SENATE BILL No. 869

November 1, 2007, Introduced by Senator KUIPERS and referred to the Committee on Government Operations and Reform.

A bill to amend 1992 PA 234, entitled

"The judges retirement act of 1992,"

by amending sections 715 and 719 (MCL 38.2665 and 38.2669), section 715 as amended by 1999 PA 215 and section 719 as added by 1996 PA 523.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1   Sec. 715. (1) A qualified participant is immediately 100%

2   vested in his or her contributions made to Tier 2. A qualified

3   participant shall vest in the employer contributions made on his or

4   her behalf to Tier 2 according to the following schedule:

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

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

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

1   (2) A qualified participant **WHO WAS FIRST ELIGIBLE TO BECOME A**

2   **QUALIFIED PARTICIPANT ON OR BEFORE DECEMBER 31, 2007** is vested in

3   the health insurance coverage provided in section 719 if the

4   qualified participant meets 1 of the following requirements:

5   (a) The qualified participant has completed 4 years of service

6   as a qualified participant and was not a member, deferred vested

7   member, or former nonvested member of Tier 1.

8   (b) The qualified participant was a member, deferred vested

9   member, or former nonvested member of Tier 1 who made an election

10   to participate in Tier 2 pursuant to section 701 or 701a, and who

11   has met the service requirements he or she would have been required

12   to meet in order to vest in health benefits under section 509.

13   **(3) A QUALIFIED PARTICIPANT WHO FIRST BECAME ELIGIBLE TO**

14   **BECOME A QUALIFIED PARTICIPANT ON AND AFTER JANUARY 1, 2008 IS**

15   **VESTED IN THE HEALTH INSURANCE COVERAGE PROVIDED IN SECTION 719 IF**

16   **THE QUALIFIED PARTICIPANT HAS COMPLETED 4 YEARS OF SERVICE AND WAS**

17   **NOT A MEMBER, DEFERRED VESTED MEMBER, OR FORMER NONVESTED MEMBER OF**

18   **TIER 1.**

19   Sec. 719. (1) A former qualified participant may elect health

20   insurance benefits in the manner prescribed in this section if he

21   or she meets both of the following requirements:

22   (a) The former qualified participant is vested in health

23   benefits under section 715(2) **OR (3).**

24   (b) The former qualified participant meets or exceeds the

25   benefit commencement age employed in the actuarial present value

26   calculation under section 702 and the service requirements that

27   would have applied to that former participant under Tier 1 for

1   receiving health insurance coverage under section 509, if that

2   former participant was a member of Tier 1.

3   (2) A former qualified participant who is eligible to elect

4   health insurance coverage under subsection (1) may elect health

5   insurance coverage in a health benefit plan or plans as authorized

6   by section 509, or in another plan as provided in subsection (6). A

7   former qualified participant who is eligible to elect health

8   insurance coverage under subsection (1) may also elect health

9   insurance coverage for his or her health benefit dependents, if

10   any. A surviving health benefit dependent of a deceased former

11   qualified participant who is eligible to elect health insurance

12   coverage under subsection (1) may elect health insurance coverage

13   in the manner prescribed in this section.

14   (3) Except as otherwise provided in subsection ~~(6)~~ **(7)**, an

15   individual who elects health insurance coverage under this section

16   shall become a member of a health insurance coverage group

17   authorized pursuant to section 509.

18   (4) For a former qualified participant who is eligible to

19   elect health insurance coverage under subsection (1) and who is

20   vested in those benefits under section 715(2)(a), and for his or

21   her health benefit dependents, this state shall pay a portion of

22   the health insurance premium as calculated under this subsection on

23   a cash disbursement method. An individual described in this

24   subsection who elects health insurance coverage under this section

25   shall pay to the retirement system the remaining portion of the

26   health insurance coverage premium not paid by this state under this

27   subsection. The portion of the health insurance coverage premium

1 paid by this state under this subsection shall be 50% of the

2 payments for health insurance coverage under section 509 if the

3 former qualified participant has 4 years of service; 75% of the

4 payments for health insurance coverage under section 509 if the

5 former qualified participant has 5 years of service; or 90% of the

6 payments for health insurance coverage under section 509 if the

7 former qualified participant has 6 years of service. If the

8 individual elects the health insurance coverage provided under

9 section 509, the state shall transfer its portion of the amount

10 calculated under this subsection to the reserve for health benefits

11 created by section 214.

12   (5) For a former qualified participant who is eligible to

13 elect health insurance coverage under subsection (1) and who is

14 vested in those benefits under section 715(2)(b), and for his or

15 her health benefit dependents, this state shall pay a portion of

16 the health insurance premium as calculated under this subsection on

17 a cash disbursement method. An individual described in this

18 subsection who elects health insurance coverage under this section

19 shall pay to the retirement system the remaining portion of the

20 health insurance coverage premium not paid by this state under this

21 subsection. The portion of the health insurance coverage premium

22 paid by this state under this subsection shall be equal to the

23 premium amounts paid on behalf of retirants of Tier 1 for health

24 insurance coverage under section 509. If the individual elects the

25 health insurance coverage provided under section 509, the state

26 shall transfer its portion of the amount calculated under this

27 subsection to the reserve for health benefits created by section

1 214.

2 **(6) FOR A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO**

3 **ELECT HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) AND WHO IS**

4 **VESTED IN THOSE BENEFITS UNDER SECTION 715(3), AND FOR HIS OR HER**

5 **HEALTH BENEFIT DEPENDENTS, THIS STATE SHALL PAY A PORTION OF THE**

6 **HEALTH INSURANCE PREMIUM AS CALCULATED UNDER THIS SUBSECTION ON A**

7 **CASH DISBURSEMENT METHOD. AN INDIVIDUAL DESCRIBED IN THIS**

8 **SUBSECTION WHO ELECTS HEALTH INSURANCE COVERAGE UNDER THIS SECTION**

9 **SHALL PAY TO THE RETIREMENT SYSTEM THE REMAINING PORTION OF THE**

10 **HEALTH INSURANCE PREMIUM NOT PAID BY THIS STATE UNDER THIS**

11 **SUBSECTION. THE PORTION OF HEALTH INSURANCE COVERAGE PREMIUM PAID**

12 **BY THIS STATE UNDER THIS SUBSECTION SHALL BE 30% OF THE PAYMENTS**

13 **FOR HEALTH INSURANCE COVERAGE UNDER SECTION 509 IF THE FORMER**

14 **QUALIFIED PARTICIPANT HAS COMPLETED 4 YEARS OF SERVICE. IF THE**

15 **FORMER QUALIFIED PARTICIPANT HAS COMPLETED MORE THAN 4 BUT LESS**

16 **THAN 14 YEARS OF SERVICE, THE PORTION OF THE PREMIUM PAID BY THIS**

17 **STATE SHALL INCREASE 6% FOR EACH COMPLETED YEAR OF SERVICE THROUGH**

18 **14 YEARS OF SERVICE AND SHALL NOT EXCEED 90% OF THE PAYMENTS FOR**

19 **HEALTH INSURANCE.**

20 **(7)** (6) A former qualified participant or health benefit

21 dependent who is eligible to elect health insurance coverage under

22 this section and who elects health insurance coverage under a

23 different plan than the plan authorized under section 509 may elect

24 to have an amount up to the amount of the retirement system's share

25 of the monthly health insurance premium subsidy provided in this

26 section paid by the retirement system directly to the other health

27 insurance plan or to a medical savings account established pursuant

1 to section 220 of the internal revenue code, to the extent allowed

2 by law or under the provisions and procedures of Tier 2.

3 **(8)** ~~(7)~~ If the department of management and budget receives

4 notification from the United States internal revenue service that

5 this section or any portion of this section will cause the

6 retirement system to be disqualified for tax purposes under the

7 internal revenue code, then the portion that will cause the

8 disqualification does not apply.