AND 50% FEMALE GENDER NEUTRAL BLEND OF THE  
6 MORTALITY TABLES USED TO PROJECT RETIRANT LONGEVITY IN THE MOST  
7 RECENT ANNUAL ACTUARIAL VALUATION REPORT.

8 (iii) A BENEFIT COMMENCEMENT AGE, BASED UPON THE MEMBER'S  
9 ESTIMATED CREDITED SERVICE AS OF 12 MIDNIGHT ON THE DAY IMMEDIATELY  
10 PRECEDING THE DATE OF THE TERMINATION OF EMPLOYMENT. THE BENEFIT  
11 COMMENCEMENT AGE SHALL BE THE YOUNGER OF THE FOLLOWING, BUT SHALL  
12 NOT BE YOUNGER THAN THE MEMBER'S AGE AS OF 12 MIDNIGHT ON THE DAY  
13 IMMEDIATELY PRECEDING THE DATE OF THE TERMINATION OF EMPLOYMENT:

14 (A) AGE 60.

15 (B) AGE 55, IF THE MEMBER'S ESTIMATED CREDITED SERVICE EQUALS  
16 OR EXCEEDS 30 YEARS.

17 (C) THE AGE OF THE MEMBER IF THE MEMBER'S CREDITED SERVICE  
18 EQUALS OR EXCEEDS 30 YEARS AND THE MEMBER IS A PARTICIPANT OF THE  
19 MEMBER INVESTMENT PLAN.

20 (D) INTEREST ON ANY AMOUNTS DETERMINED IN SUBDIVISIONS (A),  
21 (B), AND (C) FROM THE DAY IMMEDIATELY FOLLOWING THE DATE DESCRIBED  
22 IN SUBDIVISION (A) TO THE DATE OF THE TRANSFER, BASED UPON 8%  
23 EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

24 (3) FOR A DEFERRED MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP  
25 IN TIER 1 UNDER SECTION 110(3), THE RETIREMENT SYSTEM SHALL DIRECT  
26 THE STATE TREASURER TO TRANSFER A LUMP SUM AMOUNT FROM THE  
27 APPROPRIATE RESERVE CREATED UNDER ARTICLE 2 TO THE QUALIFIED

1 PARTICIPANT'S ACCOUNT IN TIER 2 ON OR BEFORE THE EXPIRATION OF 60  
2 DAYS AFTER THE DATE OF THE INDIVIDUAL'S ELECTION TO TERMINATE  
3 MEMBERSHIP. THE RETIREMENT SYSTEM SHALL CALCULATE THE AMOUNT TO BE  
4 TRANSFERRED, WHICH SHALL BE EQUAL TO THE SUM OF THE FOLLOWING:

5 (A) THE DEFERRED MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY,  
6 FROM THE RESERVE FOR EMPLOYEE CONTRIBUTIONS AS OF 12 MIDNIGHT ON  
7 THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF THE  
8 ELECTION.

9 (B) FOR A DEFERRED MEMBER WHO IS A PARTICIPANT IN THE MEMBER  
10 INVESTMENT PLAN, THE DEFERRED MEMBER'S ACCUMULATED CONTRIBUTIONS,  
11 IF ANY, FROM THE RESERVE FOR MEMBER INVESTMENT PLAN AS OF 12  
12 MIDNIGHT ON THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE  
13 DATE OF THE ELECTION.

14 (C) THE EXCESS, IF ANY, OF THE ACTUARIAL PRESENT VALUE OF THE  
15 DEFERRED MEMBER'S ACCUMULATED BENEFIT OBLIGATION, OVER THE AMOUNT  
16 SPECIFIED IN SUBDIVISIONS (A) AND (B), FROM THE RESERVE FOR  
17 EMPLOYER CONTRIBUTIONS. EXCEPT AS PROVIDED IN SUBSECTION (5), FOR  
18 THE PURPOSES OF THIS SUBSECTION, THE PRESENT VALUE OF THE DEFERRED  
19 MEMBER'S ACCUMULATED BENEFIT OBLIGATION IS BASED UPON THE DEFERRED  
20 MEMBER'S ACTUAL CREDITED SERVICE AND ACTUAL FINAL AVERAGE  
21 COMPENSATION AS OF 12 MIDNIGHT ON THE LAST DAY OF THE PAYROLL  
22 PERIOD THAT INCLUDES THE DATE OF THE ELECTION. THE ACTUARIAL  
23 PRESENT VALUE SHALL BE COMPUTED AS OF 12 MIDNIGHT ON THAT DATE AND  
24 SHALL BE BASED ON THE FOLLOWING:

25 (i) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
26 ANNUALLY.

27 (ii) A 50% MALE AND 50% FEMALE GENDER NEUTRAL BLEND OF THE



1 MORTALITY TABLES USED TO PROJECT RETIRANT LONGEVITY IN THE MOST  
2 RECENT ANNUAL ACTUARIAL VALUATION REPORT.

3 (iii) A BENEFIT COMMENCEMENT AGE, BASED UPON THE MEMBER'S  
4 ESTIMATED CREDITED SERVICE AS OF 12 MIDNIGHT ON THE LAST DAY OF THE  
5 PAYROLL PERIOD THAT INCLUDES THE DATE OF THE ELECTION. THE BENEFIT  
6 COMMENCEMENT AGE SHALL BE THE YOUNGER OF THE FOLLOWING, BUT SHALL  
7 NOT BE YOUNGER THAN THE MEMBER'S AGE AS OF 12 MIDNIGHT ON THE LAST  
8 DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF THE ELECTION:

9 (A) AGE 60.

10 (B) AGE 55, IF THE DEFERRED MEMBER'S ESTIMATED CREDITED  
11 SERVICE EQUALS OR EXCEEDS 30 YEARS.

12 (C) THE AGE OF THE DEFERRED MEMBER IF THE DEFERRED MEMBER'S  
13 CREDITED SERVICE EQUALS OR EXCEEDS 30 YEARS AND THE DEFERRED MEMBER  
14 IS A PARTICIPANT OF THE MEMBER INVESTMENT PLAN.

15 (D) INTEREST ON ANY AMOUNTS DETERMINED IN SUBDIVISIONS (A),  
16 (B), AND (C) FROM THE FIRST DAY OF THE PAYROLL PERIOD IMMEDIATELY  
17 FOLLOWING THE DATE OF THE ELECTION TO THE DATE OF THE TRANSFER,  
18 BASED UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

19 (4) FOR THE PURPOSES OF SUBSECTIONS (1) TO (3) AND SUBSECTION  
20 (6), THE CALCULATION OF ACTUAL PRESENT VALUE OF THE MEMBER'S OR  
21 DEFERRED MEMBER'S ACCUMULATED BENEFIT OBLIGATION SHALL BE BASED  
22 UPON METHODS ADOPTED BY THE DEPARTMENT AND THE RETIREMENT SYSTEM'S  
23 ACTUARY IN CONSULTATION WITH THE RETIREMENT BOARD. ACTUAL FINAL  
24 AVERAGE COMPENSATION SHALL BE DETERMINED AS PROVIDED IN SECTIONS 3A  
25 AND 4(11) AS OF 12 MIDNIGHT ON THE DATE THE MEMBER OR DEFERRED  
26 MEMBER CEASES TO BE A MEMBER OF TIER 1 UNDER SECTION 110.

27 (5) FOR A FORMER NONVESTED MEMBER WHO ELECTS TO TERMINATE

1 MEMBERSHIP IN TIER 1 UNDER SECTION 110(3) AND WHO HAS ACCUMULATED  
2 CONTRIBUTIONS STANDING TO HIS OR HER CREDIT IN THE RESERVE FOR  
3 EMPLOYEE CONTRIBUTIONS OR THE RESERVE FOR MEMBER INVESTMENT PLAN,  
4 THE RETIREMENT SYSTEM SHALL DIRECT THE STATE TREASURER TO TRANSFER  
5 A LUMP SUM AMOUNT FROM THE APPROPRIATE RESERVE CREATED UNDER  
6 ARTICLE 2 TO THE QUALIFIED PARTICIPANT'S ACCOUNT IN TIER 2 ON OR  
7 BEFORE THE EXPIRATION OF 60 DAYS AFTER THE DATE OF THE INDIVIDUAL'S  
8 ELECTION TO TERMINATE MEMBERSHIP. THE RETIREMENT SYSTEM SHALL  
9 CALCULATE THE AMOUNT TO BE TRANSFERRED, WHICH SHALL BE EQUAL TO THE  
10 SUM OF THE FOLLOWING:

11 (A) THE FORMER NONVESTED MEMBER'S ACCUMULATED CONTRIBUTIONS,  
12 IF ANY, FROM THE RESERVE FOR EMPLOYEE CONTRIBUTIONS AS OF 12  
13 MIDNIGHT ON THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE  
14 DATE OF THE ELECTION.

15 (B) FOR A FORMER NONVESTED MEMBER WHO IS A PARTICIPANT IN THE  
16 MEMBER INVESTMENT PLAN, THE FORMER NONVESTED MEMBER'S ACCUMULATED  
17 CONTRIBUTIONS, IF ANY, FROM THE RESERVE FOR MEMBER INVESTMENT PLAN  
18 AS OF 12 MIDNIGHT ON THE LAST DAY OF THE PAYROLL PERIOD THAT  
19 INCLUDES THE DATE OF THE ELECTION.

20 (C) INTEREST ON ANY AMOUNTS DETERMINED IN SUBDIVISIONS (A) AND  
21 (B) FROM THE FIRST DAY OF THE PAYROLL PERIOD IMMEDIATELY FOLLOWING  
22 THE DATE OF THE ELECTION TO THE DATE OF THE TRANSFER, BASED UPON 8%  
23 EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

24 (6) FOR EACH MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP IN TIER  
25 1 UNDER SECTION 110, THE RETIREMENT SYSTEM SHALL DO ALL OF THE  
26 FOLLOWING:

27 (A) DIRECT THE STATE TREASURER TO TRANSFER FROM THE RESERVE

1 FOR EMPLOYER CONTRIBUTIONS TO THE QUALIFIED PARTICIPANT'S ACCOUNT  
2 IN TIER 2 THE EXCESS OF ANY RECOMPUTED AMOUNT OVER THE PREVIOUSLY  
3 TRANSFERRED AMOUNT TOGETHER WITH INTEREST FROM 12 MIDNIGHT DECEMBER  
4 31, 2006 TO THE DATE OF THE TRANSFER UNDER THIS SUBSECTION, BASED  
5 UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

6 (B) DIRECT THE STATE TREASURER TO TRANSFER FROM THE QUALIFIED  
7 PARTICIPANT'S ACCOUNT IN TIER 2 TO THE RESERVE FOR EMPLOYER  
8 CONTRIBUTIONS THE EXCESS OF ANY PREVIOUSLY TRANSFERRED AMOUNT OVER  
9 THE RECOMPUTED AMOUNT, TOGETHER WITH INTEREST, FROM THE DATE OF THE  
10 TRANSFER MADE UNDER SUBSECTION (1), BASED UPON 8% EFFECTIVE ANNUAL  
11 INTEREST, COMPOUNDED ANNUALLY.

12 (7) IF THE DEPARTMENT RECEIVES NOTIFICATION FROM THE UNITED  
13 STATES INTERNAL REVENUE SERVICE THAT THIS SECTION OR ANY PORTION OF  
14 THIS SECTION WILL CAUSE THE RETIREMENT SYSTEM TO BE DISQUALIFIED  
15 FOR TAX PURPOSES UNDER THE INTERNAL REVENUE CODE, THEN THE PORTION  
16 THAT WILL CAUSE THE DISQUALIFICATION DOES NOT APPLY.

17 SEC. 112. AFTER CONSULTING THE RETIREMENT SYSTEM'S ACTUARY,  
18 THE DEPARTMENT SHALL CALCULATE FOR EACH FISCAL YEAR ANY COST  
19 SAVINGS THAT HAVE ACCRUED AS A RESULT OF THE IMPLEMENTATION OF THE  
20 AMENDATORY ACT THAT ADDED THIS SECTION OVER THE COSTS THAT WOULD  
21 HAVE BEEN INCURRED HAD THE AMENDATORY ACT THAT ADDED THIS SECTION  
22 NOT BEEN IMPLEMENTED.

#### 23 ARTICLE 7

24 SEC. 121. FOR THE PURPOSES OF THIS ARTICLE, THE WORDS AND  
25 PHRASES DEFINED IN SECTIONS 122 TO 124 HAVE THE MEANINGS ASCRIBED  
26 TO THEM IN THOSE SECTIONS.

27 SEC. 122. (1) "ACCUMULATED BALANCE" MEANS THE TOTAL BALANCE IN

1 A QUALIFIED PARTICIPANT'S, FORMER QUALIFIED PARTICIPANT'S, OR  
2 REFUND BENEFICIARY'S INDIVIDUAL ACCOUNT IN TIER 2.

3 (2) "COMPENSATION" MEANS THE REMUNERATION PAID A QUALIFIED  
4 PARTICIPANT ON ACCOUNT OF THE QUALIFIED PARTICIPANT'S SERVICES  
5 EQUAL TO THE SUM OF THE FOLLOWING:

6 (A) A PARTICIPANT'S W-2 EARNINGS FOR SERVICES PERFORMED FOR  
7 THE EMPLOYER.

8 (B) ANY AMOUNT CONTRIBUTED OR DEFERRED AT THE ELECTION OF THE  
9 PARTICIPANT WHICH IS EXCLUDED FROM GROSS INCOME UNDER SECTION 125,  
10 132(F)(4), 401(K), 403(B), OR 457 OF THE INTERNAL REVENUE CODE, 26  
11 USC 125, 132, 401, 403, AND 457.

12 (3) "DEPARTMENT" MEANS THE DEPARTMENT OF MANAGEMENT AND  
13 BUDGET.

14 (4) "DIRECTOR" MEANS THE DIRECTOR OF THE DEPARTMENT OF  
15 MANAGEMENT AND BUDGET OR HIS OR HER DESIGNEE.

16 SEC. 123. (1) "EMPLOYER" MEANS A REPORTING UNIT.

17 (2) "FORMER QUALIFIED PARTICIPANT" MEANS AN INDIVIDUAL WHO WAS  
18 A QUALIFIED PARTICIPANT AND WHO TERMINATES THE EMPLOYMENT UPON  
19 WHICH HIS OR HER PARTICIPATION IS BASED FOR ANY REASON.

20 (3) "HEALTH BENEFIT DEPENDENT" MEANS AN INDIVIDUAL WHO WOULD  
21 HAVE BEEN ELIGIBLE FOR HEALTH INSURANCE COVERAGE AS A HEALTH  
22 INSURANCE DEPENDENT UNDER SECTION 91(11)(A) IF THE FORMER QUALIFIED  
23 PARTICIPANT HAD BECOME A RETIRANT OF TIER 1.

24 SEC. 124. (1) "QUALIFIED PARTICIPANT" MEANS AN INDIVIDUAL WHO  
25 IS A PARTICIPANT OF TIER 2 AND WHO MEETS 1 OF THE FOLLOWING  
26 REQUIREMENTS:

27 (A) AN INDIVIDUAL WHO IS FIRST EMPLOYED AND ENTERED UPON THE

1 PAYROLL OF A REPORTING UNIT ON OR AFTER THE IMPLEMENTATION DATE.

2 (B) AN INDIVIDUAL WHO ELECTS TO TERMINATE MEMBERSHIP IN TIER 1  
3 AND WHO ELECTS TO PARTICIPATE IN TIER 2 IN THE MANNER PRESCRIBED IN  
4 SECTION 110.

5 (2) "REFUND BENEFICIARY" MEANS AN INDIVIDUAL NOMINATED BY A  
6 QUALIFIED PARTICIPANT OR A FORMER QUALIFIED PARTICIPANT UNDER  
7 SECTION 134 TO RECEIVE A DISTRIBUTION OF THE PARTICIPANT'S  
8 ACCUMULATED BALANCE IN THE MANNER PRESCRIBED IN SECTION 135.

9 (3) "STATE TREASURER" MEANS THE TREASURER OF THIS STATE.

10 SEC. 124A. (1) THE DEPARTMENT SHALL DESIGNATE 3 OR MORE TIER 2  
11 CONTRACTS OR ACCOUNT PLANS PROVIDED BY AT LEAST 3 DIFFERENT  
12 ENTITIES, TO BE OFFERED TO PARTICIPANTS IN THE TIER 2 PLAN. NO TIER  
13 2 PLAN OPTION SHALL BE DESIGNATED UNDER THIS SECTION UNLESS THE  
14 ENTITY PROVIDES ALL OF THE FOLLOWING REQUIREMENTS:

15 (A) IT IS AUTHORIZED TO CONDUCT BUSINESS IN THIS STATE WITH  
16 REGARD TO ANY ANNUITY CONTRACTS OR CERTIFICATES TO BE OFFERED UNDER  
17 THE PLAN.

18 (B) IT PROVIDES A DEFINED CONTRIBUTION PENSION PLAN AND  
19 ASSOCIATED PLAN SERVICES TO PUBLIC SECTOR EMPLOYEES IN AT LEAST 10  
20 OTHER STATES.

21 (C) IT PROVIDES A TIER 2 OPTION THAT IS AN ANNUITY CONTRACT OR  
22 CUSTODIAL ACCOUNT THAT IS NOT REQUIRED TO BE HELD BY A SEPARATE  
23 PLAN TRUSTEE.

24 (2) IN DESIGNATING TIER 2 PLANS UNDER THIS SECTION, THE  
25 DEPARTMENT SHALL CONSIDER ALL OF THE FOLLOWING:

26 (A) THE EXPERIENCE OF THE ENTITY IN PROVIDING THE PLAN IN  
27 OTHER STATES.

1 (B) THE POTENTIAL EFFECTIVENESS OF THE PLAN IN THE  
2 RECRUITMENT AND RETENTION OF ACADEMIC OR ADMINISTRATIVE EMPLOYEES.

3 (C) THE NATURE AND EXTENT OF THE RIGHTS AND BENEFITS TO BE  
4 PROVIDED UNDER THE PLAN.

5 (D) THE RELATIONSHIP BETWEEN THE RIGHTS AND BENEFITS UNDER THE  
6 PLAN AND THE AMOUNT OF THE CONTRIBUTIONS MADE UNDER THAT PLAN.

7 (E) THE SUITABILITY OF THE RIGHTS AND BENEFITS UNDER THE PLAN  
8 TO THE NEEDS AND INTERESTS OF ACADEMIC OR ADMINISTRATIVE EMPLOYEES.

9 (F) THE CAPABILITY OF THE ENTITY OFFERING THE PLAN TO PROVIDE  
10 THE RIGHTS AND BENEFITS UNDER THE PLAN, AND TO MONITOR COMPLIANCE  
11 UNDER THE CONTRACT OR ACCOUNT WITH APPLICABLE FEDERAL TAX  
12 REQUIREMENTS INCORPORATED INTO THE CONTRACT OR ACCOUNT.

13 (G) ANY OTHER SUPPLEMENTAL MATTERS IT CONSIDERS RELEVANT.

14 (3) THE DEPARTMENT SHALL CONSULT WITH THE STATE TREASURER IN  
15 DETERMINING APPROPRIATE INVESTMENT VEHICLES OFFERED WITHIN THE  
16 DESIGNATED TIER 2 OPTION PLANS. THE DEPARTMENT IN CONSULTATION WITH  
17 THE STATE TREASURER SHALL PERIODICALLY REVIEW EACH TIER 2 PLAN  
18 DESIGNATED UNDER THIS SECTION AND THE ENTITY OFFERING THE PLAN TO  
19 ENSURE THAT THE REQUIREMENTS AND PURPOSES OF THIS ARTICLE ARE BEING  
20 MET. IF THE DEPARTMENT FINDS THAT THE ENTITY OFFERING A TIER 2 PLAN  
21 IS NOT IN COMPLIANCE WITH ANY REQUIREMENT OF THIS SECTION OR THE  
22 PLAN IS NOT SATISFACTORILY MEETING THE PURPOSES OF THIS ARTICLE, IT  
23 MAY RESCIND ITS DESIGNATION OF THE PLAN.

24 (4) THE DEPARTMENT SHALL DETERMINE THE PROVISIONS AND  
25 PROCEDURES OF TIER 2 IN CONFORMITY WITH THIS ARTICLE AND THE  
26 REQUIREMENTS OF THE INTERNAL REVENUE CODE.

27 (5) THE DIRECTOR SHALL USE A COMPETITIVE BIDDING PROCESS TO

1 SELECT ANY MANAGERIAL, PROFESSIONAL, OR ADMINISTRATIVE SERVICES FOR  
2 THE PROPER ADMINISTRATION AND INVESTMENT OF ASSETS OF TIER 2. THE  
3 COMPETITIVE BIDDING PROCESS SHALL INCLUDE A REQUIREMENT THAT ANY  
4 SERVICE PROVIDER SELECTED UNDER THIS SUBSECTION WILL BE REQUIRED TO  
5 PAY FOR THE COST OF ANY NOTIFICATION OF MEMBERS ENTITLED TO MAKE AN  
6 ELECTION UNDER SECTION 110.

7 SEC. 126. (1) A QUALIFIED PARTICIPANT, FORMER QUALIFIED  
8 PARTICIPANT, HEALTH BENEFIT DEPENDENT, OR REFUND BENEFICIARY MAY  
9 REQUEST A HEARING ON A CLAIM INVOLVING HIS OR HER RIGHTS UNDER TIER  
10 2. UPON WRITTEN REQUEST, THE DEPARTMENT SHALL PROVIDE FOR A HEARING  
11 THAT SHALL BE CONDUCTED PURSUANT TO CHAPTER 4 OF THE ADMINISTRATIVE  
12 PROCEDURES ACT OF 1969, 1969 PA 306, MCL 24.271 TO 24.287. AN  
13 INDIVIDUAL MAY BE REPRESENTED BY COUNSEL OR OTHER AUTHORIZED AGENT  
14 AT A HEARING CONDUCTED UNDER THIS SECTION.

15 (2) CHAPTERS 2, 3, AND 5 OF THE ADMINISTRATIVE PROCEDURES ACT  
16 OF 1969, 1969 PA 306, MCL 24.224 TO 24.264 AND 24.291 TO 24.292, DO  
17 NOT APPLY TO THE ESTABLISHMENT, IMPLEMENTATION, ADMINISTRATION,  
18 OPERATION, INVESTMENT, OR DISTRIBUTION OF TIER 2.

19 SEC. 127. EACH QUALIFIED PARTICIPANT, FORMER QUALIFIED  
20 PARTICIPANT, AND REFUND BENEFICIARY SHALL DIRECT THE INVESTMENT OF  
21 THE INDIVIDUAL'S ACCUMULATED EMPLOYER AND EMPLOYEE CONTRIBUTIONS  
22 AND EARNINGS TO 1 OR MORE INVESTMENT CHOICES WITHIN AVAILABLE  
23 CATEGORIES OF INVESTMENT PROVIDED BY THE STATE TREASURER. THE  
24 LIMITATIONS ON THE PERCENTAGE OF TOTAL ASSETS FOR INVESTMENTS  
25 PROVIDED IN THE PUBLIC EMPLOYEE RETIREMENT SYSTEM INVESTMENT ACT,  
26 1965 PA 314, MCL 38.1132 TO 38.1140M, DO NOT APPLY TO TIER 2.

27 SEC. 128. THE ADMINISTRATIVE EXPENSES OF TIER 2 SHALL BE PAID

1 BY THE QUALIFIED PARTICIPANTS, FORMER QUALIFIED PARTICIPANTS, AND  
2 REFUND BENEFICIARIES WHO HAVE NOT CLOSED THEIR ACCOUNTS IN A MANNER  
3 DETERMINED BY THE DEPARTMENT.

4 SEC. 129. A QUALIFIED PARTICIPANT SHALL NOT PARTICIPATE IN ANY  
5 OTHER PUBLIC SECTOR RETIREMENT BENEFITS PLAN FOR SIMULTANEOUS  
6 SERVICE RENDERED TO THE SAME PUBLIC SECTOR EMPLOYER. EXCEPT AS  
7 OTHERWISE PROVIDED IN THIS ACT OR BY THE DEPARTMENT, THIS SECTION  
8 DOES NOT PROHIBIT A QUALIFIED PARTICIPANT FROM PARTICIPATING IN A  
9 RETIREMENT PLAN ESTABLISHED BY A PUBLIC SECTOR EMPLOYER UNDER THE  
10 INTERNAL REVENUE CODE. FOR THE PURPOSES OF THIS SECTION, PUBLIC  
11 SECTOR EMPLOYER INCLUDES, BUT IS NOT LIMITED TO, A REPORTING UNIT.

12 SEC. 130. (1) THE DEPARTMENT SHALL PROMPTLY CREDIT THE TIER 2  
13 ACCOUNT OF A QUALIFIED PARTICIPANT OR FORMER QUALIFIED PARTICIPANT  
14 WHO MAKES AN ELECTION UNDER SECTION 110 TO TERMINATE MEMBERSHIP IN  
15 TIER 1 WITH ANY AMOUNT TRANSFERRED FROM TIER 1 PURSUANT TO SECTION  
16 111.

17 (2) NOT LATER THAN 30 DAYS AFTER RECEIPT OF A RECOMPUTED  
18 AMOUNT, THE DEPARTMENT SHALL CHARGE THE PARTICIPANT'S TIER 2  
19 ACCOUNT FOR ANY AMOUNT OF EXCESS TRANSFERS AND TRANSFER THAT AMOUNT  
20 TO THE APPROPRIATE RESERVE IN TIER 1. THE DIRECTOR MAY DETERMINE  
21 WHICH INVESTMENT CHOICE OR CHOICES WITHIN A PARTICIPANT'S TIER 2  
22 ACCOUNT WILL BE USED FOR THIS PURPOSE.

23 SEC. 131. (1) THIS SECTION IS SUBJECT TO THE VESTING  
24 REQUIREMENTS OF SECTION 132.

25 (2) A QUALIFIED PARTICIPANT'S EMPLOYER SHALL CONTRIBUTE TO THE  
26 QUALIFIED PARTICIPANT'S TIER 2 ACCOUNT AN AMOUNT EQUAL TO 4% OF THE  
27 QUALIFIED PARTICIPANT'S COMPENSATION.



1 (3) A QUALIFIED PARTICIPANT MAY PERIODICALLY ELECT TO  
2 CONTRIBUTE UP TO 3% OF HIS OR HER COMPENSATION TO HIS OR HER TIER 2  
3 ACCOUNT. THE QUALIFIED PARTICIPANT'S EMPLOYER SHALL MAKE AN  
4 ADDITIONAL CONTRIBUTION TO THE QUALIFIED PARTICIPANT'S TIER 2  
5 ACCOUNT IN AN AMOUNT EQUAL TO THE CONTRIBUTION MADE BY THE  
6 QUALIFIED PARTICIPANT UNDER THIS SUBSECTION.

7 (4) A QUALIFIED PARTICIPANT MAY MAKE CONTRIBUTIONS IN ADDITION  
8 TO CONTRIBUTIONS MADE UNDER SUBSECTION (3) TO HIS OR HER TIER 2  
9 ACCOUNT AS PERMITTED BY THE DEPARTMENT AND THE INTERNAL REVENUE  
10 CODE. THE QUALIFIED PARTICIPANT'S EMPLOYER SHALL NOT MATCH  
11 CONTRIBUTIONS MADE BY THE QUALIFIED PARTICIPANT UNDER THIS  
12 SUBSECTION.

13 SEC. 132. (1) A QUALIFIED PARTICIPANT IS IMMEDIATELY 100%  
14 VESTED IN HIS OR HER CONTRIBUTIONS MADE TO TIER 2. A QUALIFIED  
15 PARTICIPANT SHALL VEST IN THE EMPLOYER CONTRIBUTIONS MADE ON HIS OR  
16 HER BEHALF TO TIER 2 ACCORDING TO THE FOLLOWING SCHEDULE:

17 (A) UPON COMPLETION OF 2 YEARS OF SERVICE, 50%.

18 (B) UPON COMPLETION OF 3 YEARS OF SERVICE, 75%.

19 (C) UPON COMPLETION OF 4 YEARS OF SERVICE, 100%.

20 (2) A QUALIFIED PARTICIPANT IS VESTED IN THE HEALTH INSURANCE  
21 COVERAGE PROVIDED IN SECTION 136 IF THE QUALIFIED PARTICIPANT MEETS  
22 1 OF THE FOLLOWING REQUIREMENTS:

23 (A) THE QUALIFIED PARTICIPANT HAS COMPLETED 10 YEARS OF  
24 SERVICE AS A QUALIFIED PARTICIPANT AND WAS NOT A MEMBER, DEFERRED  
25 MEMBER, OR FORMER NONVESTED MEMBER OF TIER 1.

26 (B) THE QUALIFIED PARTICIPANT WAS A MEMBER, DEFERRED MEMBER,  
27 OR FORMER NONVESTED MEMBER OF TIER 1 WHO MADE AN ELECTION TO

1 PARTICIPATE IN TIER 2 PURSUANT TO SECTION 110, AND WHO HAS MET THE  
2 SERVICE REQUIREMENTS HE OR SHE WOULD HAVE BEEN REQUIRED TO MEET IN  
3 ORDER TO VEST IN HEALTH BENEFITS UNDER SECTION 91.

4 SEC. 133. A QUALIFIED PARTICIPANT WHO WAS A MEMBER, DEFERRED  
5 MEMBER, OR FORMER NONVESTED MEMBER OF TIER 1 WHO MAKES AN ELECTION  
6 TO PARTICIPATE IN TIER 2 PURSUANT TO SECTION 110, SHALL BE CREDITED  
7 WITH THE YEARS OF SERVICE ACCRUED UNDER TIER 1 ON THE EFFECTIVE  
8 DATE OF PARTICIPATION IN TIER 2 FOR THE PURPOSE OF MEETING THE  
9 VESTING REQUIREMENTS FOR BENEFITS UNDER SECTION 132.

10 SEC. 134. A QUALIFIED PARTICIPANT OR FORMER QUALIFIED  
11 PARTICIPANT MAY NOMINATE 1 OR MORE INDIVIDUALS AS A REFUND  
12 BENEFICIARY BY FILING WRITTEN NOTICE OF NOMINATION WITH THE  
13 DEPARTMENT. IF THE QUALIFIED PARTICIPANT OR FORMER QUALIFIED  
14 PARTICIPANT IS MARRIED AT THE TIME OF THE NOMINATION AND THE  
15 PARTICIPANT'S SPOUSE IS NOT THE REFUND BENEFICIARY FOR 100% OF THE  
16 ACCOUNT, THE NOMINATION IS NOT EFFECTIVE UNLESS THE NOMINATION IS  
17 SIGNED BY THE PARTICIPANT'S SPOUSE. HOWEVER, THE DEPARTMENT MAY  
18 WAIVE THIS REQUIREMENT IF THE SPOUSE'S SIGNATURE CANNOT BE OBTAINED  
19 BECAUSE OF EXTENUATING CIRCUMSTANCES.

20 SEC. 135. (1) A QUALIFIED PARTICIPANT IS ELIGIBLE TO RECEIVE  
21 DISTRIBUTION OF HIS OR HER ACCUMULATED BALANCE IN TIER 2 UPON  
22 BECOMING A FORMER QUALIFIED PARTICIPANT.

23 (2) UPON THE DEATH OF A QUALIFIED PARTICIPANT OR FORMER  
24 QUALIFIED PARTICIPANT, THE ACCUMULATED BALANCE OF THAT DECEASED  
25 PARTICIPANT IS CONSIDERED TO BELONG TO THE REFUND BENEFICIARY, IF  
26 ANY, OF THAT DECEASED PARTICIPANT. IF A VALID NOMINATION OF REFUND  
27 BENEFICIARY IS NOT ON FILE WITH THE DEPARTMENT, THE DEPARTMENT, IN

1 A LUMP SUM DISTRIBUTION, SHALL DISTRIBUTE THE ACCUMULATED BALANCE  
2 TO THE LEGAL REPRESENTATIVE, IF ANY, OF THE DECEASED PARTICIPANT  
3 OR, IF THERE IS NO LEGAL REPRESENTATIVE, TO THE DECEASED  
4 PARTICIPANT'S ESTATE.

5 (3) A FORMER QUALIFIED PARTICIPANT OR REFUND BENEFICIARY MAY  
6 ELECT 1 OR A COMBINATION OF SEVERAL OF THE FOLLOWING METHODS OF  
7 DISTRIBUTION OF THE ACCUMULATED BALANCE:

8 (A) A LUMP SUM DISTRIBUTION TO THE RECIPIENT.

9 (B) A LUMP SUM DIRECT ROLLOVER TO ANOTHER QUALIFIED PLAN, TO  
10 THE EXTENT ALLOWED BY FEDERAL LAW.

11 (C) PERIODIC DISTRIBUTIONS, AS AUTHORIZED BY THE DEPARTMENT.

12 (D) NO CURRENT DISTRIBUTION, IN WHICH CASE THE ACCUMULATED  
13 BALANCE SHALL REMAIN IN TIER 2 UNTIL THE FORMER QUALIFIED  
14 PARTICIPANT OR REFUND BENEFICIARY ELECTS A METHOD OR METHODS OF  
15 DISTRIBUTION UNDER SUBDIVISIONS (A) TO (C), TO THE EXTENT ALLOWED  
16 BY FEDERAL LAW.

17 SEC. 135A. (1) A QUALIFIED PARTICIPANT WHOM THE RETIREMENT  
18 BOARD FINDS TO HAVE BECOME TOTALLY AND PERMANENTLY DISABLED FROM  
19 ANY GAINFUL EMPLOYMENT BY REASON OF PERSONAL INJURY OR MENTAL OR  
20 PHYSICAL ILLNESS WHILE SERVING AS AN EMPLOYEE OF THAT REPORTING  
21 UNIT SHALL BE GRANTED A SUPPLEMENTAL BENEFIT EQUIVALENT TO THE  
22 AMOUNT PROVIDED FOR IN SECTION 84 AS IF THE FORMER QUALIFIED  
23 PARTICIPANT HAD RETIRED UNDER SECTION 87, WHICH SUPPLEMENTAL  
24 BENEFIT SHALL BE OFFSET BY THE VALUE OF THE DISTRIBUTION OF HIS OR  
25 HER ACCUMULATED BALANCE UPON BECOMING A FORMER QUALIFIED  
26 PARTICIPANT PURSUANT TO SECTION 135.

27 (2) IF A QUALIFIED PARTICIPANT DIES AS A RESULT OF INJURY OR

1 ILLNESS ARISING OUT OF AND IN THE COURSE OF THE QUALIFIED  
2 PARTICIPANT'S REPORTING UNIT SERVICE FOR WHICH WORKER'S DISABILITY  
3 COMPENSATION IS PAID, OR A DUTY DISABILITY RETIRANT WHO IS IN  
4 RECEIPT OF WEEKLY WORKER'S DISABILITY COMPENSATION ON ACCOUNT OF  
5 THE RETIRANT'S REPORTING UNIT SERVICE DIES FROM THE SAME CAUSES FOR  
6 WHICH THE FORMER QUALIFIED PARTICIPANT RETIRED WITHIN 36 MONTHS  
7 AFTER THE FORMER QUALIFIED PARTICIPANT'S RETIREMENT, AND IN EITHER  
8 CASE THE DEATH OR THE ILLNESS OR INJURY RESULTING IN DEATH IS FOUND  
9 BY THE RETIREMENT BOARD TO HAVE RESULTED, WITHOUT THE QUALIFIED  
10 PARTICIPANT'S OR FORMER QUALIFIED PARTICIPANT'S WILLFUL NEGLIGENCE,  
11 FROM THE PERFORMANCE OF THE QUALIFIED PARTICIPANT'S OR FORMER  
12 QUALIFIED PARTICIPANT'S REPORTING UNIT SERVICE, A SUPPLEMENTAL  
13 BENEFIT SHALL BE GRANTED EQUIVALENT TO THE AMOUNT PROVIDED FOR IN  
14 SECTION 84 HAD THE FORMER QUALIFIED PARTICIPANT BEEN CONSIDERED  
15 RETIRED UNDER SECTION 90, WHICH SUPPLEMENTAL BENEFIT SHALL BE  
16 OFFSET BY THE VALUE OF THE DISTRIBUTION OF HIS OR HER ACCUMULATED  
17 BALANCE UPON BECOMING A FORMER QUALIFIED PARTICIPANT PURSUANT TO  
18 SECTION 135.

19 (3) A QUALIFIED PARTICIPANT WHO HAS AT LEAST 10 YEARS OF  
20 CREDITED SERVICE WHOM THE RETIREMENT BOARD FINDS TO HAVE BECOME  
21 TOTALLY AND PERMANENTLY DISABLED FOR PURPOSES OF EMPLOYMENT BY HIS  
22 OR HER REPORTING UNIT BY REASON OF PERSONAL INJURY OR MENTAL OR  
23 PHYSICAL ILLNESS BEFORE TERMINATION OF REPORTING UNIT SERVICE AND  
24 EMPLOYMENT SHALL BE GRANTED A SUPPLEMENTAL BENEFIT EQUIVALENT TO  
25 THE AMOUNT PROVIDED FOR IN SECTION 84 AS IF THE FORMER QUALIFIED  
26 PARTICIPANT HAD RETIRED UNDER SECTION 86, WHICH SUPPLEMENTAL  
27 BENEFIT SHALL BE OFFSET BY THE VALUE OF THE DISTRIBUTION OF HIS OR

1 HER ACCUMULATED BALANCE UPON BECOMING A FORMER QUALIFIED  
2 PARTICIPANT PURSUANT TO SECTION 135.

3 (4) IF A QUALIFIED PARTICIPANT WHO MEETS THE SERVICE  
4 REQUIREMENTS OF SECTION 89 DIES AS A RESULT OF INJURY OR ILLNESS  
5 THAT DOES NOT ARISE OUT OF AND IN THE COURSE OF THE QUALIFIED  
6 PARTICIPANT'S REPORTING UNIT SERVICE, A SUPPLEMENTAL BENEFIT SHALL  
7 BE GRANTED EQUIVALENT TO THE AMOUNT PROVIDED FOR IN SECTION 89 HAD  
8 THE FORMER QUALIFIED PARTICIPANT BEEN CONSIDERED RETIRED UNDER  
9 SECTION 89, WHICH SUPPLEMENTAL BENEFIT SHALL BE OFFSET BY THE VALUE  
10 OF THE DISTRIBUTION OF HIS OR HER ACCUMULATED BALANCE UPON BECOMING  
11 A FORMER QUALIFIED PARTICIPANT PURSUANT TO SECTION 135.

12 (5) A QUALIFIED PARTICIPANT, FORMER QUALIFIED PARTICIPANT, OR  
13 BENEFICIARY OF A DECEASED PARTICIPANT, WHICH PARTICIPANT IS  
14 ELIGIBLE FOR A DISABILITY RETIREMENT ALLOWANCE UNDER THIS SECTION,  
15 IS ELIGIBLE FOR HEALTH INSURANCE COVERAGE UNDER SECTION 91 IN ALL  
16 RESPECTS AND UNDER THE SAME TERMS AS A RETIRANT AND HIS OR HER  
17 BENEFICIARIES UNDER TIER 1.

18 SEC. 136. (1) A FORMER QUALIFIED PARTICIPANT MAY ELECT HEALTH  
19 INSURANCE BENEFITS IN THE MANNER PRESCRIBED IN THIS SECTION IF HE  
20 OR SHE MEETS BOTH OF THE FOLLOWING REQUIREMENTS:

21 (A) THE FORMER QUALIFIED PARTICIPANT IS VESTED IN HEALTH  
22 BENEFITS UNDER SECTION 132(2).

23 (B) THE FORMER QUALIFIED PARTICIPANT IS AT LEAST 60 YEARS OF  
24 AGE OR HAS AT LEAST 30 YEARS OF CREDITED SERVICE.

25 (2) A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT  
26 HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) MAY ELECT HEALTH  
27 INSURANCE COVERAGE IN A HEALTH BENEFIT PLAN OR PLANS AS AUTHORIZED

1 BY SECTION 91 OR IN ANOTHER PLAN AS PROVIDED IN SUBSECTION (6). A  
2 FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT HEALTH  
3 INSURANCE COVERAGE UNDER SUBSECTION (1) MAY ALSO ELECT HEALTH  
4 INSURANCE COVERAGE FOR HIS OR HER HEALTH BENEFIT DEPENDENTS, IF  
5 ANY. A SURVIVING HEALTH BENEFIT DEPENDENT OF A DECEASED FORMER  
6 QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT HEALTH INSURANCE  
7 COVERAGE UNDER SUBSECTION (1) MAY ELECT HEALTH INSURANCE COVERAGE  
8 IN THE MANNER PRESCRIBED IN THIS SECTION.

9 (3) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (6), AN  
10 INDIVIDUAL WHO ELECTS HEALTH INSURANCE COVERAGE UNDER THIS SECTION  
11 SHALL BECOME A MEMBER OF A HEALTH INSURANCE COVERAGE GROUP  
12 AUTHORIZED UNDER SECTION 91.

13 (4) FOR A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO  
14 ELECT HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) AND WHO IS  
15 VESTED IN THOSE BENEFITS UNDER SECTION 132(2)(A), AND FOR HIS OR  
16 HER HEALTH BENEFIT DEPENDENTS, THE RETIREMENT SYSTEM SHALL PAY A  
17 PORTION OF THE HEALTH INSURANCE PREMIUM AS CALCULATED UNDER THIS  
18 SUBSECTION ON A CASH DISBURSEMENT METHOD. AN INDIVIDUAL DESCRIBED  
19 IN THIS SUBSECTION WHO ELECTS HEALTH INSURANCE COVERAGE UNDER THIS  
20 SECTION SHALL PAY TO THE RETIREMENT SYSTEM THE REMAINING PORTION OF  
21 THE HEALTH INSURANCE COVERAGE PREMIUM NOT PAID BY THE RETIREMENT  
22 SYSTEM UNDER THIS SUBSECTION. THE PORTION OF THE HEALTH INSURANCE  
23 COVERAGE PREMIUM PAID BY THE RETIREMENT SYSTEM UNDER THIS  
24 SUBSECTION SHALL BE EQUAL TO THE PRODUCT OF 3% AND THE FORMER  
25 QUALIFIED PARTICIPANT'S YEARS OF SERVICE, UP TO 30 YEARS, AND SHALL  
26 NOT EXCEED 90% OF THE PAYMENTS FOR HEALTH INSURANCE COVERAGE UNDER  
27 SECTION 91.

1           (5) A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT  
2 HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) AND WHO IS VESTED IN  
3 THOSE BENEFITS UNDER SECTION 132(2)(B) MAY ELECT HEALTH INSURANCE  
4 COVERAGE UNDER SECTION 91 FOR HIMSELF OR HERSELF AND FOR HIS OR HER  
5 HEALTH BENEFIT DEPENDENTS, IN ALL RESPECTS AND UNDER THE SAME TERMS  
6 AS WOULD A RETIRANT AND HIS OR HER HEALTH INSURANCE DEPENDENTS  
7 UNDER TIER 1.

8           (6) A FORMER QUALIFIED PARTICIPANT OR HEALTH BENEFIT DEPENDENT  
9 WHO IS ELIGIBLE TO ELECT HEALTH INSURANCE COVERAGE UNDER THIS  
10 SECTION AND WHO ELECTS HEALTH INSURANCE COVERAGE UNDER A DIFFERENT  
11 PLAN THAN THE PLAN AUTHORIZED UNDER SECTION 91 MAY ELECT TO HAVE AN  
12 AMOUNT UP TO THE AMOUNT OF THE RETIREMENT SYSTEM'S SHARE OF THE  
13 MONTHLY HEALTH INSURANCE PREMIUM SUBSIDY PROVIDED IN THIS SECTION  
14 PAID BY THE RETIREMENT SYSTEM DIRECTLY TO THE OTHER HEALTH  
15 INSURANCE PLAN OR TO A MEDICAL SAVINGS ACCOUNT ESTABLISHED PURSUANT  
16 TO SECTION 220 OF THE INTERNAL REVENUE CODE, TO THE EXTENT ALLOWED  
17 BY LAW OR UNDER THE PROVISIONS AND PROCEDURES OF TIER 2.

18           (7) IF THE DEPARTMENT RECEIVES NOTIFICATION FROM THE UNITED  
19 STATES INTERNAL REVENUE SERVICE THAT THIS SECTION OR ANY PORTION OF  
20 THIS SECTION WILL CAUSE THE RETIREMENT SYSTEM TO BE DISQUALIFIED  
21 FOR TAX PURPOSES UNDER THE INTERNAL REVENUE CODE, THEN THE PORTION  
22 THAT WILL CAUSE THE DISQUALIFICATION DOES NOT APPLY.

23           SEC. 137. (1) THE RIGHT OF A QUALIFIED PARTICIPANT OR A FORMER  
24 QUALIFIED PARTICIPANT, OR HIS OR HER BENEFICIARIES, TO A  
25 DISTRIBUTION DESCRIBED IN SUBSECTION (1) IS SUBJECT TO FORFEITURE  
26 PURSUANT TO THE PUBLIC EMPLOYEE RETIREMENT BENEFITS FORFEITURE ACT,  
27 1994 PA 350, MCL 38.2701 TO 38.2705.

1           (2) THE DIRECTOR HAS THE RIGHT OF SETOFF TO RECOVER  
2 OVERPAYMENTS MADE UNDER THIS ARTICLE AND TO SATISFY ANY CLAIMS  
3 ARISING FROM EMBEZZLEMENT OR FRAUD COMMITTED BY A QUALIFIED  
4 PARTICIPANT, FORMER QUALIFIED PARTICIPANT, REFUND BENEFICIARY, OR  
5 OTHER PERSON WHO HAS A CLAIM TO A DISTRIBUTION OR ANY OTHER BENEFIT  
6 FROM TIER 2.

7           (3) THE DIRECTOR SHALL CORRECT ERRORS IN THE RECORDS AND  
8 ACTIONS UNDER THIS ARTICLE, AND SHALL SEEK TO RECOVER OVERPAYMENTS  
9 AND SHALL MAKE UP UNDERPAYMENTS.

10          Enacting section 1. If any section or part of a section of  
11 this act is for any reason held to be invalid or unconstitutional,  
12 the holding does not affect the validity of the remaining sections  
13 of this act or the act in its entirety.