

SENATE BILL No. 200

March 7, 1989, Introduced by Senators DE GROW and
ARTHURHULTZ referred to the Committee on Judiciary.

A bill to amend sections 4 and 91 of Act No. 300 of the
Public Acts of 1980, entitled
"The public school employees retirement act of 1979,"
as amended by Act No. 91 of the Public Acts of 1985, being sec-
tions 38.1304 and 38.1391 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 4 and 91 of Act No. 300 of the Public
2 Acts of 1980, as amended by Act No. 91 of the Public Acts of
3 1985, being sections 38.1304 and 38.1391 of the Michigan Compiled
4 Laws, are amended to read as follows:

5 Sec. 4. (1) "Compensation" means the remuneration earned by
6 a member for service performed as a public school employee. If
7 part of a member's remuneration is not paid in money, the
8 retirement board shall fix the value of that part of the
9 remuneration not paid in money. Compensation includes, on a

1 current basis, investments made in a tax sheltered annuity for a
2 public school employee as remuneration for service under this
3 act. The remuneration shall be valued at the amount of money
4 actually paid into the annuity. Compensation includes all
5 amounts deducted from the pay of a public school employee,
6 including amounts deducted pursuant to the member investment
7 plan. Compensation includes longevity pay, overtime pay, vaca-
8 tion pay, and holiday pay while absent from work, sick leave pay
9 while absent from work, and items of deferred compensation,
10 exclusive of employer contributions to the retirement system.
11 Compensation does not include terminal payments for unused sick
12 leave, annual leave, bonus payments, hospitalization insurance
13 and life insurance premiums, other fringe benefits paid by and
14 from the funds of employers of public school employees, and remu-
15 nation paid for the specific purpose of increasing the final
16 average compensation. Compensation for the period on which final
17 average compensation is based, for the purpose of computing final
18 average compensation, does not include an amount over the compen-
19 sation for the preceding year except increases provided by the
20 normal salary schedule for the reporting unit. The retirement
21 board shall require a sworn affidavit from the member that final
22 compensation does not include remuneration paid either directly
23 or indirectly for actual or anticipated expenses.

24 (2) "Compound interest" means interest compounded annually
25 on July 1 on the contributions on account as of the previous
26 July 1 and computed at the rate of investment return determined
27 under section 104a(1) for the last completed state fiscal year.

1 (3) "Contributory service" means credited service other than
2 noncontributory service.

3 (4) "Deferred member" means a member who has ceased to be a
4 public school employee and has satisfied the requirements of sec-
5 tion 82 for a deferred vested service retirement allowance.

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

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

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

26 (8) "Expense fund" means the fund created under section 31.

1 (9) "Final average compensation" means the aggregate amount
2 of a member's compensation earned within the averaging period in
3 which the aggregate amount of compensation was highest divided by
4 the member's number of years, including any fraction of a year,
5 of credited service during the averaging period. The averaging
6 period shall be 36 consecutive calendar months if the member con-
7 tributes to the member investment plan fund; otherwise, the aver-
8 aging period shall be 60 consecutive calendar months. If the
9 member has less than 1 year of credited service in the averaging
10 period, the number of consecutive calendar months in the averag-
11 ing period shall be increased to the lowest number of consecutive
12 calendar months ~~which~~ THAT contains 1 year of credited
13 service. ~~All retirement allowances which were effective before~~
14 ~~the effective date of this amendatory act and which are still~~
15 ~~being paid on January 1, 1986 shall be recalculated in accordance~~
16 ~~with this subsection. A retirant or retirement allowance benefi-~~
17 ~~ciary whose retirement allowance is subject to recalculation~~
18 ~~shall be eligible to receive an adjusted retirement allowance~~
19 ~~based on the recalculation beginning January 1, 1986, but shall~~
20 ~~not be eligible to receive the adjusted amount attributable to~~
21 ~~any month beginning before January 1, 1986. A retirement allow-~~
22 ~~ance shall not be adjusted under this subsection if the adjust-~~
23 ~~ment would result in a decrease in the amount of the retirement~~
24 ~~allowance otherwise payable.~~

25 (10) "Health benefits" means hospital, medical-surgical,
26 ~~and~~ sick care, DENTAL, VISION, AND HEARING benefits for

1 retirants, retirement allowance beneficiaries, and health
2 insurance dependents provided pursuant to section 91.

3 (11) "Health benefits fund" means the fund created under
4 section 34.

5 (12) "Insurable interest" is an interest of a person in the
6 continued life of another person, both of whom are from the same
7 immediate family.

8 (13) "Member investment plan" means the program of member
9 contributions described in section 43a.

10 (14) "Member investment plan fund" means the fund created
11 under section 33.

12 Sec. 91. (1) The retirement system shall pay the entire
13 monthly premium or membership or subscription fee for hospital,
14 medical-surgical, DENTAL, VISION, HEARING, and sick care benefits
15 for the benefit of a retirant or retirement allowance beneficiary
16 who elects coverage in a group health benefits plan authorized by
17 the retirement board and the department. The retirement board
18 and the department shall authorize membership in a health mainte-
19 nance organization licensed under article 17 of the public health
20 code, Act No. 368 of the Public Acts of 1978, being sections
21 333.20101 to ~~333.22181~~ 333.22260 of the Michigan Compiled
22 Laws.

23 ~~(2) The retirement system shall pay, up to the maximum~~
24 ~~amount payable under subsection (1), the entire monthly premium~~
25 ~~or membership or subscription fee for hospital, medical surgical,~~
26 ~~and sick care benefits for the benefit of a retirant or~~
27 ~~retirement allowance beneficiary who elects coverage in an~~

~~1 alternative group health benefits plan. This subsection shall~~
~~2 not apply before January 1, 1986, or after December 31, 1988. A~~
~~3 retirant or retirement allowance beneficiary in receipt of a~~
~~4 retirement allowance on January 1, 1986, who on December 31, 1985~~
~~5 is covered by the group health benefits plan authorized by the~~
~~6 retirement board and the department under subsection (1), shall~~
~~7 not be eligible to elect coverage in an alternative group health~~
~~8 benefits plan until the expiration of the contract between the~~
~~9 retirement system and the entity providing coverage under~~
~~10 subsection (1) on December 31, 1985.~~

11 (2) ~~(3)~~ The retirement system may pay up to the maximum of
12 the amount payable under subsection (1) toward the monthly pre-
13 mium for hospital, medical-surgical, DENTAL, VISION, HEARING, and
14 sick care benefits for the benefit of a retirant or retirement
15 allowance beneficiary enrolled in a group health insurance or
16 prepaid service plan not authorized by the retirement board and
17 the department, if enrolled prior to June 1, 1975, for whom the
18 retirement system on July 18, 1983 was making a payment towards
19 his or her monthly premium.

20 (3) ~~(4)~~ A retirant or retirement allowance beneficiary
21 receiving health benefits coverage under this section, until eli-
22 gible for medicare, shall have an amount equal to the cost
23 chargeable to a medicare recipient for part B of medicare
24 deducted from his or her retirement allowance.

25 (4) ~~(5)~~ The retirement system shall pay up to 90% of the
26 maximum of the amount payable under subsection (1) toward the
27 monthly premium or membership or subscription fee for health

1 benefits coverage described in subsections (1) ~~to (3)~~ AND (2)
2 for each health insurance dependent of a retirant. Payment shall
3 not exceed 90% of the actual monthly premium or membership or
4 subscription fee. 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 depen-
9 dent 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
12 the retirement allowance beneficiary's death. Payment under this
13 subsection and subsection ~~(6)~~ (5) shall begin October 1, 1985
14 for health insurance dependents who on ~~the effective date of~~
15 ~~this subsection~~ JULY 10, 1985 are covered by the group health
16 benefits plan authorized by the retirement board and the
17 department. Payment under this subsection and subsection ~~(6)~~
18 (5) for other health insurance dependents shall not begin before
19 January 1, 1986.

20 (5) ~~(6)~~ The payment described in subsection ~~(5)~~ (4)
21 shall also be made for each health insurance dependent of a
22 deceased member or deceased duty disability retirant if a retire-
23 ment allowance is being paid to a retirement allowance benefi-
24 ciary because of the death of the member or duty disability
25 retirant as provided in section 43c(c), 89, or 90. Payment for
26 ~~a~~ health benefits coverage for a health insurance dependent

1 shall not be made after the retirement allowance beneficiary's
2 death.

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

19 (7) ~~-(8)-~~ Any retirant or retirement allowance beneficiary
20 excluded from payments under this section may participate in a
21 group health benefits plan providing health benefits coverage
22 described in this section at his or her own cost.

23 (8) ~~-(9)-~~ A group health benefits plan ~~which~~ THAT covers
24 retirants, retirement allowance beneficiaries, and health insur-
25 ance dependents pursuant to this section shall contain a coordi-
26 nation of benefits provision ~~which~~ THAT provides all of the
27 following:

1 (a) If the person covered under the group health benefits
2 plan is also eligible for medicare or medicaid, or both, then the
3 benefits under medicare or medicaid, or both, shall be determined
4 before the benefits of the group health benefits plan provided
5 pursuant to this section.

6 (b) If the person covered under the group health benefits
7 plan is also covered under another group health benefits plan
8 ~~which~~ THAT contains a coordination of benefits provision, the
9 benefits shall be coordinated as provided by the coordination of
10 benefits act, Act No. 64 of the Public Acts of 1984, being sec-
11 tions 550.251 to 550.255 of the Michigan Compiled Laws.

12 (c) If the person covered under the group health benefits
13 plan is also covered under another group health benefits plan
14 ~~which~~ THAT does not contain a coordination of benefits provi-
15 sion, the benefits under the other group health benefits plan
16 shall be determined before the benefits of the group health bene-
17 fits plan provided pursuant to this section.

18 ~~(10) The retirement board and the department shall desig-~~
19 ~~nate an open enrollment period, to begin on November 1, 1985 and~~
20 ~~end on November 30, 1985, for the enrollment of health insurance~~
21 ~~dependents in the group health benefits plan covering retirants~~
22 ~~and retirement allowance beneficiaries under subsection (1).~~
23 ~~Coverage for health insurance dependents enrolled during this~~
24 ~~period shall begin January 1, 1986.~~

25 ~~(11) The retirement system shall prepare a report containing~~
26 ~~a statement of and a compilation of information relative to the~~
27 ~~loss experience of group health benefits plans covering~~

~~1 retirants, retirement allowance beneficiaries, and health
2 insurance dependents after the effective date of this
3 subsection. The report shall relate the experience of the cov-
4 ered group as a whole and by provider for each year of coverage
5 from October 1, 1985 to October 1, 1987, and shall be submitted
6 to each of the following not later than December 31, 1987:~~

~~7 (a) The director of the department.~~

~~8 (b) The retirement board.~~

~~9 (c) The chair of the house committee on senior citizens and
10 retirement.~~

~~11 (d) The chair of the retirement subcommittee of the house
12 appropriations committee.~~

~~13 (e) The chair of the senate committee on appropriations and
14 retirement.~~

~~15 (9) -(12)- For purposes of this section:~~

~~16 (a) "Alternative group health benefits plan" or~~

~~17 "alternative plan" means a group health benefits plan covering
18 active members on or after the effective date of this amendatory
19 act and certified by the retirement board and the department.~~

~~20 The retirement board and the department shall certify an alterna-
21 tive plan if all of the following apply:~~

~~22 (i) The entity providing coverage under the plan is licensed
23 or otherwise authorized to do business in this state as an entity
24 described in subdivision (b)(i) to (v).~~

~~25 (ii) The entity agrees to provide coverage identical to cov-
26 erage provided by the group health benefits plan authorized by
27 the retirement board and the department, at no greater cost.~~

1 ~~(iii) The entity agrees to provide the coverage described in~~
2 ~~this section to any retirant, retirement allowance beneficiary,~~
3 ~~or health insurance dependent, upon election by the retirant or~~
4 ~~retirement allowance beneficiary or upon election by a health~~
5 ~~insurance dependent of a deceased retirant or member, at the time~~
6 ~~he or she becomes eligible for coverage, during any subsequent~~
7 ~~open enrollment period, or upon the termination of coverage by~~
8 ~~another entity, except as otherwise provided by this section,~~
9 ~~without exclusion for preexisting conditions.~~

10 (A) ~~(b)~~ "Group health benefits plan" means a group plan
11 ~~which~~ THAT provides hospital, medical-surgical, DENTAL, VISION,
12 HEARING, and sick care benefits to persons entitled to those ben-
13 efits under this section pursuant to a contract OR CONTRACTS
14 between the retirement system and any of the following:

15 (i) A health care corporation incorporated under the non-
16 profit health care corporation reform act, Act No. 350 of the
17 Public Acts of 1980, being sections 550.1101 to 550.1704 of the
18 Michigan Compiled Laws.

19 (ii) A health maintenance organization licensed under arti-
20 cle 17 of the public health code, Act No. 368 of the Public Acts
21 of 1978, being sections 333.20101 to ~~333.22181~~ 333.22260 of the
22 Michigan Compiled Laws.

23 ~~(iii) A hospital service corporation incorporated under Act~~
24 ~~No. 109 of the Public Acts of 1939, being sections 550.501 to~~
25 ~~550.517 of the Michigan Compiled Laws.~~

1 (iii) ~~(iv)~~ An insurer as defined in section 106 of the
2 insurance code of 1956, Act No. 218 of the Public Acts of 1956,
3 being section 500.106 of the Michigan Compiled Laws.

4 ~~(v) A medical care corporation incorporated under Act~~
5 ~~No. 108 of the Public Acts of 1939, being sections 550.301 to~~
6 ~~550.316 of the Michigan Compiled Laws.~~

7 (iv) A NONPROFIT DENTAL CARE CORPORATION INCORPORATED UNDER
8 ACT NO. 125 OF THE PUBLIC ACTS OF 1963, BEING SECTIONS 550.351 TO
9 550.373 OF THE MICHIGAN COMPILED LAWS.

10 (B) ~~(c)~~ "Health insurance dependent" means any of the
11 following:

12 (i) The spouse of the retirant or the surviving spouse to
13 whom the retirant or deceased member was married at the time of
14 the retirant's or deceased member's death.

15 (ii) An unmarried child of the retirant or deceased member,
16 until December 31 of the calendar year in which the child becomes
17 19 years of age.

18 (iii) An unmarried child of the retirant or deceased member,
19 until December 31 of the calendar year in which the child becomes
20 25 years of age, who is enrolled as a full-time student, and who
21 is or was at the time of the retirant's or deceased member's
22 death a dependent of the retirant or deceased member as defined
23 in section 152 of the internal revenue code.

24 (iv) An unmarried child of the retirant or deceased member
25 who is incapable of self-sustaining employment because of mental
26 or physical handicap, and who is or was at the time of the
27 retirant's or deceased member's death a dependent of the retirant

1 or deceased member as defined in section 152 of the internal
2 revenue code.

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

6 (C) ~~-(d)-~~ "Medicaid" means benefits under the federal medi-
7 caid program established under title XIX of the social security
8 act.

9 (D) ~~-(e)-~~ "Medicare" means benefits under the federal medi-
10 care program established under title XVIII of the social security
11 act.