

SENATE BILL No. 726

December 12, 2013, Introduced by Senator CASWELL and referred to the Committee on Appropriations.

A bill to amend 1980 PA 300, entitled
"The public school employees retirement act of 1979,"
by amending section 91 (MCL 38.1391), as amended by 2012 PA 300.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 91. (1) Except as otherwise provided in this section, the
2 retirement system shall pay the entire monthly premium or
3 membership or subscription fee for hospital, medical-surgical, and
4 sick care benefits for the benefit of a retirant or retirement
5 allowance beneficiary who elects coverage in the plan authorized by
6 the retirement board and the department. Except as otherwise
7 provided in this section, beginning January 1, 2013, the retirement
8 system shall pay 80% of the entire monthly premium or membership or
9 subscription fee for hospital, medical-surgical, and sick care
10 benefits for the benefit of a retirant or retirement allowance

1 beneficiary who elects coverage in the plan authorized by the
2 retirement board and the department. Except as otherwise provided
3 in subsections (7) to (15), for a retirant or retirement allowance
4 beneficiary who is enrolled in the hospital, medical-surgical, and
5 sick care benefits plan on January 1, 2013 and who is eligible for
6 medicare on that date, the retirement system shall pay 90% of the
7 entire monthly premium or membership or subscription fee for
8 hospital, medical-surgical, and sick care benefits for the benefit
9 of a retirant or retirement allowance beneficiary who elects
10 coverage in the plan authorized by the retirement board and the
11 department. **EXCEPT AS OTHERWISE PROVIDED IN SUBSECTIONS (7) TO (15)**
12 **AND SUBJECT TO SUBSECTION (16), FOR A RETIRANT OR RETIREMENT**
13 **ALLOWANCE BENEFICIARY WHO HAS A TOTAL HOUSEHOLD INCOME FOR THE**
14 **IMMEDIATELY PRECEDING TAX YEAR BELOW 133% OF THE FEDERAL POVERTY**
15 **GUIDELINES, THE RETIREMENT SYSTEM SHALL PAY 90% OF THE ENTIRE**
16 **MONTHLY PREMIUM OR MEMBERSHIP OR SUBSCRIPTION FEE FOR HOSPITAL,**
17 **MEDICAL-SURGICAL, AND SICK CARE BENEFITS FOR THE BENEFIT OF A**
18 **RETIRANT OR RETIREMENT ALLOWANCE BENEFICIARY WHO ELECTS COVERAGE IN**
19 **THE PLAN AUTHORIZED BY THE RETIREMENT BOARD AND THE DEPARTMENT.**
20 Except as otherwise provided in subsection (8), this subsection
21 does not apply to a retirant who first becomes a member after June
22 30, 2008.

23 (2) The retirement system may pay up to the maximum of the
24 amount payable under subsection (1) toward the monthly premium for
25 hospital, medical-surgical, and sick care benefits for the benefit
26 of a retirant or retirement allowance beneficiary enrolled in a
27 group health insurance or prepaid service plan not authorized by

1 the retirement board and the department, if enrolled before June 1,
2 1975, for whom the retirement system on July 18, 1983 was making a
3 payment towards his or her monthly premium.

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

9 (4) Until December 31, 2012, the retirement system shall pay
10 90% of the monthly premium or membership or subscription fee for
11 dental and vision benefits for the benefit of a retirant or
12 retirement allowance beneficiary who elects coverage in the plan
13 authorized by the retirement board and the department. Except as
14 otherwise provided in this section, beginning January 1, 2013, the
15 retirement system shall pay 80% of the monthly premium or
16 membership or subscription fee for dental and vision benefits for
17 the benefit of a retirant or retirement allowance beneficiary who
18 elects coverage in the plan authorized by the retirement board and
19 the department. Except as otherwise provided in subsections (7) to
20 (15), for a retirant or retirement allowance beneficiary who is
21 enrolled in the dental and vision plan on January 1, 2013 and who
22 is 65 years of age or older on that date, the retirement system
23 shall pay 90% of the entire monthly premium or membership or
24 subscription fee for dental and vision benefits for the benefit of
25 a retirant or retirement allowance beneficiary who elects coverage
26 in the plan authorized by the retirement board and the department.
27 **EXCEPT AS OTHERWISE PROVIDED IN SUBSECTIONS (7) TO (15) AND SUBJECT**

1 TO SUBSECTION (16), FOR A RETIRANT OR RETIREMENT ALLOWANCE
2 BENEFICIARY WHO HAS A TOTAL HOUSEHOLD INCOME FOR THE IMMEDIATELY
3 PRECEDING TAX YEAR BELOW 133% OF THE FEDERAL POVERTY GUIDELINES,
4 THE RETIREMENT SYSTEM SHALL PAY 90% OF THE ENTIRE MONTHLY PREMIUM
5 OR MEMBERSHIP OR SUBSCRIPTION FEE FOR DENTAL AND VISION BENEFITS
6 FOR THE BENEFIT OF A RETIRANT OR RETIREMENT ALLOWANCE BENEFICIARY
7 WHO ELECTS COVERAGE IN THE PLAN AUTHORIZED BY THE RETIREMENT BOARD
8 AND THE DEPARTMENT. Payments shall begin under this subsection upon
9 approval by the retirement board and the department of plan
10 coverage and a plan provider. Except as otherwise provided in
11 subsection (8), this subsection does not apply to a retirant who
12 first becomes a member after June 30, 2008.

13 (5) Until December 31, 2012, the retirement system shall pay
14 up to 90% of the maximum of the amount payable under subsection (1)
15 toward the monthly premium or membership or subscription fee for
16 hospital, medical-surgical, and sick care benefits coverage
17 described in subsections (1) and (2) for each health insurance
18 dependent of a retirant receiving benefits under subsection (1) or
19 (2). Until December 31, 2012, payment shall not exceed 90% of the
20 actual monthly premium or membership or subscription fee. Except as
21 otherwise provided in subsections (7) through (15), for a health
22 insurance dependent who is enrolled in the hospital, medical-
23 surgical, and sick care benefit plan on January 1, 2013 and who is
24 eligible for medicare on that date, the retirement system shall pay
25 90% of the entire monthly premium or membership or subscription fee
26 for hospital, medical-surgical, and sick care benefits for the
27 benefit of each health insurance dependent of a retirant receiving

1 benefits under subsection (1) or (2). **EXCEPT AS OTHERWISE PROVIDED**
2 **IN SUBSECTIONS (7) TO (15) AND SUBJECT TO SUBSECTION (16), FOR A**
3 **HEALTH INSURANCE DEPENDENT WHO HAS A TOTAL HOUSEHOLD INCOME FOR THE**
4 **IMMEDIATELY PRECEDING TAX YEAR BELOW 133% OF THE FEDERAL POVERTY**
5 **GUIDELINES, THE RETIREMENT SYSTEM SHALL PAY 90% OF THE ENTIRE**
6 **MONTHLY PREMIUM OR MEMBERSHIP OR SUBSCRIPTION FEE FOR HOSPITAL,**
7 **MEDICAL-SURGICAL, AND SICK CARE BENEFITS FOR THE BENEFIT OF EACH**
8 **HEALTH INSURANCE DEPENDENT OF A RETIRANT RECEIVING BENEFITS UNDER**
9 **SUBSECTION (1) OR (2).** Until December 31, 2012, the retirement
10 system shall pay 90% of the monthly premium or membership or
11 subscription fee for dental and vision benefits described in
12 subsection (4) for the benefit of each health insurance dependent
13 of a retirant receiving benefits under subsection (4). ~~Beginning~~
14 **EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, BEGINNING** January
15 1, 2013, any payment described in this subsection shall not exceed
16 80% of the actual monthly premium or membership or subscription
17 fee. Except as otherwise provided in subsections (7) to (15), for a
18 health insurance dependent of a retirant who is enrolled in the
19 dental and vision plan on January 1, 2013 and who is 65 years of
20 age or older on that date, the retirement system shall pay 90% of
21 the entire monthly premium or membership or subscription fee for
22 dental and vision benefits for the benefit of each health insurance
23 dependent of the retirant receiving benefits under subsection (4).
24 **EXCEPT AS OTHERWISE PROVIDED IN SUBSECTIONS (7) TO (15) AND SUBJECT**
25 **TO SUBSECTION (16), FOR A HEALTH INSURANCE DEPENDENT OF A RETIRANT**
26 **WHO HAS A TOTAL HOUSEHOLD INCOME FOR THE IMMEDIATELY PRECEDING TAX**
27 **YEAR BELOW 133% OF THE FEDERAL POVERTY GUIDELINES, THE RETIREMENT**

1 SYSTEM SHALL PAY 90% OF THE ENTIRE MONTHLY PREMIUM OR MEMBERSHIP OR
2 SUBSCRIPTION FEE FOR DENTAL AND VISION BENEFITS FOR THE BENEFIT OF
3 EACH HEALTH INSURANCE DEPENDENT OF THE RETIRANT RECEIVING BENEFITS
4 UNDER SUBSECTION (4). Payment for health benefits coverage for a
5 health insurance dependent of a retirant shall not be made after
6 the retirant's death, unless the retirant designated a retirement
7 allowance beneficiary as provided in section 85 and the dependent
8 was covered or eligible for coverage as a health insurance
9 dependent of the retirant on the retirant's date of death. Payment
10 for health benefits coverage shall not be made for a health
11 insurance dependent after the later of the retirant's death or the
12 retirement allowance beneficiary's death. Payment under this
13 subsection and subsection (6) began October 1, 1985 for health
14 insurance dependents who on July 10, 1985 were covered by the
15 hospital, medical-surgical, and sick care benefits plan authorized
16 by the retirement board and the department. Payment under this
17 subsection and subsection (6) for other health insurance dependents
18 shall not begin before January 1, 1986. Except as otherwise
19 provided in subsection (8), this subsection does not apply to a
20 retirant who first becomes a member after June 30, 2008.

21 (6) The payment described in subsection (5) shall also be made
22 for each health insurance dependent of a deceased member or
23 deceased duty disability retirant if a retirement allowance is
24 being paid to a retirement allowance beneficiary because of the
25 death of the member or duty disability retirant as provided in
26 section 43c(c), 89, or 90. Payment for health benefits coverage for
27 a health insurance dependent shall not be made after the retirement

1 allowance beneficiary's death.

2 (7) The payments provided by this section shall not be made on
3 behalf of a retiring section 82 deferred member or health insurance
4 dependent of a deferred member having less than 21 full years of
5 attained credited service or the retiring deferred member's
6 retirement allowance beneficiary, and shall not be made on behalf
7 of a retirement allowance beneficiary of a deferred member who dies
8 before retiring. The retirement system shall pay, on behalf of a
9 retiring section 82 deferred member or health insurance dependent
10 of a deferred member or a retirement allowance beneficiary of a
11 deceased deferred member, either of whose allowance is based upon
12 not less than 21 years of attained credited service, 10% of the
13 payments provided by this section, increased by 10% for each
14 attained full year of credited service beyond 21 years, not to
15 exceed 100% of the payments provided by this section. This
16 subsection applies to any member who first became a member on or
17 before June 30, 2008 and attains deferred status under section 82
18 after October 31, 1980.

19 (8) For a member or deferred member who first becomes a member
20 after June 30, 2008 and before September 4, 2012, the retirement
21 system shall pay up to 80% of the monthly premium or membership or
22 subscription fee for the hospital, medical-surgical, and sick care
23 benefits plan, the dental plan, and vision plan, or any combination
24 of the plans for the benefit of the retirant and his or her
25 retirement allowance beneficiary and health insurance dependents,
26 or for the benefit of the deceased member's retirement allowance
27 beneficiary if the retirant or deceased member has 25 years or more

1 of service credit under this act, and the retirant, deceased
2 retirant, or deceased member was at least 60 years of age at the
3 time of application for benefits under this section. If the
4 retirant or deceased member is less than 60 years of age at the
5 time of application for benefits under this section, the retirement
6 system shall pay 80% of the monthly premium or membership or
7 subscription fee for the hospital, medical-surgical, and sick care
8 benefits plan, the dental plan, and vision plan, or any combination
9 of the plans for the benefit of the retirant and his or her
10 retirement allowance beneficiary and the retirant's health
11 insurance dependents, or for the benefit of the deceased member's
12 retirement allowance beneficiary if the retirant or deceased member
13 has 25 or more years of service credit granted under section 68. If
14 a retirant, deceased retirant, or deceased member described in this
15 subsection has 10 or more but less than 25 years of service credit
16 under this act and the retirant was at least 60 years of age at the
17 time of application for benefits under this section, the retirement
18 system shall pay a portion of the monthly premium or membership or
19 subscription fee for the plans or combination of plans equal to the
20 product of 3% and the retirant's, deceased retirant's, or deceased
21 member's years of service for the first 10 years and 4% for each
22 year after the first 10 years, up to 80%. This subsection does not
23 apply to a member who receives a disability retirement allowance
24 under section 86 or 87 or to a deceased member's retirement
25 allowance beneficiary under section 90.

26 (9) The retirement system shall not pay the premiums or
27 membership or subscription fees under subsection (8) until the

1 retirant or retirement allowance beneficiary requests enrollment in
2 the plans or combination of plans in writing in the manner
3 prescribed by the retirement system. Not more than 1 year of
4 service credit shall be counted for purposes of this subsection and
5 subsection (8) in any school fiscal year.

6 (10) A member who retires under section 43b or 81 and who
7 elects to purchase service credit on or after July 1, 2008 is not
8 eligible for payments under this section for the hospital, medical-
9 surgical, and sick care benefits plan, the dental plan, or vision
10 plan, or any combination of the plans described in this section
11 until the first date that the member would have been eligible to
12 retire under section 43b or 81 if he or she had not purchased the
13 service credit and had accrued a sufficient amount of service
14 credit under section 68. A member who first becomes a member on or
15 after July 1, 2008 shall not be eligible for health benefits under
16 this subsection until at least the time of application under
17 subsection (8). The retirement system shall apply a method that
18 enables it to make the determination under this subsection.

19 (11) Except for a member who retires under section 86 or 87 or
20 a member who meets the requirements under subsection (7) or (8),
21 the retirement system shall not pay the benefits provided in
22 subsection (1) or (4) unless the member was employed and has
23 received a minimum total of 1/2 of a year of service credit granted
24 ~~pursuant to~~ **UNDER** section 68 during the 2 school fiscal years
25 immediately preceding the member's retirement allowance effective
26 date or the member has received a minimum of 1/10 of a year of
27 service credit granted ~~pursuant to~~ **UNDER** section 68 during each of

1 the 5 school fiscal years immediately preceding the member's
2 retirement allowance effective date. This subsection does not apply
3 to a member who is unable to meet the service credit requirements
4 of this subsection because of 1 or more periods of unpaid leaves of
5 absence approved by the reporting unit during the period of leave
6 of absence, as a result of a mental or physical disability
7 supported by the member's doctor during the period of leave of
8 absence.

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

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

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

26 (b) If the person covered under any of the plans provided by
27 this section is also covered under another plan that contains a

1 coordination of benefits provision, the benefits shall be
2 coordinated as provided by the coordination of benefits act, 1984
3 PA 64, MCL 550.251 to 550.255.

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

9 (14) Beginning January 1, 2009, upon the death of the
10 retirant, a retirement allowance beneficiary who became a
11 retirement allowance beneficiary under section 85(8) or (9) is not
12 a health insurance dependent and is not entitled to health benefits
13 under this section except as provided in this subsection. Beginning
14 January 1, 2009, a surviving spouse selected as a retirement
15 allowance beneficiary under section 85(8) or (9) may elect the
16 insurance coverages provided in this section if payment for the
17 elected coverages is the responsibility of the surviving spouse and
18 is paid in a manner prescribed by the retirement system.

19 (15) This section does not apply to a retirant or a health
20 insurance dependent of that retirant under either of the following
21 circumstances:

22 (a) The individual first became a member or qualified
23 participant on or after September 4, 2012.

24 (b) The member made the election to opt out of health
25 insurance coverage or receives a separate retirement allowance
26 under section 91a.

27 **(16) THE DEPARTMENT SHALL DEVELOP A METHOD FOR A RETIRANT,**

1 RETIREMENT ALLOWANCE BENEFICIARY, OR HEALTH INSURANCE DEPENDENT OF
2 A RETIRANT TO PROVE ELIGIBILITY FOR THE 90% PREMIUM OR FEE PAYMENT
3 BY THE RETIREMENT SYSTEM UNDER THIS SECTION. THE DEPARTMENT SHALL
4 USE THE RETIRANT'S, RETIREMENT ALLOWANCE BENEFICIARY'S, OR HEALTH
5 INSURANCE DEPENDENT'S MOST RECENT INCOME TAX RETURN FROM THIS
6 STATE, IF APPLICABLE, OR FROM THE INDIVIDUAL'S STATE OF RESIDENCE
7 TO DETERMINE ELIGIBILITY UNDER THIS SECTION. UPON CONFIRMING A
8 RETIRANT'S, RETIREMENT ALLOWANCE BENEFICIARY'S, OR HEALTH INSURANCE
9 DEPENDENT'S ELIGIBILITY, THE DEPARTMENT SHALL APPLY THE 90% PREMIUM
10 OR FEE PAYMENT FROM THE DATE THE APPLICATION WAS RECEIVED FROM THAT
11 INDIVIDUAL. THE DEPARTMENT SHALL APPLY REASONABLE CONTROLS
12 CONSISTENT WITH THIS STATE'S INCOME TAX RETURN AUDIT POLICIES AND
13 PRACTICES TO ENSURE THAT ELIGIBILITY FOR THE 90% PREMIUM OR FEE
14 PAYMENT UNDER THIS SECTION IS MAINTAINED BY THAT INDIVIDUAL. THE
15 DEPARTMENT SHALL TAKE CORRECTIVE ACTION TO APPLY THE APPROPRIATE
16 DEDUCTIONS WHEN THE DEPARTMENT DETERMINES THAT AN INDIVIDUAL IS NO
17 LONGER ELIGIBLE FOR THE 90% PREMIUM OR FEE PAYMENT UNDER THIS
18 SECTION. THE DEPARTMENT SHALL DEVELOP A METHOD FOR IDENTIFYING
19 INDIVIDUALS WHO ARE ELIGIBLE FOR THE 90% PREMIUM OR FEE PAYMENT
20 UNDER THIS SECTION BY EXAMINING AN INDIVIDUAL'S INCOME TAX RETURN
21 IN THE YEAR BEFORE THE INDIVIDUAL'S YEAR OF RETIREMENT AND TO
22 AUTOMATICALLY APPLY THE 90% PREMIUM OR FEE PAYMENT, IF FEASIBLE.
23 THE DEPARTMENT SHALL SUBMIT ITS PROPOSED PLAN TO IMPLEMENT THIS
24 SECTION TO THE LEGISLATURE BY JUNE 1, 2014.

25 (17) ~~(16)~~ For purposes of this section:

26 (A) "FEDERAL POVERTY GUIDELINES" MEANS THE FEDERAL POVERTY
27 GUIDELINES PUBLISHED ANNUALLY IN THE FEDERAL REGISTER BY THE UNITED

1 STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES UNDER ITS AUTHORITY
2 TO REVISE THE POVERTY LINE UNDER 42 USC 9902.

3 (B) ~~(a)~~—"Health insurance dependent" means any of the
4 following:

5 (i) Except as provided in subsection (14), the spouse of the
6 retirant or the surviving spouse to whom the retirant or deceased
7 member was married at the time of the retirant's or deceased
8 member's death.

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

12 (iii) An unmarried child, by birth or adoption, of the retirant
13 or deceased member, until December 31 of the calendar year in which
14 the child becomes 25 years of age, who is enrolled as a full-time
15 student, and who is or was at the time of the retirant's or
16 deceased member's death a dependent of the retirant or deceased
17 member as defined in section 152 of the internal revenue code, 26
18 USC 152.

19 (iv) An unmarried child, by birth or adoption, of the retirant
20 or deceased member who is incapable of self-sustaining employment
21 because of mental or physical disability, and who is or was at the
22 time of the retirant's or deceased member's death a dependent of
23 the retirant or deceased member as defined in section 152 of the
24 internal revenue code, 26 USC 152.

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

1 (vi) An unmarried child who is not the child by birth or
2 adoption of the retirant or deceased member but who otherwise
3 qualifies to be a health insurance dependent under subparagraph
4 (ii), (iii), or (iv), if the retirant or deceased member is the legal
5 guardian of the unmarried child.

6 **(C)** ~~(b)~~—"Medicaid" means benefits under the federal medicaid
7 program established under title XIX of the social security act, 42
8 USC 1396 to 1396w-5.

9 **(D)** ~~(c)~~—"Medicare" means benefits under the federal medicare
10 program established under title XVIII of the social security act,
11 42 USC 1395 to ~~1395kkk-1395kkk-1~~**1395KKK-1**.