

HOUSE BILL No. 5652

February 27, 2018, Introduced by Reps. Reilly, Albert, Runestad and VerHeulen and referred to the Committee on Financial Liability Reform.

A bill to amend 1992 PA 234, entitled
"The judges retirement act of 1992,"
by amending section 604 (MCL 38.2604), as amended by 2008 PA 514.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 604. (1) This section is enacted ~~pursuant to~~ **UNDER**
2 section 401(a) of the internal revenue code, 26 USC 401, ~~that~~ **WHICH**
3 imposes certain administrative requirements and benefit limitations
4 for qualified governmental plans. This state intends that the
5 retirement system be a qualified pension plan created in trust
6 under section 401 of the internal revenue code, **26 USC 401**, and
7 that the trust be an ~~exempt~~ organization **EXEMPT FROM TAXATION** under
8 section 501 of the internal revenue code, **26 USC 501**. The
9 department shall administer the retirement system to fulfill ~~this~~

1 **THE intent OF THIS SUBSECTION.**

2 (2) The retirement system shall be administered in compliance
3 with the provisions of section 415 of the internal revenue code, 26
4 USC 415, and regulations under that section that are applicable to
5 governmental plans and, beginning January 1, 2010, applicable
6 provisions of the final regulations issued by the ~~internal revenue~~
7 ~~service~~ **INTERNAL REVENUE SERVICE** on April 5, 2007. Employer-
8 financed benefits provided by the retirement system under this act
9 ~~shall~~ **MUST** not exceed the applicable limitations set forth in
10 section 415 of the internal revenue code, 26 USC 415, as adjusted
11 by the commissioner of internal revenue under section 415(d) of the
12 internal revenue code, 26 USC 415, to reflect cost-of-living
13 increases, and the retirement system shall adjust the benefits,
14 including benefits payable to retirants and retirement allowance
15 beneficiaries, subject to the limitation each calendar year to
16 conform with the adjusted limitation. For purposes of section
17 415(b) of the internal revenue code, 26 USC 415, the applicable
18 limitation ~~shall apply~~ **APPLIES** to aggregated benefits received from
19 all qualified pension plans for which the office of retirement
20 services coordinates administration of that limitation. If there is
21 a conflict between this section and another section of this act,
22 this section prevails.

23 (3) The assets of the retirement system ~~shall~~ **MUST** be held in
24 trust and invested for the sole purpose of meeting the legitimate
25 obligations of the retirement system and ~~shall~~ **MUST** not be used for
26 any other purpose. The assets ~~shall~~ **MUST** not be used for or
27 diverted to a purpose other than for the exclusive benefit of the

1 members, vested former members, retirants, and retirement allowance
2 beneficiaries before satisfaction of all retirement system
3 liabilities.

4 (4) The retirement system shall return post-tax member
5 contributions made by a member and received by the retirement
6 system to a member ~~upon~~**ON** retirement, ~~pursuant to internal revenue~~
7 ~~service~~**UNDER INTERNAL REVENUE SERVICE** regulations and approved
8 ~~internal revenue service~~**INTERNAL REVENUE SERVICE** exclusion ratio
9 tables.

10 (5) The required beginning date for retirement allowances and
11 other distributions ~~shall~~**MUST** not be later than April 1 of the
12 calendar year following the calendar year in which the employee
13 attains age 70-1/2 or April 1 of the calendar year following the
14 calendar year in which the employee retires. The required minimum
15 distribution requirements imposed by section 401(a)(9) of the
16 internal revenue code, 26 USC 401, ~~shall~~ apply to this act and **MUST**
17 be administered in accordance with a reasonable and good faith
18 interpretation of the required minimum distribution requirements
19 for all years in which the required minimum distribution
20 requirements apply to this act.

21 (6) If the retirement system is terminated, the interest of
22 the members, vested former members, retirants, and retirement
23 allowance beneficiaries in the retirement system is nonforfeitable
24 to the extent funded as described in section 411(d)(3) of the
25 internal revenue code, 26 USC 411, and related ~~internal revenue~~
26 ~~service~~**INTERNAL REVENUE SERVICE** regulations applicable to
27 governmental plans.

1 (7) Notwithstanding any other provision of this act to the
2 contrary that would limit a distributee's election under this act,
3 a distributee may elect, at the time and in the manner prescribed
4 by the retirement board, to have any portion of an eligible
5 rollover distribution paid directly to an eligible retirement plan
6 specified by the distributee in a direct rollover. This subsection
7 applies to distributions made ~~on or after January 1, 1993.~~**DECEMBER**
8 **31, 1992.**

9 (8) For purposes of determining actuarial equivalent
10 retirement allowances under sections 506(1)(a) and (b) and 602, the
11 actuarially assumed interest rate ~~shall~~**MUST** be ~~8% with utilization~~
12 ~~of the 1983 group annuity and mortality table.~~**DETERMINED BY THE**
13 **DIRECTOR OF THE DEPARTMENT AND THE RETIREMENT BOARD IN CONSULTATION**
14 **WITH THE ACTUARY USING THE MORTALITY TABLES ADOPTED BY THE**
15 **DEPARTMENT AND THE RETIREMENT BOARD.**

16 (9) Notwithstanding any other provision of this act, the
17 compensation of a member of the retirement system ~~shall~~**MUST** be
18 taken into account for any year under the retirement system only to
19 the extent that it does not exceed the compensation limit
20 established in section 401(a)(17) of the internal revenue code, 26
21 USC 401, as adjusted by the commissioner of internal revenue. This
22 subsection applies to ~~any person~~**AN INDIVIDUAL** who first becomes a
23 member of the retirement system ~~on or after October 1,~~**SEPTEMBER**
24 **30, 1996.**

25 (10) Notwithstanding any other provision of this act,
26 contributions, benefits, and service credit with respect to
27 qualified military service will be provided under the retirement

1 system in accordance with section 414(u) of the internal revenue
2 code, **26 USC 414**. This subsection applies to all qualified military
3 service ~~on or after~~ December 12, ~~11~~, 1994. Beginning on January 1,
4 2007, in accordance with section 401(a)(37) of the internal revenue
5 code, 26 USC 401, if a member dies while performing qualified
6 military service, for purposes of determining any death benefits
7 payable under this act, the member ~~shall be~~ **IS** treated as having
8 resumed and then terminated employment on account of death.