

HOUSE BILL No. 6131

May 5, 2010, Introduced by Reps. Rick Jones, Agema, DeShazor, Moss, Knollenberg, Lund, Proos, Pavlov and Pearce 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, and 34 (MCL 38.1304, 38.1308,
38.1325, 38.1326, and 38.1334), section 4 as amended by 2008 PA
354, sections 8, 25, and 26 as amended by 1997 PA 143, and section
34 as amended by 2002 PA 94, and by adding sections 41b, 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
3 previous July 1 and computed at the rate of investment return
4 determined under section 104a(1) for the last completed state
5 fiscal year.

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

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

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

6 (5) "Designated date" means September 30, 2006.

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

9 (7) "Distributee" includes a member or deferred member.
10 Distributee also includes the member's or deferred member's
11 surviving spouse or the member's or deferred member's spouse or
12 former spouse under an eligible domestic relations order, with
13 regard to the interest of the spouse or former spouse.

14 (8) Beginning January 1, 2002, except as otherwise provided in
15 this subsection, "eligible retirement plan" means 1 or more of the
16 following:

17 (a) An individual retirement account described in section
18 408(a) of the internal revenue code, 26 USC 408.

19 (b) An individual retirement annuity described in section
20 408(b) of the internal revenue code, 26 USC 408.

21 (c) An annuity plan described in section 403(a) of the
22 internal revenue code, 26 USC 403.

23 (d) A qualified trust described in section 401(a) of the
24 internal revenue code, 26 USC 401.

25 (e) An annuity contract described in section 403(b) of the
26 internal revenue code, 26 USC 403.

27 (f) An eligible plan under section 457(b) of the internal

1 revenue code, 26 USC 457, 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, 26 USC 457, from this
6 retirement 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 (g) Beginning January 1, 2008, except as otherwise provided in
12 this subsection, "eligible retirement plan" means a Roth individual
13 retirement account as described in section 408A of the internal
14 revenue code, 26 USC 408A.

15 (9) Beginning January 1, 2007, "eligible rollover
16 distribution" means a distribution of all or any portion of the
17 balance to the credit of the distributee. Eligible rollover
18 distribution does not include any of the following:

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

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

23 (c) A distribution to the extent that the distribution is
24 required under section 401(a)(9) of the internal revenue code, 26
25 USC 401.

26 (d) The portion of any distribution that is not includable in
27 federal gross income, except to the extent such portion of the

1 distribution is paid to any of the following:

2 (i) An individual retirement account or annuity described in
3 section 408(a) or 408(b) of the internal revenue code, 26 USC 408.

4 (ii) A qualified plan described in section 401(a) of the
5 internal revenue code, 26 USC 401, or an annuity contract described
6 in section 403(b) of the internal revenue code, 26 USC 403, and the
7 plan providers agree to separately account for the amounts paid,
8 including any portion of the distribution that is includable in
9 federal gross income, and the portion of the distribution which is
10 not so includable.

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

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

1 are satisfied.

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

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

18 (14) **"IMPLEMENTATION DATE" MEANS JUNE 1, 2010.**

19 (15) ~~(14)~~ "Internal revenue code" means the United States
20 internal revenue code of 1986.

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

1 care providers, and other similar service providers.

2 (17) ~~(16)~~ "Member investment plan" means the program of member
3 contributions described in section 43a.

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

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

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

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

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

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

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

25 (7) ~~(5)~~ "Transitional public employment program" means
26 participation in public service employment programs in the areas of
27 environmental quality, health care, education, public safety, crime

1 prevention and control, prison rehabilitation, transportation,
2 recreation, maintenance of parks, streets, and other public
3 facilities, solid waste removal, pollution control, housing and
4 neighborhood improvements, rural development, conservation,
5 beautification, veterans' outreach, and other fields of human
6 betterment and community improvement as part of a program of
7 comprehensive manpower services authorized, undertaken, and
8 financed under the comprehensive employment and training act of
9 1973, former Public Law 93-203, 87 Stat. 839.

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

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

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

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

26 (3) ~~(2)~~—The state treasurer shall deposit the funds of the
27 retirement system in the same manner and subject to the law

1 governing the deposit of state funds by the treasurer. Income
2 earned by the retirement system's funds shall be credited to the
3 respective reserves under this act that earned the income.

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

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

27 (3) Notwithstanding any other provision of this section, the

1 department may transfer amounts from the health advance funding
2 subaccount to the reserve for employer contributions established in
3 section 30 if the department does both of the following:

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

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

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

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

1 110.

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

8 SEC. 110. (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (2),
9 THE RETIREMENT SYSTEM SHALL PROVIDE AN OPPORTUNITY FOR EACH MEMBER
10 WHO IS A TIER 1 MEMBER ON THE DAY BEFORE THE IMPLEMENTATION DATE,
11 TO ELECT IN WRITING TO TERMINATE MEMBERSHIP IN TIER 1 AND ELECT TO
12 BECOME A QUALIFIED PARTICIPANT IN TIER 2. AN ELECTION MADE BY A
13 MEMBER UNDER THIS SUBSECTION IS IRREVOCABLE. THE RETIREMENT SYSTEM
14 SHALL ACCEPT WRITTEN ELECTIONS UNDER THIS SUBSECTION FROM MEMBERS
15 DURING THE PERIOD BEGINNING ON APRIL 30, 2010 AND ENDING ON JULY 3,
16 2010. A MEMBER WHO DOES NOT MAKE A WRITTEN ELECTION OR WHO DOES NOT
17 FILE THE ELECTION DURING THE PERIOD SPECIFIED IN THIS SUBSECTION
18 CONTINUES TO BE A MEMBER OF TIER 1. A MEMBER WHO MAKES AND FILES A
19 WRITTEN ELECTION UNDER THIS SUBSECTION ELECTS TO DO ALL OF THE
20 FOLLOWING:

21 (A) CEASE TO BE A MEMBER OF TIER 1 EFFECTIVE 12 MIDNIGHT ON
22 MAY 31, 2010.

23 (B) BECOME A QUALIFIED PARTICIPANT IN TIER 2 EFFECTIVE 12:01
24 A.M. ON JUNE 1, 2010.

25 (C) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, WAIVE
26 ALL OF HIS OR HER RIGHTS TO A PENSION, AN ANNUITY, A RETIREMENT
27 ALLOWANCE, OR ANY OTHER BENEFIT UNDER TIER 1 EFFECTIVE 12 MIDNIGHT

1 ON THE DAY DESCRIBED IN SUBDIVISION (A). THIS SUBDIVISION DOES NOT
2 AFFECT A PERSON'S RIGHT TO HEALTH BENEFITS PROVIDED UNDER THIS ACT
3 PURSUANT TO SECTION 136.

4 (2) THIS SUBSECTION APPLIES TO AN INDIVIDUAL WHO WAS A VESTED
5 MEMBER OF TIER 1 ON THE DAY BEFORE THE IMPLEMENTATION DATE AND WHO
6 TERMINATES THE EMPLOYMENT UPON WHICH THAT MEMBERSHIP IS BASED ON OR
7 AFTER THE IMPLEMENTATION DATE BUT ON OR BEFORE DECEMBER 31, 2010.
8 BEFORE THE TERMINATION OF HIS OR HER EMPLOYMENT, AN INDIVIDUAL
9 DESCRIBED IN THIS SUBSECTION MAY ELECT IN WRITING TO TERMINATE
10 MEMBERSHIP IN TIER 1 AND BECOME A QUALIFIED PARTICIPANT IN TIER 2.
11 AN ELECTION MADE BY A MEMBER UNDER THIS SUBSECTION IS IRREVOCABLE.
12 THE RETIREMENT SYSTEM SHALL ACCEPT WRITTEN ELECTIONS UNDER THIS
13 SUBSECTION FROM A MEMBER DURING THE PERIOD BEGINNING ON THE
14 IMPLEMENTATION DATE AND ENDING ON DECEMBER 31, 2010. A MEMBER
15 DESCRIBED IN THIS SUBSECTION WHO DOES NOT MAKE A WRITTEN ELECTION
16 OR WHO DOES NOT FILE THE ELECTION BEFORE THE TERMINATION OF HIS OR
17 HER EMPLOYMENT CONTINUES TO BE A MEMBER OR DEFERRED MEMBER OF TIER
18 1. A MEMBER WHO MAKES AND FILES A WRITTEN ELECTION UNDER THIS
19 SUBSECTION TO TERMINATE MEMBERSHIP IN TIER 1 ELECTS TO DO ALL OF
20 THE FOLLOWING:

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

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

27 (C) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, WAIVE

1 ALL OF HIS OR HER RIGHTS TO A PENSION, AN ANNUITY, A RETIREMENT
2 ALLOWANCE, AN INSURANCE BENEFIT, OR ANY OTHER BENEFIT UNDER TIER 1
3 EFFECTIVE 12 MIDNIGHT ON THE DATE DESCRIBED IN SUBDIVISION (A).

4 THIS SUBDIVISION DOES NOT AFFECT AN INDIVIDUAL'S RIGHT TO HEALTH
5 BENEFITS PROVIDED UNDER THIS ACT PURSUANT TO SECTION 136.

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

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

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

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

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

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

25 (6) IF AN INDIVIDUAL WHO WAS A DEFERRED MEMBER OF THE STATE
26 EMPLOYEES' RETIREMENT SYSTEM ON THE DAY BEFORE THE IMPLEMENTATION
27 DATE IS FIRST EMPLOYED AND ENTERED UPON THE PAYROLL OF A REPORTING

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

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

13 SEC. 111. (1) FOR A MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP
14 IN TIER 1 UNDER SECTION 110(1), THE RETIREMENT SYSTEM SHALL DIRECT
15 THE STATE TREASURER TO TRANSFER A LUMP SUM AMOUNT FROM THE
16 APPROPRIATE RESERVE CREATED UNDER ARTICLE 2 TO THE QUALIFIED
17 PARTICIPANT'S ACCOUNT IN TIER 2 ON OR BEFORE JUNE 1, 2010. THE
18 RETIREMENT SYSTEM SHALL CALCULATE THE AMOUNT TO BE TRANSFERRED,
19 WHICH SHALL BE EQUAL TO THE SUM OF THE FOLLOWING:

20 (A) THE MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY, FROM THE
21 RESERVE FOR EMPLOYEE CONTRIBUTIONS AS OF 12 MIDNIGHT JUNE 1, 2010.

22 (B) FOR A MEMBER WHO IS A PARTICIPANT IN THE MEMBER INVESTMENT
23 PLAN, THE MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY, FROM THE
24 RESERVE FOR MEMBER INVESTMENT PLAN AS OF 12 MIDNIGHT JUNE 1, 2010.

25 (C) FOR A MEMBER WHO IS VESTED UNDER SECTION 81 AS OF 12
26 MIDNIGHT JUNE 1, 2010, THE EXCESS, IF ANY, OF THE ACTUARIAL PRESENT
27 VALUE OF THE MEMBER'S ACCUMULATED BENEFIT OBLIGATION, OVER THE

1 AMOUNT SPECIFIED IN SUBDIVISIONS (A) AND (B), FROM THE RESERVE FOR
2 EMPLOYER CONTRIBUTIONS. EXCEPT AS PROVIDED IN SUBSECTION (7), FOR
3 THE PURPOSES OF THIS SUBSECTION, THE PRESENT VALUE OF THE MEMBER'S
4 ACCUMULATED BENEFIT OBLIGATION IS BASED UPON THE MEMBER'S ACTUAL
5 CREDITED SERVICE AND ACTUAL FINAL AVERAGE COMPENSATION AS OF 12
6 MIDNIGHT JUNE 1, 2010. THE ACTUARIAL PRESENT VALUE SHALL BE
7 COMPUTED AS OF 12 MIDNIGHT JUNE 1, 2010 AND SHALL BE BASED ON THE
8 FOLLOWING:

9 (i) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST, COMPOUNDED
10 ANNUALLY.

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

14 (iii) A BENEFIT COMMENCEMENT AGE, BASED UPON THE MEMBER'S
15 ESTIMATED CREDITED SERVICE AS OF 12 MIDNIGHT JUNE 1, 2010. THE
16 BENEFIT COMMENCEMENT AGE SHALL BE THE YOUNGER OF THE FOLLOWING, BUT
17 SHALL NOT BE YOUNGER THAN THE MEMBER'S AGE AS OF 12 MIDNIGHT JUNE
18 1, 2010:

19 (A) AGE 60.

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

22 (C) THE AGE OF THE MEMBER IF THE MEMBER'S CREDITED SERVICE
23 EQUALS OR EXCEEDS 30 YEARS AND THE MEMBER CONTRIBUTES TO THE MEMBER
24 INVESTMENT PLAN.

25 (D) INTEREST ON ANY AMOUNTS DETERMINED IN SUBDIVISIONS (A),
26 (B), AND (C) FROM JUNE 2, 2010 TO THE DATE OF THE TRANSFER, BASED
27 UPON 8% ANNUAL INTEREST, COMPOUNDED ANNUALLY.

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

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

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

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

27 (i) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST, COMPOUNDED

1 ANNUALLY.

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

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

11 (A) AGE 60.

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

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

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

21 (3) FOR A DEFERRED MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP
22 IN TIER 1 UNDER SECTION 110(3), THE RETIREMENT SYSTEM SHALL DIRECT
23 THE STATE TREASURER TO TRANSFER A LUMP SUM AMOUNT FROM THE
24 APPROPRIATE RESERVE CREATED UNDER ARTICLE 2 TO THE QUALIFIED
25 PARTICIPANT'S ACCOUNT IN TIER 2 ON OR BEFORE THE EXPIRATION OF 60
26 DAYS AFTER THE DATE OF THE INDIVIDUAL'S ELECTION TO TERMINATE
27 MEMBERSHIP. THE RETIREMENT SYSTEM SHALL CALCULATE THE AMOUNT TO BE

1 TRANSFERRED, WHICH SHALL BE EQUAL TO THE SUM OF THE FOLLOWING:

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

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

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

22 (i) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST, COMPOUNDED
23 ANNUALLY.

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

27 (iii) A BENEFIT COMMENCEMENT AGE, BASED UPON THE MEMBER'S

1 ESTIMATED CREDITED SERVICE AS OF 12 MIDNIGHT ON THE LAST DAY OF THE
2 PAYROLL PERIOD THAT INCLUDES THE DATE OF THE ELECTION. THE BENEFIT
3 COMMENCEMENT AGE SHALL BE THE YOUNGER OF THE FOLLOWING, BUT SHALL
4 NOT BE YOUNGER THAN THE MEMBER'S AGE AS OF 12 MIDNIGHT ON THE LAST
5 DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF THE ELECTION:

6 (A) AGE 60.

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

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

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

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

24 (5) FOR A FORMER NONVESTED MEMBER WHO ELECTS TO TERMINATE
25 MEMBERSHIP IN TIER 1 UNDER SECTION 110(3) AND WHO HAS ACCUMULATED
26 CONTRIBUTIONS STANDING TO HIS OR HER CREDIT IN THE RESERVE FOR
27 EMPLOYEE CONTRIBUTIONS OR THE RESERVE FOR MEMBER INVESTMENT PLAN,

1 THE RETIREMENT SYSTEM SHALL DIRECT THE STATE TREASURER TO TRANSFER
2 A LUMP SUM AMOUNT FROM THE APPROPRIATE RESERVE CREATED UNDER
3 ARTICLE 2 TO THE QUALIFIED PARTICIPANT'S ACCOUNT IN TIER 2 ON OR
4 BEFORE THE EXPIRATION OF 60 DAYS AFTER THE DATE OF THE INDIVIDUAL'S
5 ELECTION TO TERMINATE MEMBERSHIP. THE RETIREMENT SYSTEM SHALL
6 CALCULATE THE AMOUNT TO BE TRANSFERRED, WHICH SHALL BE EQUAL TO THE
7 SUM OF THE FOLLOWING:

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

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

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

21 (6) FOR EACH MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP IN TIER
22 1 UNDER SECTION 110, THE RETIREMENT SYSTEM SHALL DO ALL OF THE
23 FOLLOWING:

24 (A) DIRECT THE STATE TREASURER TO TRANSFER FROM THE RESERVE
25 FOR EMPLOYER CONTRIBUTIONS TO THE QUALIFIED PARTICIPANT'S ACCOUNT
26 IN TIER 2 THE EXCESS OF ANY RECOMPUTED AMOUNT OVER THE PREVIOUSLY
27 TRANSFERRED AMOUNT TOGETHER WITH INTEREST FROM 12 MIDNIGHT MAY 31,

1 2010 TO THE DATE OF THE TRANSFER UNDER THIS SUBSECTION, BASED UPON
2 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

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

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

20 ARTICLE 7

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

24 SEC. 122. (1) "ACCUMULATED BALANCE" MEANS THE TOTAL BALANCE IN
25 A QUALIFIED PARTICIPANT'S, FORMER QUALIFIED PARTICIPANT'S, OR
26 REFUND BENEFICIARY'S INDIVIDUAL ACCOUNT IN TIER 2.

27 (2) "COMPENSATION" MEANS THE REMUNERATION PAID A QUALIFIED

1 PARTICIPANT ON ACCOUNT OF THE QUALIFIED PARTICIPANT'S SERVICES
2 EQUAL TO THE SUM OF THE FOLLOWING:

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

5 (B) ANY AMOUNT CONTRIBUTED OR DEFERRED AT THE ELECTION OF THE
6 PARTICIPANT WHICH IS EXCLUDED FROM GROSS INCOME UNDER SECTION 125,
7 132(F)(4), 401(K), 403(B), OR 457 OF THE INTERNAL REVENUE CODE, 26
8 USC 125, 132, 401, 403, AND 457.

9 (3) "DEPARTMENT" MEANS THE DEPARTMENT OF MANAGEMENT AND
10 BUDGET.

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

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

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

17 (3) "HEALTH BENEFIT DEPENDENT" MEANS AN INDIVIDUAL WHO WOULD
18 HAVE BEEN ELIGIBLE FOR HEALTH INSURANCE COVERAGE AS A HEALTH
19 INSURANCE DEPENDENT UNDER SECTION 91(15)(A) IF THE FORMER QUALIFIED
20 PARTICIPANT HAD BECOME A RETIRANT OF TIER 1.

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

24 (A) AN INDIVIDUAL WHO IS FIRST EMPLOYED AND ENTERED UPON THE
25 PAYROLL OF A REPORTING UNIT ON OR AFTER THE IMPLEMENTATION DATE.

26 (B) AN INDIVIDUAL WHO ELECTS TO TERMINATE MEMBERSHIP IN TIER 1
27 AND WHO ELECTS TO PARTICIPATE IN TIER 2 IN THE MANNER PRESCRIBED IN

1 SECTION 110.

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

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

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

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

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

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

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

23 (A) THE EXPERIENCE OF THE ENTITY IN PROVIDING THE PLAN IN
24 OTHER STATES.

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

27 (C) THE NATURE AND EXTENT OF THE RIGHTS AND BENEFITS TO BE

1 PROVIDED UNDER THE PLAN.

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

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

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

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

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

21 (4) THE DEPARTMENT SHALL DETERMINE THE PROVISIONS AND
22 PROCEDURES OF TIER 2 IN CONFORMITY WITH THIS ARTICLE AND THE
23 REQUIREMENTS OF THE INTERNAL REVENUE CODE.

24 (5) THE DIRECTOR SHALL USE A COMPETITIVE BIDDING PROCESS TO
25 SELECT ANY MANAGERIAL, PROFESSIONAL, OR ADMINISTRATIVE SERVICES FOR
26 THE PROPER ADMINISTRATION AND INVESTMENT OF ASSETS OF TIER 2. THE
27 COMPETITIVE BIDDING PROCESS SHALL INCLUDE A REQUIREMENT THAT ANY

1 SERVICE PROVIDER SELECTED UNDER THIS SUBSECTION WILL BE REQUIRED TO
2 PAY FOR THE COST OF ANY NOTIFICATION OF MEMBERS ENTITLED TO MAKE AN
3 ELECTION UNDER SECTION 110.

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

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

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

24 SEC. 128. THE ADMINISTRATIVE EXPENSES OF TIER 2 SHALL BE PAID
25 BY THE QUALIFIED PARTICIPANTS, FORMER QUALIFIED PARTICIPANTS, AND
26 REFUND BENEFICIARIES WHO HAVE NOT CLOSED THEIR ACCOUNTS IN A MANNER
27 DETERMINED BY THE DEPARTMENT.

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

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

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

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

22 (2) A QUALIFIED PARTICIPANT'S EMPLOYER SHALL CONTRIBUTE TO THE
23 QUALIFIED PARTICIPANT'S TIER 2 ACCOUNT AN AMOUNT EQUAL TO 4% OF THE
24 QUALIFIED PARTICIPANT'S COMPENSATION.

25 (3) A QUALIFIED PARTICIPANT MAY PERIODICALLY ELECT TO
26 CONTRIBUTE UP TO 3% OF HIS OR HER COMPENSATION TO HIS OR HER TIER 2
27 ACCOUNT. THE QUALIFIED PARTICIPANT'S EMPLOYER SHALL MAKE AN

1 ADDITIONAL CONTRIBUTION TO THE QUALIFIED PARTICIPANT'S TIER 2
2 ACCOUNT IN AN AMOUNT EQUAL TO THE CONTRIBUTION MADE BY THE
3 QUALIFIED PARTICIPANT UNDER THIS SUBSECTION.

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

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

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

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

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

17 (2) A QUALIFIED PARTICIPANT IS VESTED IN THE HEALTH INSURANCE
18 COVERAGE PROVIDED IN SECTION 136 IF THE QUALIFIED PARTICIPANT MEETS
19 1 OF THE FOLLOWING REQUIREMENTS:

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

23 (B) THE QUALIFIED PARTICIPANT WAS A MEMBER, DEFERRED MEMBER,
24 OR FORMER NONVESTED MEMBER OF TIER 1 WHO MADE AN ELECTION TO
25 PARTICIPATE IN TIER 2 PURSUANT TO SECTION 110, AND WHO HAS MET THE
26 SERVICE REQUIREMENTS HE OR SHE WOULD HAVE BEEN REQUIRED TO MEET IN
27 ORDER TO VEST IN HEALTH BENEFITS UNDER SECTION 91.

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

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

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

20 (2) UPON THE DEATH OF A QUALIFIED PARTICIPANT OR FORMER
21 QUALIFIED PARTICIPANT, THE ACCUMULATED BALANCE OF THAT DECEASED
22 PARTICIPANT IS CONSIDERED TO BELONG TO THE REFUND BENEFICIARY, IF
23 ANY, OF THAT DECEASED PARTICIPANT. IF A VALID NOMINATION OF REFUND
24 BENEFICIARY IS NOT ON FILE WITH THE DEPARTMENT, THE DEPARTMENT, IN
25 A LUMP SUM DISTRIBUTION, SHALL DISTRIBUTE THE ACCUMULATED BALANCE
26 TO THE LEGAL REPRESENTATIVE, IF ANY, OF THE DECEASED PARTICIPANT
27 OR, IF THERE IS NO LEGAL REPRESENTATIVE, TO THE DECEASED

1 PARTICIPANT'S ESTATE.

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

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

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

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

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

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

24 (2) IF A QUALIFIED PARTICIPANT DIES AS A RESULT OF INJURY OR
25 ILLNESS ARISING OUT OF AND IN THE COURSE OF THE QUALIFIED
26 PARTICIPANT'S REPORTING UNIT SERVICE FOR WHICH WORKER'S DISABILITY
27 COMPENSATION IS PAID, OR A DUTY DISABILITY RETIRANT WHO IS IN

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

16 (3) A QUALIFIED PARTICIPANT WHO HAS AT LEAST 10 YEARS OF
17 CREDITED SERVICE WHOM THE RETIREMENT BOARD FINDS TO HAVE BECOME
18 TOTALLY AND PERMANENTLY DISABLED FOR PURPOSES OF EMPLOYMENT BY HIS
19 OR HER REPORTING UNIT BY REASON OF PERSONAL INJURY OR MENTAL OR
20 PHYSICAL ILLNESS BEFORE TERMINATION OF REPORTING UNIT SERVICE AND
21 EMPLOYMENT SHALL BE GRANTED A SUPPLEMENTAL BENEFIT EQUIVALENT TO
22 THE AMOUNT PROVIDED FOR IN SECTION 84 AS IF THE FORMER QUALIFIED
23 PARTICIPANT HAD RETIRED UNDER SECTION 86, 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 (4) IF A QUALIFIED PARTICIPANT WHO MEETS THE SERVICE

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

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

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

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

20 (B) THE FORMER QUALIFIED PARTICIPANT IS AT LEAST 60 YEARS OF
21 AGE OR HAS AT LEAST 25 YEARS OF CREDITED SERVICE.

22 (2) A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT
23 HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) MAY ELECT HEALTH
24 INSURANCE COVERAGE IN A HEALTH BENEFIT PLAN OR PLANS AS AUTHORIZED
25 BY SECTION 91 OR IN ANOTHER PLAN AS PROVIDED IN SUBSECTION (6). A
26 FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT HEALTH
27 INSURANCE COVERAGE UNDER SUBSECTION (1) MAY ALSO ELECT HEALTH

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

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

10 (4) FOR A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO
11 ELECT HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) AND WHO IS
12 VESTED IN THOSE BENEFITS UNDER SECTION 132(2)(A), AND FOR HIS OR
13 HER HEALTH BENEFIT DEPENDENTS, THE RETIREMENT SYSTEM SHALL PAY A
14 PORTION OF THE HEALTH INSURANCE PREMIUM AS CALCULATED UNDER THIS
15 SUBSECTION ON A CASH DISBURSEMENT METHOD. AN INDIVIDUAL DESCRIBED
16 IN THIS SUBSECTION WHO ELECTS HEALTH INSURANCE COVERAGE UNDER THIS
17 SECTION SHALL PAY TO THE RETIREMENT SYSTEM THE REMAINING PORTION OF
18 THE HEALTH INSURANCE COVERAGE PREMIUM NOT PAID BY THE RETIREMENT
19 SYSTEM UNDER THIS SUBSECTION. THE PORTION OF THE HEALTH INSURANCE
20 COVERAGE PREMIUM PAID BY THE RETIREMENT SYSTEM UNDER THIS
21 SUBSECTION SHALL BE AS FOLLOWS: IF AN INDIVIDUAL DESCRIBED IN THIS
22 SUBSECTION HAS 10 OR MORE BUT LESS THAN 25 YEARS OF SERVICE CREDIT
23 UNDER THIS ACT AND THE INDIVIDUAL WAS AT LEAST 60 YEARS OF AGE AT
24 THE TIME OF APPLICATION FOR BENEFITS UNDER THIS SECTION, THE
25 RETIREMENT SYSTEM SHALL PAY A PORTION OF THE MONTHLY PREMIUM OR
26 MEMBERSHIP OR SUBSCRIPTION FEE FOR THE PLANS OR COMBINATION OF
27 PLANS EQUAL TO THE PRODUCT OF 3% AND THE INDIVIDUAL'S OR DECEASED

1 INDIVIDUAL'S YEARS OF SERVICE FOR THE FIRST 10 YEARS AND 4% FOR
2 EACH YEAR AFTER THE FIRST 10 YEARS. THIS SUBSECTION DOES NOT APPLY
3 TO AN INDIVIDUAL DESCRIBED IN THIS SUBSECTION WHO RECEIVES A
4 DISABILITY RETIREMENT ALLOWANCE UNDER SECTION 135A OR TO A HEALTH
5 BENEFIT DEPENDENT BENEFICIARY UNDER SECTION 135A.

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

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

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

1 SEC. 137. (1) THE RIGHT OF A QUALIFIED PARTICIPANT OR A FORMER
2 QUALIFIED PARTICIPANT, OR HIS OR HER BENEFICIARIES, TO A
3 DISTRIBUTION DESCRIBED IN SUBSECTION (1) IS SUBJECT TO FORFEITURE
4 PURSUANT TO THE PUBLIC EMPLOYEE RETIREMENT BENEFITS FORFEITURE ACT,
5 1994 PA 350, MCL 38.2701 TO 38.2705.

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

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