

**SUBSTITUTE FOR
SENATE BILL NO. 868**

A bill to amend 1957 PA 261, entitled
"Michigan legislative retirement system act,"
by amending sections 50b, 75, and 79 (MCL 38.1050b, 38.1075, and
38.1079), sections 50b and 75 as amended by 1998 PA 501 and section
79 as amended by 2006 PA 614, and by adding section 79a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 50b. (1) For a retirant or a survivor or beneficiary of a
2 deceased retirant, or for a deferred vested member if that deferred
3 vested member first became a member on or before January 1, 1995,
4 the retirement system shall purchase and pay the premium for
5 hospitalization and medical insurance coverage and dental and
6 vision coverage for the retirant, deferred vested member, and the
7 spouses, eligible children, and survivors of those retirants and
8 deferred vested members. Except as otherwise provided in this

1 section, the retirement system shall provide hospitalization and
2 medical insurance coverage and dental and vision insurance coverage
3 under this section at a level that is equal to or greater than the
4 level of insurance coverage under this section in effect on
5 December 1, 1992. The retirement board may increase the amounts
6 each person who is enrolled in insurance coverage under this
7 section is required to pay for co-pays or deductibles under that
8 insurance coverage.

9 (2) On and after March 31, 1997, the retirement system shall
10 also pay health insurance premiums described in this section in the
11 manner prescribed in section 79 **AND, ON AND AFTER JANUARY 1, 2008,**
12 **IN THE MANNER PRESCRIBED IN SECTION 79 OR 79A, WHICHEVER IS**
13 **APPLICABLE.**

14 Sec. 75. (1) A qualified participant is immediately 100%
15 vested in his or her contributions made to Tier 2. A qualified
16 participant shall vest in the employer contributions made on his or
17 her behalf to Tier 2 according to the following schedule:

18 (a) Upon completion of 2 years of service, 50%.

19 (b) Upon completion of 3 years of service, 75%.

20 (c) Upon completion of 4 years of service, 100%.

21 (2) A qualified participant **WHO WAS FIRST ELECTED TO THE**
22 **LEGISLATURE OR TO THE POSITION OF LIEUTENANT GOVERNOR BEFORE**
23 **JANUARY 1, 2008** is vested in the health insurance coverage provided
24 in section 79 if the qualified participant meets 1 of the following
25 requirements:

26 (a) The qualified participant has completed 6 years of service
27 as a qualified participant and was not a member, deferred vested

1 member, or former nonvested member of Tier 1.

2 (b) The qualified participant was a member, deferred vested
3 member, or former nonvested member of Tier 1 who made an election
4 to participate in Tier 2 pursuant to section 61, and who has met
5 the service requirements he or she would have been required to meet
6 in order to vest in health benefits under section 50b.

7 (c) The qualified participant meets all of the following
8 requirements:

9 (i) Was not a member, deferred vested member, or former
10 nonvested member of Tier 1.

11 (ii) Was first elected to fill a vacancy in the house of
12 representatives for a period less than the full term but more than
13 1/2 of the term of office.

14 (iii) Has completed 5 years of service as a qualified
15 participant.

16 Sec. 79. (1) A former qualified participant **WHO WAS FIRST**
17 **ELECTED TO THE LEGISLATURE OR TO THE POSITION OF LIEUTENANT**
18 **GOVERNOR BEFORE JANUARY 1, 2008** may elect health insurance benefits
19 in the manner prescribed in this section if he or she meets both of
20 the following requirements:

21 (a) The former qualified participant is vested in health
22 benefits under section 75(2).

23 (b) The former qualified participant meets 1 of the following
24 requirements:

25 (i) He or she meets or exceeds the benefit commencement age
26 employed in the actuarial present value calculation under section
27 62 and the service requirements that would have applied to that

1 former participant under Tier 1 for receiving health insurance
2 coverage under section 50b, if that former participant was a member
3 of Tier 1.

4 (ii) He or she is 55 years of age or older.

5 (2) A former qualified participant who is eligible to elect
6 health insurance coverage under subsection (1) may elect health
7 insurance coverage in a health benefit plan or plans as authorized
8 by section 50b. A former qualified participant who is eligible to
9 elect health insurance coverage under subsection (1) may also elect
10 health insurance coverage for his or her health benefit dependents,
11 if any. A surviving health benefit dependent of a deceased former
12 qualified participant who is eligible to elect health insurance
13 coverage under subsection (1) may elect health insurance coverage
14 to begin at the death of the deceased former qualified participant
15 in the manner prescribed in this section.

16 (3) An individual who elects health insurance coverage under
17 this section shall become a member of a health insurance coverage
18 group authorized pursuant to section 50b.

19 (4) For a former qualified participant who is eligible to
20 elect health insurance coverage under subsection (1) and who is
21 vested in those benefits under section 75(2)(a) or (c), and for his
22 or her health benefit dependents, this state shall pay a portion of
23 the health insurance premium as calculated under this subsection on
24 a cash disbursement method. An individual described in this
25 subsection who elects health insurance coverage under this section
26 shall pay to the retirement system the remaining portion of the
27 health insurance coverage premium not paid by this state under this

1 subsection. The portion of the health insurance coverage premium
2 paid by this state under this subsection shall be 90% of the
3 payments for health insurance coverage under section 50b. If the
4 individual elects the health insurance coverage provided under
5 section 50b, this state shall transfer its portion of the amount
6 calculated under this subsection to the health insurance fund
7 created by section 22c.

8 (5) For a former qualified participant who is eligible to
9 elect health insurance coverage under subsection (1) and who is
10 vested in those benefits under section 75(2)(b), and for his or her
11 health benefit dependents, this state shall pay a portion of the
12 health insurance premium as calculated under this subsection on a
13 cash disbursement method. An individual described in this
14 subsection who elects health insurance coverage under this section
15 shall pay to the retirement system the remaining portion of the
16 health insurance coverage premium not paid by this state under this
17 subsection. The portion of the health insurance coverage premium
18 paid by this state under this subsection shall be equal to the
19 premium amounts paid on behalf of retirants of Tier 1 for health
20 insurance coverage under section 50b. If the individual elects the
21 health insurance coverage provided under section 50b, the state
22 shall transfer its portion of the amount calculated under this
23 subsection to the health insurance fund created by section 22c.

24 (6) If the department of management and budget receives
25 notification from the United States internal revenue service that
26 this section or any portion of this section will cause the
27 retirement system to be disqualified for tax purposes under the

1 internal revenue code, then the portion that will cause the
2 disqualification does not apply.

3 SEC. 79A. (1) A FORMER QUALIFIED PARTICIPANT WHO WAS FIRST
4 ELECTED TO THE LEGISLATURE OR TO THE POSITION OF LIEUTENANT
5 GOVERNOR ON OR AFTER JANUARY 1, 2008 MAY ELECT HEALTH INSURANCE
6 BENEFITS IN THE MANNER PRESCRIBED IN THIS SECTION IF HE OR SHE
7 MEETS BOTH OF THE FOLLOWING REQUIREMENTS:

8 (A) THE FORMER QUALIFIED PARTICIPANT IS VESTED IN HEALTH
9 BENEFITS UNDER SUBSECTION (2).

10 (B) THE FORMER QUALIFIED PARTICIPANT IS 55 YEARS OF AGE OR
11 OLDER.

12 (2) A FORMER QUALIFIED PARTICIPANT WHO WAS FIRST ELECTED TO
13 THE LEGISLATURE OR TO THE POSITION OF LIEUTENANT GOVERNOR ON OR
14 AFTER JANUARY 1, 2008 IS VESTED IN THE HEALTH INSURANCE COVERAGE IF
15 THE FORMER QUALIFIED PARTICIPANT HAS COMPLETED 4 YEARS OF SERVICE
16 AS A QUALIFIED PARTICIPANT.

17 (3) A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT
18 HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) MAY ELECT HEALTH
19 INSURANCE COVERAGE IN A HEALTH BENEFIT PLAN OR PLANS AS AUTHORIZED
20 BY SECTION 50B. A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO
21 ELECT HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) MAY ALSO ELECT
22 HEALTH INSURANCE COVERAGE FOR HIS OR HER HEALTH BENEFIT DEPENDENTS,
23 IF ANY. A SURVIVING HEALTH BENEFIT DEPENDENT OF A DECEASED FORMER
24 QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT HEALTH INSURANCE
25 COVERAGE UNDER SUBSECTION (1) MAY ELECT HEALTH INSURANCE COVERAGE
26 TO BEGIN AT THE DEATH OF THE DECEASED FORMER QUALIFIED PARTICIPANT
27 IN THE MANNER PRESCRIBED IN THIS SECTION.

Senate Bill No. 868 as amended November 8, 2007

1 (4) FOR A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO
2 ELECT HEALTH INSURANCE COVERAGE UNDER THIS SECTION AND FOR HIS OR
3 HER HEALTH BENEFIT DEPENDENTS, THIS STATE SHALL PAY A PORTION OF
4 THE HEALTH INSURANCE PREMIUM AS CALCULATED UNDER THIS SUBSECTION ON
5 A CASH DISBURSEMENT METHOD. AN INDIVIDUAL DESCRIBED IN THIS
6 SUBSECTION WHO HAS 4 <<YEARS, NOT TO EXCEED>> 14 YEARS OF SERVICE AND
7 WHO ELECTS HEALTH INSURANCE COVERAGE UNDER THIS SECTION SHALL PAY
8 TO THE RETIREMENT SYSTEM THE REMAINING PORTION OF THE HEALTH
9 INSURANCE PREMIUM NOT PAID BY THE STATE UNDER THIS SUBSECTION. THE
10 PORTION PAID BY THE STATE UNDER THIS SUBSECTION SHALL BE 30% IF THE
11 QUALIFIED PARTICIPANT HAS COMPLETED 4 YEARS OF SERVICE. IF THE
12 QUALIFIED PARTICIPANT HAS COMPLETED MORE THAN 4 <<YEARS, NOT TO
13 EXCEED>> 14
14 YEARS OF SERVICE AS A QUALIFIED PARTICIPANT, THE PORTION PAID BY
15 THE STATE UNDER THIS SUBSECTION SHALL INCREASE 6% FOR EACH YEAR OF
16 SERVICE COMPLETED THROUGH 14 YEARS OF SERVICE AND SHALL NOT EXCEED
17 90% OF THE PAYMENTS FOR HEALTH INSURANCE AND THE REMAINING PORTION
SHALL BE PAID BY THE FORMER QUALIFIED PARTICIPANT.