

SENATE BILL No. 635

June 22, 2005, Introduced by Senator KUIPERS and referred to the Committee on Education.

A bill to amend 1980 PA 300, entitled "The public school employees retirement act of 1979," by amending sections 4, 8, 25, 26, 34, and 91 (MCL 38.1304, 38.1308, 38.1325, 38.1326, 38.1334, and 38.1391), section 4 as amended by 2003 PA 17, sections 8, 25, and 26 as amended by 1997 PA 143, section 34 as amended by 2002 PA 94, and section 91 as amended by 2004 PA 117, and by adding sections 41b, 109, 110, 111, and 112 and article 7.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 4. (1) "Compound interest" means interest compounded
2 annually on July 1 on the contributions on account as of the
3 previous July 1 and computed at the rate of investment return
4 determined under section 104a(1) for the last completed state

1 fiscal year.

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

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

7 (4) "Department" means the department of management and
8 budget.

9 (5) "Designated date" means September 30, 1997.

10 (6) "Direct rollover" means a payment by the retirement system
11 to the eligible retirement plan specified by the distributee.

12 (7) "Distributee" includes a member or deferred member.
13 Distributee also includes the member's or deferred member's
14 surviving spouse or the member's or deferred member's spouse or
15 former spouse under an eligible domestic relations order, with
16 regard to the interest of the spouse or former spouse.

17 (8) Beginning January 1, 2002, except as otherwise provided in
18 this subsection, "eligible retirement plan" means an individual
19 retirement account described in section 408(a) of the internal
20 revenue code, an individual retirement annuity described in section
21 408(b) of the internal revenue code, an annuity plan described in
22 section 403(a) of the internal revenue code, or a qualified trust
23 described in section 401(a) of the internal revenue code, an
24 annuity contract described in section 403(b) of the internal
25 revenue code, or an eligible plan under section 457(b) of the
26 internal revenue code which is maintained by a state, political
27 subdivision of a state, or an agency or instrumentality of a state

1 or political subdivision of a state and which agrees to separately
2 account for amounts transferred into such eligible plan under
3 section 457(b) of the internal revenue code from this retirement
4 system, that accepts the distributee's eligible rollover
5 distribution. However, in the case of an eligible rollover
6 distribution to a surviving spouse, an eligible retirement plan
7 means an individual retirement account or an individual retirement
8 annuity described above.

9 (9) Beginning January 1, 2002, "eligible rollover
10 distribution" means a distribution of all or any portion of the
11 balance to the credit of the distributee. Eligible rollover
12 distribution does not include any of the following:

13 (a) A distribution made for the life or life expectancy of the
14 distributee or the joint lives or joint life expectancies of the
15 distributee and the distributee's designated beneficiary.

16 (b) A distribution for a specified period of 10 years or more.

17 (c) A distribution to the extent that the distribution is
18 required under section 401(a)(9) of the internal revenue code.

19 (d) The portion of any distribution that is not includable in
20 federal gross income, determined without regard to the exclusion
21 for net unrealized appreciation with respect to employer
22 securities, except to the extent that the portion of a distribution
23 that is not includable in federal gross income is paid to either of
24 the following:

25 (i) An individual retirement account or annuity described in
26 section 408(a) or (b) of the internal revenue code.

27 (ii) A qualified defined contribution plan as described in

1 section 401(a) or 403(a) of the internal revenue code that agrees
2 to separately account for amounts transferred, including separately
3 accounting for the portion of the distribution that is includable
4 in gross income and the portion of the distribution which is not
5 includable in gross income.

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

14 (11) "Employee organization professional services released
15 time" or "professional services released time" means a portion of
16 the school fiscal year during which a member is released by the
17 reporting unit from his or her regularly assigned duties to engage
18 in employment matters for a public school employee organization to
19 which he or she belongs. The member's compensation received or
20 service rendered, or both, as applicable, by a member while on
21 professional services released time shall be reportable to the
22 retirement system if all of the conditions of section 71(5) and (6)
23 are satisfied.

24 (12) "Final average compensation" means the aggregate amount
25 of a member's compensation earned within the averaging period in
26 which the aggregate amount of compensation was highest divided by
27 the member's number of years, including any fraction of a year, of

1 credited service during the averaging period. The averaging period
2 shall be 36 consecutive calendar months if the member contributes
3 to the member investment plan; otherwise, the averaging period
4 shall be 60 consecutive calendar months. If the member has less
5 than 1 year of credited service in the averaging period, the number
6 of consecutive calendar months in the averaging period shall be
7 increased to the lowest number of consecutive calendar months that
8 contains 1 year of credited service.

9 (13) "Health benefits" means hospital, medical-surgical, and
10 sick care benefits and dental, vision, and hearing benefits for
11 retirants, retirement allowance beneficiaries, and health insurance
12 dependents provided pursuant to section 91.

13 (14) **"IMPLEMENTATION DATE" MEANS JULY 31, 2005.**

14 (15) ~~-(14)-~~ "Internal revenue code" means the United States
15 internal revenue code of 1986.

16 (16) ~~-(15)-~~ "Long-term care insurance" means group insurance
17 that is authorized by the retirement system for retirants,
18 retirement allowance beneficiaries, and health insurance
19 dependents, as that term is defined in section 91, to cover the
20 costs of services provided to retirants, retirement allowance
21 beneficiaries, and health insurance dependents, from nursing homes,
22 assisted living facilities, home health care providers, adult day
23 care providers, and other similar service providers.

24 (17) ~~-(16)-~~ "Member investment plan" means the program of
25 member contributions described in section 43a.

26 Sec. 8. (1) "Service" means personal service performed as a
27 public school employee or creditable under this act.

1 (2) "Simple interest" means interest at 1 or more rates per
2 annum determined by the retirement board.

3 (3) "State of Michigan service" means service performed as a
4 state employee in the classified or unclassified service under the
5 state employees' retirement act, 1943 PA 240, MCL 38.1 to 38.69.

6 (4) "Teacher" means a person employed by a reporting unit who
7 is engaged in teaching, who is engaged in administering and
8 supervising teaching, or who is under a teacher's contract with a
9 reporting unit.

10 (5) **"TIER 1" MEANS THE RETIREMENT PLAN AVAILABLE TO A MEMBER**
11 **UNDER THIS ACT WHO WAS FIRST EMPLOYED BY A REPORTING UNIT BEFORE**
12 **THE IMPLEMENTATION DATE AND WHO DOES NOT ELECT TO BECOME A**
13 **QUALIFIED PARTICIPANT OF TIER 2.**

14 (6) **"TIER 2" MEANS THE RETIREMENT PLAN ESTABLISHED PURSUANT TO**
15 **SECTION 403 (b) OF THE INTERNAL REVENUE CODE THAT IS AVAILABLE TO**
16 **QUALIFIED PARTICIPANTS UNDER SECTIONS 109 TO 112 AND ARTICLE 7.**

17 (7) ~~(5)~~ "Transitional public employment program" means
18 participation in public service employment programs in the areas of
19 environmental quality, health care, education, public safety, crime
20 prevention and control, prison rehabilitation, transportation,
21 recreation, maintenance of parks, streets, and other public
22 facilities, solid waste removal, pollution control, housing and
23 neighborhood improvements, rural development, conservation,
24 beautification, veterans' outreach, and other fields of human
25 betterment and community improvement as part of a program of
26 comprehensive manpower services authorized, undertaken, and
27 financed under the comprehensive employment and training act of

1 1973, former Public Law 93-203, 87 Stat. 839.

2 Sec. 25. (1) The board shall have only the rights, authority,
3 and discretion in the proper discharge of its duties provided in
4 this act and former 1945 PA 136.

5 (2) ~~The~~ **EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, THE**
6 retirement board may promulgate rules pursuant to the
7 administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to
8 24.328, for the implementation and administration of this act. **THE**
9 **RETIREMENT BOARD SHALL NOT PROMULGATE RULES FOR THE ESTABLISHMENT,**
10 **IMPLEMENTATION, ADMINISTRATION, OPERATION, INVESTMENT, OR**
11 **DISTRIBUTION OF A TIER 2 RETIREMENT PLAN.**

12 Sec. 26. (1) **THIS SECTION DOES NOT APPLY TO TIER 2.**

13 (2) ~~(1)~~ The state treasurer shall be treasurer of the
14 retirement system and shall have investment authority, including
15 the custodianship of the funds of the retirement system, and shall
16 have fiduciary responsibility with regard to the investment of
17 funds of the retirement system.

18 (3) ~~(2)~~ The state treasurer shall deposit the funds of the
19 retirement system in the same manner and subject to the law
20 governing the deposit of state funds by the treasurer. Income
21 earned by the retirement system's funds shall be credited to the
22 respective reserves under this act that earned the income.

23 Sec. 34. (1) The reserve for health benefits is the account to
24 which payments of reporting units, **SUBSCRIBE COPAYMENTS, AND**
25 **PAYMENTS BY THE RETIREMENT SYSTEM UNDER SECTION 136** for health
26 benefits are credited. Benefits payable pursuant to ~~section 91~~
27 **SECTIONS 91 AND 136** shall be paid from the reserve for health

1 benefits. The assets and any earnings on the assets contained in
2 the reserve for health benefits and the health advance funding
3 subaccount are not to be treated as pension assets for any purpose.

4 (2) The health advance funding subaccount is the account to
5 which amounts transferred pursuant to section 41 are credited.
6 Except as otherwise provided in this section, any amounts received
7 in the health advance funding subaccount and accumulated earnings
8 on those amounts shall not be expended until the actuarial accrued
9 liability for health benefits under section 91 is at least 100%
10 funded. The department may expend funds or transfer funds to
11 another account to expend for health benefits under section 91 if
12 the actuarial accrued liability for health benefits under section
13 91 is at least 100% funded. For each fiscal year that begins after
14 the first fiscal year in which the actuarial accrued liability for
15 health benefits under section 91 is at least 100% funded by the
16 health advance funding subaccount, the amounts may be expended or
17 credited to fund health benefits provided under section 91 as
18 provided in section 41(2).

19 (3) Notwithstanding any other provision of this section, the
20 department may transfer amounts from the health advance funding
21 subaccount to the reserve for employer contributions established in
22 section 30 if the department does both of the following:

23 (a) At least 45 days before the intended transfer, submits a
24 request to the chairs of the senate and house appropriations
25 committees and, at least 15 days before the intended transfer,
26 obtains the approval of both the senate and house appropriations
27 committees.

1 (b) Ensures that the request submitted to the senate and house
2 appropriations committees contains an actuarial valuation prepared
3 pursuant to section 41 that demonstrates that as of the beginning
4 of a fiscal year, and after all credits and transfers required by
5 this act for the previous fiscal year have been made, the sum of
6 the actuarial value of assets and the actuarial present value of
7 future normal cost contributions does not exceed the actuarial
8 present value of benefits.

9 **SEC. 41B. FOR FISCAL YEARS THAT BEGIN ON OR AFTER THE**
10 **EFFECTIVE DATE OF THIS SECTION, THE ANNUAL LEVEL PERCENTAGE OF**
11 **PAYROLL CONTRIBUTION RATE AS IT APPLIES TO THE UNFUNDED ACTUARIAL**
12 **ACCRUED LIABILITY DETERMINED UNDER SECTION 41 SHALL BE BASED ON AND**
13 **APPLIED TO THE COMBINED PAYROLLS FOR MEMBERS OF TIER 1 AND**
14 **QUALIFIED PARTICIPANTS OF TIER 2.**

15 Sec. 91. (1) The retirement system shall pay 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 **THIS SUBSECTION DOES NOT APPLY TO A MEMBER WHO FIRST BECOMES A**
21 **MEMBER ON OR AFTER THE IMPLEMENTATION DATE.**

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

1 1975, for whom the retirement system on July 18, 1983 was making a
2 payment towards his or her monthly premium.

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

8 (4) The retirement system shall pay 90% of the monthly premium
9 or membership or subscription fee for dental, vision, and hearing
10 benefits for the benefit of a retirant or retirement allowance
11 beneficiary who elects coverage in the plan authorized by the
12 retirement board and the department. Payments shall begin under
13 this subsection upon approval by the retirement board and the
14 department of plan coverage and a plan provider. **THIS SUBSECTION**
15 **DOES NOT APPLY TO A MEMBER WHO FIRST BECOMES A MEMBER ON OR AFTER**
16 **THE IMPLEMENTATION DATE.**

17 (5) The retirement system shall pay up to 90% of the maximum
18 of the amount payable under subsection (1) toward the monthly
19 premium or membership or subscription fee for hospital, medical-
20 surgical, and sick care benefits coverage described in subsections
21 (1) and (2) for each health insurance dependent of a retirant
22 receiving benefits under subsection (1) or (2). Payment shall not
23 exceed 90% of the actual monthly premium or membership or
24 subscription fee. The retirement system shall pay 90% of the
25 monthly premium or membership or subscription fee for dental,
26 vision, and hearing benefits described in subsection (4) for the
27 benefit of each health insurance dependent of a retirant receiving

1 benefits under subsection (4). Payment for health benefits coverage
2 for a health insurance dependent of a retirant shall not be made
3 after the retirant's death, unless the retirant designated a
4 retirement allowance beneficiary as provided in section 85 and the
5 dependent was covered or eligible for coverage as a health
6 insurance dependent of the retirant on the retirant's date of
7 death. Payment for health benefits coverage shall not be made for a
8 health insurance dependent after the later of the retirant's death
9 or the retirement allowance beneficiary's death. Payment under this
10 subsection and subsection (6) began October 1, 1985 for health
11 insurance dependents who on July 10, 1985 were covered by the
12 hospital, medical-surgical, and sick care benefits plan authorized
13 by the retirement board and the department. Payment under this
14 subsection and subsection (6) for other health insurance dependents
15 shall not begin before January 1, 1986. **THIS SUBSECTION DOES NOT**
16 **APPLY TO A MEMBER WHO FIRST BECOMES A MEMBER ON OR AFTER THE**
17 **IMPLEMENTATION DATE.**

18 (6) The payment described in subsection (5) shall also be made
19 for each health insurance dependent of a deceased member or
20 deceased duty disability retirant if a retirement allowance is
21 being paid to a retirement allowance beneficiary because of the
22 death of the member or duty disability retirant as provided in
23 section 43c(c), 89, ~~or~~ 90, **OR AS OTHERWISE PROVIDED UNDER THIS**
24 **ACT.** Payment for health benefits coverage for a health insurance
25 dependent shall not be made after the retirement allowance
26 beneficiary's death.

27 (7) The payments provided by this section shall not be made on

1 behalf of a retiring section 82 deferred member or health insurance
2 dependent of a deferred member having less than 21 full years of
3 attained credited service or the retiring deferred member's
4 retirement allowance beneficiary, and shall not be made on behalf
5 of a retirement allowance beneficiary of a deferred member who dies
6 before retiring. The retirement system shall pay, on behalf of a
7 retiring section 82 deferred member or health insurance dependent
8 of a deferred member or a retirement allowance beneficiary of a
9 deceased deferred member, either of whose allowance is based upon
10 not less than 21 years of attained credited service, 10% of the
11 payments provided by this section, increased by 10% for each
12 attained full year of credited service beyond 21 years, not to
13 exceed 100%. This subsection applies to any member who **FIRST**
14 **BECOMES A MEMBER BEFORE THE IMPLEMENTATION DATE AND WHO** attains
15 deferred status under section 82 after October 31, 1980.

16 **(8) FOR A MEMBER OR DEFERRED MEMBER WHO FIRST BECOMES A MEMBER**
17 **ON OR AFTER THE IMPLEMENTATION DATE, THE RETIREMENT SYSTEM SHALL**
18 **PAY THE ENTIRE MONTHLY PREMIUM OR MEMBERSHIP OR SUBSCRIPTION FEE**
19 **FOR THE HOSPITAL, MEDICAL-SURGICAL, AND SICK CARE BENEFITS PLAN,**
20 **THE DENTAL PLAN, VISION PLAN, OR HEARING PLAN, OR ANY COMBINATION**
21 **OF THE PLANS FOR THE BENEFIT OF THE RETIRANT AND HIS OR HER HEALTH**
22 **INSURANCE BENEFICIARIES, OR FOR THE BENEFIT OF THE RETIRANT'S OR**
23 **DECEASED MEMBER'S RETIREMENT ALLOWANCE BENEFICIARY IF THE RETIRANT**
24 **OR DECEASED MEMBER HAS 30 YEARS OR MORE OF SERVICE CREDIT OR 30**
25 **YEARS OR MORE OF EMPLOYMENT WITH A REPORTING UNIT OR UNITS UNDER**
26 **THIS ACT. IF A RETIRANT OR DECEASED MEMBER DESCRIBED IN THIS**
27 **SUBSECTION HAS 20 OR MORE BUT LESS THAN 30 YEARS OF SERVICE CREDIT**

1 OR YEARS OF REPORTING UNIT EMPLOYMENT UNDER THIS ACT, THE
2 RETIREMENT SYSTEM SHALL PAY A PORTION OF THE MONTHLY PREMIUM OR
3 MEMBERSHIP OR SUBSCRIPTION FEE FOR THE PLANS OR COMBINATION OF
4 PLANS EQUAL TO THE PRODUCT OF 3% AND THE RETIRANT'S OR DECEASED
5 MEMBER'S YEARS OF SERVICE. ADDITIONALLY, IF A RETIRANT OR DECEASED
6 MEMBER DESCRIBED IN THIS SUBSECTION HAS LESS THAN 30 YEARS OF
7 SERVICE CREDIT AND IS LESS THAN 60 YEARS OF AGE, THE RETIREMENT
8 SYSTEM SHALL REDUCE THE AMOUNT PAYABLE UNDER THIS SUBSECTION BY THE
9 FORMULA USED TO REDUCE A RETIREMENT ALLOWANCE UNDER SECTION 84(2).

10 (9) THE RETIREMENT SYSTEM SHALL NOT PAY THE PREMIUMS OR
11 MEMBERSHIP OR SUBSCRIPTION FEES UNDER SUBSECTION (8) UNTIL THE
12 RETIRANT OR RETIREMENT ALLOWANCE BENEFICIARY REQUESTS ENROLLMENT IN
13 THE PLANS OR COMBINATION OF PLANS IN WRITING IN THE MANNER
14 PRESCRIBED BY THE RETIREMENT SYSTEM. SUBSECTION (8) DOES NOT APPLY
15 TO A MEMBER WHO RECEIVES A DISABILITY RETIREMENT ALLOWANCE UNDER
16 SECTION 86, 87, OR 135A OR TO A DECEASED MEMBER'S RETIREMENT
17 ALLOWANCE BENEFICIARY UNDER SECTION 90.

18 (10) ~~—(8)—~~ Any retirant or retirement allowance beneficiary
19 excluded from payments under this section may participate in the
20 hospital, medical-surgical, and sick care benefits plan, the dental
21 plan, vision plan, or hearing plan, or any combination of the plans
22 described in this section in the manner prescribed by the
23 retirement system at his or her own cost.

24 (11) ~~—(9)—~~ The hospital, medical-surgical, and sick care
25 benefits plan, dental plan, vision plan, and hearing plan that
26 covers retirants, retirement allowance beneficiaries, and health
27 insurance dependents pursuant to this section shall contain a

1 coordination of benefits provision that provides all of the
2 following:

3 (a) If the person covered under the hospital, medical-
4 surgical, and sick care benefits plan is also eligible for medicare
5 or medicaid, or both, then the benefits under medicare or medicaid,
6 or both, shall be determined before the benefits of the hospital,
7 medical-surgical, and sick care benefits plan provided pursuant to
8 this section.

9 (b) If the person covered under any of the plans provided by
10 this section is also covered under another plan that contains a
11 coordination of benefits provision, the benefits shall be
12 coordinated as provided by the coordination of benefits act, 1984
13 PA 64, MCL 550.251 to 550.255.

14 (c) If the person covered under any of the plans provided by
15 this section is also covered under another plan that does not
16 contain a coordination of benefits provision, the benefits under
17 the other plan shall be determined before the benefits of the plan
18 provided pursuant to this section.

19 (12) ~~(10)~~ For purposes of this section:

20 (a) "Health insurance dependent" means any of the following:

21 (i) The spouse of the retirant or the surviving spouse to whom
22 the retirant or deceased member was married at the time of the
23 retirant's or deceased member's death.

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

27 (iii) An unmarried child, by birth or adoption, of the retirant

1 or deceased member, until December 31 of the calendar year in which
2 the child becomes 25 years of age, who is enrolled as a full-time
3 student, and who is or was at the time of the retirant's or
4 deceased member's death a dependent of the retirant or deceased
5 member as defined in section 152 of the internal revenue code.

6 (iv) An unmarried child, by birth or adoption, of the retirant
7 or deceased member who is incapable of self-sustaining employment
8 because of mental or physical disability, and who is or was at the
9 time of the retirant's or deceased member's death a dependent of
10 the retirant or deceased member as defined in section 152 of the
11 internal revenue code.

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

15 (vi) An unmarried child who is not the child by birth or
16 adoption of the retirant or deceased member but who otherwise
17 qualifies to be a health insurance dependent under subparagraph
18 (ii), (iii), or (iv), if the retirant or deceased member is the legal
19 guardian of the unmarried child.

20 (b) "Medicaid" means benefits under the federal medicaid
21 program established under title XIX of the social security act,
22 chapter 531, ~~49 Stat. 620,~~ 42 U.S.C. **USC** 1396 to 1396f, 1396g-1
23 to 1396r-6, and 1396r-8 to 1396v.

24 (c) "Medicare" means benefits under the federal medicare
25 program established under title XVIII of the social security act,
26 chapter 531, ~~49 Stat. 620,~~ 42 U.S.C. **USC** 1395 to 1395b, 1395b-2,
27 1395b-6 to 1395b-7, 1395c to 1395i, 1395i-2 to 1395i-5, 1395j to

1 1395t, 1395u to 1395w, 1395w-2 to 1395w-4, 1395w-21 to 1395w-28,
2 1395x to 1395yy, and 1395bbb to 1395ggg.

3 SEC. 109. (1) AN INDIVIDUAL WHO WAS A DEFERRED MEMBER OR
4 FORMER NONVESTED MEMBER ON THE DAY BEFORE THE IMPLEMENTATION DATE,
5 WHO IS EMPLOYED BY A REPORTING UNIT ON OR AFTER THE IMPLEMENTATION
6 DATE, AND WHO BY VIRTUE OF THAT EMPLOYMENT WOULD BE ELIGIBLE FOR
7 MEMBERSHIP IN TIER 1 SHALL MAKE AN ELECTION AS PRESCRIBED IN
8 SECTION 110.

9 (2) AN INDIVIDUAL WHO IS FIRST EMPLOYED AND ENTERED UPON THE
10 PAYROLL OF A REPORTING UNIT ON OR AFTER THE IMPLEMENTATION DATE
11 SHALL BECOME A QUALIFIED PARTICIPANT OF TIER 2. THE DATE OF
12 MEMBERSHIP IN TIER 1 OR PARTICIPATION IN TIER 2 UNDER THIS
13 SUBSECTION DATES BACK TO THE DATE THE INDIVIDUAL WAS FIRST EMPLOYED
14 AND ENTERED UPON THE PAYROLL OF A REPORTING UNIT.

15 SEC. 110. (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (2),
16 THE RETIREMENT SYSTEM SHALL PROVIDE AN OPPORTUNITY FOR EACH MEMBER
17 WHO IS A TIER 1 MEMBER ON THE DAY BEFORE THE IMPLEMENTATION DATE,
18 TO ELECT IN WRITING TO TERMINATE MEMBERSHIP IN TIER 1 AND ELECT TO
19 BECOME A QUALIFIED PARTICIPANT IN TIER 2. AN ELECTION MADE BY A
20 MEMBER UNDER THIS SUBSECTION IS IRREVOCABLE. THE RETIREMENT SYSTEM
21 SHALL ACCEPT WRITTEN ELECTIONS UNDER THIS SUBSECTION FROM MEMBERS
22 DURING THE PERIOD BEGINNING ON SEPTEMBER 30, 2005 AND ENDING ON
23 DECEMBER 31, 2005. A MEMBER WHO DOES NOT MAKE A WRITTEN ELECTION OR
24 WHO DOES NOT FILE THE ELECTION DURING THE PERIOD SPECIFIED IN THIS
25 SUBSECTION CONTINUES TO BE A MEMBER OF TIER 1. A MEMBER WHO MAKES
26 AND FILES A WRITTEN ELECTION UNDER THIS SUBSECTION ELECTS TO DO ALL
27 OF THE FOLLOWING:

1 (A) CEASE TO BE A MEMBER OF TIER 1 EFFECTIVE 12 MIDNIGHT ON
2 DECEMBER 31, 2005.

3 (B) BECOME A QUALIFIED PARTICIPANT IN TIER 2 EFFECTIVE 12:01
4 A.M. ON JANUARY 1, 2006.

5 (C) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, WAIVE
6 ALL OF HIS OR HER RIGHTS TO A PENSION, AN ANNUITY, A RETIREMENT
7 ALLOWANCE, AN INSURANCE BENEFIT, OR ANY OTHER BENEFIT UNDER TIER 1
8 EFFECTIVE 12 MIDNIGHT ON THE DAY DESCRIBED IN SUBDIVISION (A). THIS
9 SUBDIVISION DOES NOT AFFECT A PERSON'S RIGHT TO HEALTH BENEFITS
10 PROVIDED UNDER THIS ACT PURSUANT TO SECTION 136.

11 (2) THIS SUBSECTION APPLIES TO AN INDIVIDUAL WHO WAS A VESTED
12 MEMBER OF TIER 1 ON THE DAY BEFORE THE IMPLEMENTATION DATE AND WHO
13 TERMINATES THE EMPLOYMENT UPON WHICH THAT MEMBERSHIP IS BASED ON OR
14 AFTER THE IMPLEMENTATION DATE BUT ON OR BEFORE DECEMBER 31, 2005.
15 BEFORE THE TERMINATION OF HIS OR HER EMPLOYMENT, AN INDIVIDUAL
16 DESCRIBED IN THIS SUBSECTION MAY ELECT IN WRITING TO TERMINATE
17 MEMBERSHIP IN TIER 1 AND BECOME A QUALIFIED PARTICIPANT IN TIER 2.
18 AN ELECTION MADE BY A MEMBER UNDER THIS SUBSECTION IS IRREVOCABLE.
19 THE RETIREMENT SYSTEM SHALL ACCEPT WRITTEN ELECTIONS UNDER THIS
20 SUBSECTION FROM A MEMBER DURING THE PERIOD BEGINNING ON THE
21 IMPLEMENTATION DATE AND ENDING ON DECEMBER 31, 2005. A MEMBER
22 DESCRIBED IN THIS SUBSECTION WHO DOES NOT MAKE A WRITTEN ELECTION
23 OR WHO DOES NOT FILE THE ELECTION BEFORE THE TERMINATION OF HIS OR
24 HER EMPLOYMENT CONTINUES TO BE A MEMBER OR DEFERRED MEMBER OF TIER
25 1. A MEMBER WHO MAKES AND FILES A WRITTEN ELECTION UNDER THIS
26 SUBSECTION TO TERMINATE MEMBERSHIP IN TIER 1 ELECTS TO DO ALL OF
27 THE FOLLOWING:

1 (A) CEASE TO BE A MEMBER OF TIER 1 AND BECOME A QUALIFIED
2 PARTICIPANT IN TIER 2 EFFECTIVE 12 MIDNIGHT ON THE DAY IMMEDIATELY
3 PRECEDING THE DATE OF THE TERMINATION OF EMPLOYMENT.

4 (B) BECOME A FORMER QUALIFIED PARTICIPANT IN TIER 2 EFFECTIVE
5 12:01 A.M. ON THE DAY IMMEDIATELY FOLLOWING THE DATE DESCRIBED IN
6 SUBDIVISION (A).

7 (C) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, WAIVE
8 ALL OF HIS OR HER RIGHTS TO A PENSION, AN ANNUITY, A RETIREMENT
9 ALLOWANCE, AN INSURANCE BENEFIT, OR ANY OTHER BENEFIT UNDER TIER 1
10 EFFECTIVE 12 MIDNIGHT ON THE DATE DESCRIBED IN SUBDIVISION (A).
11 THIS SUBDIVISION DOES NOT AFFECT AN INDIVIDUAL'S RIGHT TO HEALTH
12 BENEFITS PROVIDED UNDER THIS ACT PURSUANT TO SECTION 136.

13 (3) IF AN INDIVIDUAL WHO WAS A DEFERRED MEMBER ON THE DAY
14 BEFORE THE IMPLEMENTATION DATE OR AN INDIVIDUAL WHO WAS A FORMER
15 NONVESTED MEMBER ON THE DAY BEFORE THE IMPLEMENTATION DATE IS
16 EMPLOYED BY A REPORTING UNIT ON OR AFTER THE IMPLEMENTATION DATE
17 AND BY VIRTUE OF THAT EMPLOYMENT IS AGAIN ELIGIBLE FOR MEMBERSHIP
18 IN TIER 1, THE INDIVIDUAL SHALL ELECT IN WRITING TO REMAIN A MEMBER
19 OF TIER 1 OR TO TERMINATE MEMBERSHIP IN TIER 1 AND BECOME A
20 QUALIFIED PARTICIPANT IN TIER 2. AN ELECTION MADE BY A DEFERRED
21 MEMBER OR A FORMER NONVESTED MEMBER UNDER THIS SUBSECTION IS
22 IRREVOCABLE. THE RETIREMENT SYSTEM SHALL ACCEPT WRITTEN ELECTIONS
23 UNDER THIS SUBSECTION FROM A DEFERRED MEMBER OR A FORMER NONVESTED
24 MEMBER DURING THE PERIOD BEGINNING ON THE DATE OF THE INDIVIDUAL'S
25 REEMPLOYMENT AND ENDING UPON THE EXPIRATION OF 60 DAYS AFTER THE
26 DATE OF THAT REEMPLOYMENT. A DEFERRED MEMBER OR FORMER NONVESTED
27 MEMBER WHO MAKES AND FILES A WRITTEN ELECTION TO REMAIN A MEMBER OF

1 TIER 1 RETAINS ALL RIGHTS AND IS SUBJECT TO ALL CONDITIONS AS A
2 MEMBER OF TIER 1 UNDER THIS ACT. A DEFERRED MEMBER OR FORMER
3 NONVESTED MEMBER WHO DOES NOT MAKE A WRITTEN ELECTION OR WHO DOES
4 NOT FILE THE ELECTION DURING THE PERIOD SPECIFIED IN THIS
5 SUBSECTION CONTINUES TO BE A MEMBER OF TIER 1. A DEFERRED MEMBER OR
6 FORMER NONVESTED MEMBER WHO MAKES AND FILES A WRITTEN ELECTION TO
7 TERMINATE MEMBERSHIP IN TIER 1 ELECTS TO DO ALL OF THE FOLLOWING:

8 (A) CEASE TO BE A MEMBER OF TIER 1 EFFECTIVE 12 MIDNIGHT ON
9 THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF THE
10 ELECTION.

11 (B) BECOME A QUALIFIED PARTICIPANT IN TIER 2 EFFECTIVE 12:01
12 A.M. ON THE FIRST DAY OF THE PAYROLL PERIOD IMMEDIATELY FOLLOWING
13 THE DATE OF THE ELECTION.

14 (C) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, WAIVE
15 ALL OF HIS OR HER RIGHTS TO A PENSION, AN ANNUITY, A RETIREMENT
16 ALLOWANCE, AN INSURANCE BENEFIT, OR ANY OTHER BENEFIT UNDER TIER 1
17 EFFECTIVE 12 MIDNIGHT ON THE LAST DAY OF THE PAYROLL PERIOD THAT
18 INCLUDES THE DATE OF THE ELECTION. THIS SUBDIVISION DOES NOT AFFECT
19 AN INDIVIDUAL'S RIGHT TO HEALTH BENEFITS PROVIDED UNDER THIS ACT
20 PURSUANT TO SECTION 136.

21 (4) AFTER CONSULTATION WITH THE RETIREMENT SYSTEM'S ACTUARY
22 AND THE RETIREMENT BOARD, THE DEPARTMENT OF MANAGEMENT AND BUDGET
23 SHALL DETERMINE THE METHOD BY WHICH A MEMBER, DEFERRED MEMBER, OR
24 FORMER NONVESTED MEMBER SHALL MAKE A WRITTEN ELECTION UNDER THIS
25 SECTION. IF THE MEMBER, DEFERRED MEMBER, OR FORMER NONVESTED MEMBER
26 IS MARRIED AT THE TIME OF THE ELECTION, THE ELECTION IS NOT
27 EFFECTIVE UNLESS THE ELECTION IS SIGNED BY THE INDIVIDUAL'S SPOUSE.

1 HOWEVER, THE RETIREMENT BOARD MAY WAIVE THIS REQUIREMENT IF THE
2 SPOUSE'S SIGNATURE CANNOT BE OBTAINED BECAUSE OF EXTENUATING
3 CIRCUMSTANCES.

4 (5) AN ELECTION UNDER THIS SECTION IS SUBJECT TO THE ELIGIBLE
5 DOMESTIC RELATIONS ORDER ACT, 1991 PA 46, MCL 38.1701 TO 38.1711.

6 (6) IF AN INDIVIDUAL WHO WAS A DEFERRED MEMBER OF THE STATE
7 EMPLOYEES' RETIREMENT SYSTEM ON THE DAY BEFORE THE IMPLEMENTATION
8 DATE IS FIRST EMPLOYED AND ENTERED UPON THE PAYROLL OF A REPORTING
9 UNIT ON OR AFTER THE IMPLEMENTATION DATE, THE RETIREMENT SYSTEM
10 SHALL PROVIDE AN OPPORTUNITY FOR THAT INDIVIDUAL TO ELECT IN
11 WRITING TO BECOME A MEMBER OF TIER 1 OR TO BECOME A QUALIFIED
12 PARTICIPANT OF TIER 2. THE RETIREMENT SYSTEM AND THE INDIVIDUAL
13 SHALL FOLLOW THE PROVISIONS AND PROCEDURES PROVIDED IN THIS SECTION
14 AND BY THE STATE TREASURER AS IF THE INDIVIDUAL WERE A DEFERRED
15 MEMBER OF THIS RETIREMENT SYSTEM ON THE DAY BEFORE THE
16 IMPLEMENTATION DATE.

17 (7) IF THE DEPARTMENT OF MANAGEMENT AND BUDGET RECEIVES
18 NOTIFICATION FROM THE UNITED STATES INTERNAL REVENUE SERVICE THAT
19 THIS SECTION OR ANY PORTION OF THIS SECTION WILL CAUSE THE
20 RETIREMENT SYSTEM TO BE DISQUALIFIED FOR TAX PURPOSES UNDER THE
21 INTERNAL REVENUE CODE, THEN THE PORTION THAT WILL CAUSE THE
22 DISQUALIFICATION DOES NOT APPLY.

23 SEC. 111. (1) FOR A MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP
24 IN TIER 1 UNDER SECTION 110(1), THE RETIREMENT SYSTEM SHALL DIRECT
25 THE STATE TREASURER TO TRANSFER A LUMP SUM AMOUNT FROM THE
26 APPROPRIATE RESERVE CREATED UNDER ARTICLE 2 TO THE QUALIFIED
27 PARTICIPANT'S ACCOUNT IN TIER 2 ON OR BEFORE JULY 1, 2006. THE

1 RETIREMENT SYSTEM SHALL CALCULATE THE AMOUNT TO BE TRANSFERRED,
2 WHICH SHALL BE EQUAL TO THE SUM OF THE FOLLOWING:

3 (A) THE MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY, FROM THE
4 RESERVE FOR EMPLOYEE CONTRIBUTIONS AS OF 12 MIDNIGHT DECEMBER 31,
5 2004.

6 (B) FOR A MEMBER WHO IS A PARTICIPANT IN THE MEMBER INVESTMENT
7 PLAN, THE MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY, FROM THE
8 RESERVE FOR MEMBER INVESTMENT PLAN AS OF 12 MIDNIGHT DECEMBER 31,
9 2005.

10 (C) FOR A MEMBER WHO IS VESTED UNDER SECTION 81 AS OF 12
11 MIDNIGHT DECEMBER 31, 2005, THE EXCESS, IF ANY, OF THE ACTUARIAL
12 PRESENT VALUE OF THE MEMBER'S ACCUMULATED BENEFIT OBLIGATION, OVER
13 THE AMOUNT SPECIFIED IN SUBDIVISIONS (A) AND (B), FROM THE RESERVE
14 FOR EMPLOYER CONTRIBUTIONS. EXCEPT AS PROVIDED IN SUBSECTION (7),
15 FOR THE PURPOSES OF THIS SUBSECTION, THE PRESENT VALUE OF THE
16 MEMBER'S ACCUMULATED BENEFIT OBLIGATION IS BASED UPON THE MEMBER'S
17 ESTIMATED CREDITED SERVICE AND ESTIMATED FINAL AVERAGE COMPENSATION
18 AS OF 12 MIDNIGHT DECEMBER 31, 2005. THE ACTUARIAL PRESENT VALUE
19 SHALL BE COMPUTED AS OF 12 MIDNIGHT DECEMBER 31, 2005 AND SHALL BE
20 BASED ON THE FOLLOWING:

21 (i) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST, COMPOUNDED
22 ANNUALLY.

23 (ii) A 50% MALE AND 50% FEMALE GENDER NEUTRAL BLEND OF THE
24 MORTALITY TABLES USED TO PROJECT RETIRANT LONGEVITY IN THE MOST
25 RECENT ACTUARIAL VALUATION REPORT.

26 (iii) A BENEFIT COMMENCEMENT AGE, BASED UPON THE MEMBER'S
27 ESTIMATED CREDITED SERVICE AS OF 12 MIDNIGHT DECEMBER 31, 2005. THE

1 BENEFIT COMMENCEMENT AGE SHALL BE THE YOUNGER OF THE FOLLOWING, BUT
2 SHALL NOT BE YOUNGER THAN THE MEMBER'S AGE AS OF 12 MIDNIGHT
3 DECEMBER 31, 2005:

4 (A) AGE 60.

5 (B) AGE 55, IF THE MEMBER'S ESTIMATED CREDITED SERVICE EQUALS
6 OR EXCEEDS 30 YEARS.

7 (C) THE AGE OF THE MEMBER IF THE MEMBER'S CREDITED SERVICE
8 EQUALS OR EXCEEDS 30 YEARS AND THE MEMBER CONTRIBUTES TO THE MEMBER
9 INVESTMENT PLAN.

10 (D) INTEREST ON ANY AMOUNTS DETERMINED IN SUBDIVISIONS (A),
11 (B), AND (C) FROM JANUARY 1, 2006 TO THE DATE OF THE TRANSFER,
12 BASED UPON 8% ANNUAL INTEREST, COMPOUNDED ANNUALLY.

13 (2) FOR EACH MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP IN TIER
14 1 UNDER SECTION 110(1), THE RETIREMENT SYSTEM SHALL RECOMPUTE THE
15 AMOUNT TRANSFERRED UNDER SUBSECTION (1) NOT LATER THAN AUGUST 1,
16 2006 BASED UPON THE MEMBER'S ACTUAL CREDITED SERVICE AND ACTUAL
17 FINAL AVERAGE COMPENSATION AS OF 12 MIDNIGHT DECEMBER 31, 2005. IF
18 THE RECOMPUTED AMOUNT DIFFERS FROM THE AMOUNT TRANSFERRED UNDER
19 SUBSECTION (1) BY \$10.00 OR MORE, NOT LATER THAN AUGUST 15, 2006,
20 THE RETIREMENT SYSTEM SHALL DO ALL OF THE FOLLOWING:

21 (A) DIRECT THE STATE TREASURER TO TRANSFER FROM THE RESERVE
22 FOR EMPLOYER CONTRIBUTIONS TO THE QUALIFIED PARTICIPANT'S ACCOUNT
23 IN TIER 2 THE EXCESS, IF ANY, OF THE RECOMPUTED AMOUNT OVER THE
24 PREVIOUSLY TRANSFERRED AMOUNT TOGETHER WITH INTEREST FROM 12
25 MIDNIGHT DECEMBER 31, 2005 TO THE DATE OF THE TRANSFER UNDER THIS
26 SUBSECTION, BASED UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED
27 ANNUALLY.

1 (B) DIRECT THE STATE TREASURER TO TRANSFER FROM THE QUALIFIED
2 PARTICIPANT'S ACCOUNT IN TIER 2 TO THE RESERVE FOR EMPLOYER
3 CONTRIBUTIONS THE EXCESS, IF ANY, OF THE PREVIOUSLY TRANSFERRED
4 AMOUNT OVER THE RECOMPUTED AMOUNT, TOGETHER WITH INTEREST, FROM THE
5 DATE OF THE TRANSFER MADE UNDER SUBSECTION (1), BASED UPON 8%
6 EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

7 (3) FOR A MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP IN TIER 1
8 UNDER SECTION 110(2), THE RETIREMENT SYSTEM SHALL DIRECT THE STATE
9 TREASURER TO TRANSFER A LUMP SUM AMOUNT FROM THE APPROPRIATE
10 RESERVE CREATED UNDER ARTICLE 2 TO THE FORMER QUALIFIED
11 PARTICIPANT'S ACCOUNT IN TIER 2 ON OR BEFORE THE EXPIRATION OF 60
12 DAYS AFTER THE DATE OF THE INDIVIDUAL'S TERMINATION OF EMPLOYMENT.
13 THE RETIREMENT SYSTEM SHALL CALCULATE THE AMOUNT TO BE TRANSFERRED,
14 WHICH SHALL BE EQUAL TO THE SUM OF THE FOLLOWING:

15 (A) THE MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY, FROM THE
16 RESERVE FOR EMPLOYEE CONTRIBUTIONS AS OF 12 MIDNIGHT ON THE DAY
17 IMMEDIATELY PRECEDING THE DATE OF THE TERMINATION OF EMPLOYMENT.

18 (B) FOR A MEMBER WHO IS A PARTICIPANT IN THE MEMBER INVESTMENT
19 PLAN, THE MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY, FROM THE
20 RESERVE FOR MEMBER INVESTMENT PLAN AS OF 12 MIDNIGHT ON THE DAY
21 IMMEDIATELY PRECEDING THE DATE OF THE TERMINATION OF EMPLOYMENT.

22 (C) THE EXCESS, IF ANY, OF THE ACTUARIAL PRESENT VALUE OF THE
23 MEMBER'S ACCUMULATED BENEFIT OBLIGATION, OVER THE AMOUNT SPECIFIED
24 IN SUBDIVISIONS (A) AND (B), FROM THE RESERVE FOR EMPLOYER
25 CONTRIBUTIONS. EXCEPT AS PROVIDED IN SUBSECTION (7), FOR THE
26 PURPOSES OF THIS SUBSECTION, THE PRESENT VALUE OF THE MEMBER'S
27 ACCUMULATED BENEFIT OBLIGATION IS BASED UPON THE MEMBER'S ESTIMATED

1 CREDITED SERVICE AND ESTIMATED FINAL AVERAGE COMPENSATION AS OF 12
2 MIDNIGHT ON THE DAY IMMEDIATELY PRECEDING THE DATE OF THE
3 TERMINATION OF EMPLOYMENT. THE ACTUARIAL PRESENT VALUE SHALL BE
4 COMPUTED AS OF 12 MIDNIGHT ON THAT DATE AND SHALL BE BASED ON THE
5 FOLLOWING:

6 (i) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST, COMPOUNDED
7 ANNUALLY.

8 (ii) A 50% MALE AND 50% FEMALE GENDER NEUTRAL BLEND OF THE
9 MORTALITY TABLES USED TO PROJECT RETIRANT LONGEVITY IN THE MOST
10 RECENT ANNUAL ACTUARIAL VALUATION REPORT.

11 (iii) A BENEFIT COMMENCEMENT AGE, BASED UPON THE MEMBER'S
12 ESTIMATED CREDITED SERVICE AS OF 12 MIDNIGHT ON THE DAY IMMEDIATELY
13 PRECEDING THE DATE OF THE TERMINATION OF EMPLOYMENT. THE BENEFIT
14 COMMENCEMENT AGE SHALL BE THE YOUNGER OF THE FOLLOWING, BUT SHALL
15 NOT BE YOUNGER THAN THE MEMBER'S AGE AS OF 12 MIDNIGHT ON THE DAY
16 IMMEDIATELY PRECEDING THE DATE OF THE TERMINATION OF EMPLOYMENT:

17 (A) AGE 60.

18 (B) AGE 55, IF THE MEMBER'S ESTIMATED CREDITED SERVICE EQUALS
19 OR EXCEEDS 30 YEARS.

20 (C) THE AGE OF THE MEMBER IF THE MEMBER'S CREDITED SERVICE
21 EQUALS OR EXCEEDS 30 YEARS AND THE MEMBER IS A PARTICIPANT OF THE
22 MEMBER INVESTMENT PLAN.

23 (D) INTEREST ON ANY AMOUNTS DETERMINED IN SUBDIVISIONS (A),
24 (B), AND (C) FROM THE DAY IMMEDIATELY FOLLOWING THE DATE DESCRIBED
25 IN SUBDIVISION (A) TO THE DATE OF THE TRANSFER, BASED UPON 8%
26 EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

27 (4) FOR EACH MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP IN THE

1 RETIREMENT SYSTEM UNDER SECTION 110(2), THE RETIREMENT SYSTEM SHALL
2 RECOMPUTE THE AMOUNT TRANSFERRED UNDER SUBSECTION (3) NOT LATER
3 THAN THE EXPIRATION OF 90 DAYS AFTER THE TRANSFER OCCURS UNDER
4 SUBSECTION (3) BASED UPON THE MEMBER'S ACTUAL CREDITED SERVICE AND
5 ACTUAL FINAL AVERAGE COMPENSATION AS OF 12 MIDNIGHT ON THE DAY
6 IMMEDIATELY PRECEDING THE DATE OF THE TERMINATION OF EMPLOYMENT. IF
7 THE RECOMPUTED AMOUNT DIFFERS FROM THE AMOUNT TRANSFERRED UNDER
8 SUBSECTION (3) BY \$10.00 OR MORE, THE RETIREMENT SYSTEM SHALL DO
9 ALL OF THE FOLLOWING:

10 (A) DIRECT THE STATE TREASURER TO TRANSFER FROM THE RESERVE
11 FOR EMPLOYER CONTRIBUTIONS TO THE FORMER QUALIFIED PARTICIPANT'S
12 ACCOUNT IN TIER 2 THE EXCESS, IF ANY, OF THE RECOMPUTED AMOUNT OVER
13 THE PREVIOUSLY TRANSFERRED AMOUNT TOGETHER WITH INTEREST FROM 12
14 MIDNIGHT ON THE DAY IMMEDIATELY PRECEDING THE DATE OF THE
15 TERMINATION OF EMPLOYMENT TO THE DATE OF THE TRANSFER UNDER THIS
16 SUBSECTION, BASED UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED
17 ANNUALLY.

18 (B) DIRECT THE STATE TREASURER TO TRANSFER FROM THE FORMER
19 QUALIFIED PARTICIPANT'S ACCOUNT IN TIER 2 TO THE RESERVE FOR
20 EMPLOYER CONTRIBUTIONS THE EXCESS, IF ANY, OF THE PREVIOUSLY
21 TRANSFERRED AMOUNT OVER THE RECOMPUTED AMOUNT, TOGETHER WITH
22 INTEREST, FROM THE DATE OF THE TRANSFER MADE UNDER SUBSECTION (3),
23 BASED UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

24 (5) FOR A DEFERRED MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP
25 IN TIER 1 UNDER SECTION 110(3), THE RETIREMENT SYSTEM SHALL DIRECT
26 THE STATE TREASURER TO TRANSFER A LUMP SUM AMOUNT FROM THE
27 APPROPRIATE RESERVE CREATED UNDER ARTICLE 2 TO THE QUALIFIED

1 PARTICIPANT'S ACCOUNT IN TIER 2 ON OR BEFORE THE EXPIRATION OF 60
2 DAYS AFTER THE DATE OF THE INDIVIDUAL'S ELECTION TO TERMINATE
3 MEMBERSHIP. THE RETIREMENT SYSTEM SHALL CALCULATE THE AMOUNT TO BE
4 TRANSFERRED, WHICH SHALL BE EQUAL TO THE SUM OF THE FOLLOWING:

5 (A) THE DEFERRED MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY,
6 FROM THE RESERVE FOR EMPLOYEE CONTRIBUTIONS AS OF 12 MIDNIGHT ON
7 THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF THE
8 ELECTION.

9 (B) FOR A DEFERRED MEMBER WHO IS A PARTICIPANT IN THE MEMBER
10 INVESTMENT PLAN, THE DEFERRED MEMBER'S ACCUMULATED CONTRIBUTIONS,
11 IF ANY, FROM THE RESERVE FOR MEMBER INVESTMENT PLAN AS OF 12
12 MIDNIGHT ON THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE
13 DATE OF THE ELECTION.

14 (C) THE EXCESS, IF ANY, OF THE ACTUARIAL PRESENT VALUE OF THE
15 DEFERRED MEMBER'S ACCUMULATED BENEFIT OBLIGATION, OVER THE AMOUNT
16 SPECIFIED IN SUBDIVISIONS (A) AND (B), FROM THE RESERVE FOR
17 EMPLOYER CONTRIBUTIONS. EXCEPT AS PROVIDED IN SUBSECTION (7), FOR
18 THE PURPOSES OF THIS SUBSECTION, THE PRESENT VALUE OF THE DEFERRED
19 MEMBER'S ACCUMULATED BENEFIT OBLIGATION IS BASED UPON THE DEFERRED
20 MEMBER'S ESTIMATED CREDITED SERVICE AND ESTIMATED FINAL AVERAGE
21 COMPENSATION AS OF 12 MIDNIGHT ON THE LAST DAY OF THE PAYROLL
22 PERIOD THAT INCLUDES THE DATE OF THE ELECTION. THE ACTUARIAL
23 PRESENT VALUE SHALL BE COMPUTED AS OF 12 MIDNIGHT ON THAT DATE AND
24 SHALL BE BASED ON THE FOLLOWING:

25 (i) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST, COMPOUNDED
26 ANNUALLY.

27 (ii) A 50% MALE AND 50% FEMALE GENDER NEUTRAL BLEND OF THE

1 MORTALITY TABLES USED TO PROJECT RETIRANT LONGEVITY IN THE MOST
2 RECENT ANNUAL ACTUARIAL VALUATION REPORT.

3 (iii) A BENEFIT COMMENCEMENT AGE, BASED UPON THE MEMBER'S
4 ESTIMATED CREDITED SERVICE AS OF 12 MIDNIGHT ON THE LAST DAY OF THE
5 PAYROLL PERIOD THAT INCLUDES THE DATE OF THE ELECTION. THE BENEFIT
6 COMMENCEMENT AGE SHALL BE THE YOUNGER OF THE FOLLOWING, BUT SHALL
7 NOT BE YOUNGER THAN THE MEMBER'S AGE AS OF 12 MIDNIGHT ON THE LAST
8 DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF THE ELECTION:

9 (A) AGE 60.

10 (B) AGE 55, IF THE DEFERRED MEMBER'S ESTIMATED CREDITED
11 SERVICE EQUALS OR EXCEEDS 30 YEARS.

12 (C) THE AGE OF THE DEFERRED MEMBER IF THE DEFERRED MEMBER'S
13 CREDITED SERVICE EQUALS OR EXCEEDS 30 YEARS AND THE DEFERRED MEMBER
14 IS A PARTICIPANT OF THE MEMBER INVESTMENT PLAN.

15 (D) INTEREST ON ANY AMOUNTS DETERMINED IN SUBDIVISIONS (A),
16 (B), AND (C) FROM THE FIRST DAY OF THE PAYROLL PERIOD IMMEDIATELY
17 FOLLOWING THE DATE OF THE ELECTION TO THE DATE OF THE TRANSFER,
18 BASED UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

19 (6) FOR EACH DEFERRED MEMBER WHO ELECTS TO TERMINATE
20 MEMBERSHIP IN THE RETIREMENT SYSTEM UNDER SECTION 110(3), THE
21 RETIREMENT SYSTEM SHALL RECOMPUTE THE AMOUNT TRANSFERRED UNDER
22 SUBSECTION (5) NOT LATER THAN THE EXPIRATION OF 90 DAYS AFTER THE
23 TRANSFER OCCURS UNDER SUBSECTION (5) BASED UPON THE DEFERRED
24 MEMBER'S ACTUAL CREDITED SERVICE AND ACTUAL FINAL AVERAGE
25 COMPENSATION AS OF 12 MIDNIGHT ON THE LAST DAY OF THE PAYROLL
26 PERIOD THAT INCLUDES THE DATE OF THE ELECTION. IF THE RECOMPUTED
27 AMOUNT DIFFERS FROM THE AMOUNT TRANSFERRED UNDER SUBSECTION (5) BY

1 \$10.00 OR MORE, THE RETIREMENT SYSTEM SHALL DO ALL OF THE
2 FOLLOWING:

3 (A) DIRECT THE STATE TREASURER TO TRANSFER FROM THE RESERVE
4 FOR EMPLOYER CONTRIBUTIONS TO THE QUALIFIED PARTICIPANT'S ACCOUNT
5 IN TIER 2 THE EXCESS, IF ANY, OF THE RECOMPUTED AMOUNT OVER THE
6 PREVIOUSLY TRANSFERRED AMOUNT TOGETHER WITH INTEREST FROM 12
7 MIDNIGHT ON THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE
8 DATE OF THE ELECTION TO THE DATE OF THE TRANSFER UNDER THIS
9 SUBSECTION, BASED UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED
10 ANNUALLY.

11 (B) DIRECT THE STATE TREASURER TO TRANSFER FROM THE
12 PARTICIPANT'S ACCOUNT IN TIER 2 TO THE RESERVE FOR EMPLOYER
13 CONTRIBUTIONS THE EXCESS, IF ANY, OF THE PREVIOUSLY TRANSFERRED
14 AMOUNT OVER THE RECOMPUTED AMOUNT, TOGETHER WITH INTEREST, FROM THE
15 DATE OF THE TRANSFER MADE UNDER SUBSECTION (5), BASED UPON 8%
16 EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

17 (7) FOR THE PURPOSES OF SUBSECTIONS (1) TO (6), THE
18 CALCULATION OF ESTIMATED AND ACTUAL PRESENT VALUE OF THE MEMBER'S
19 OR DEFERRED MEMBER'S ACCUMULATED BENEFIT OBLIGATION SHALL BE BASED
20 UPON METHODS ADOPTED BY THE DEPARTMENT OF MANAGEMENT AND BUDGET AND
21 THE RETIREMENT SYSTEM'S ACTUARY IN CONSULTATION WITH THE RETIREMENT
22 BOARD. THE RETIREMENT SYSTEM SHALL UTILIZE THE SAME ACTUARIAL
23 VALUATION REPORT USED TO CALCULATE THE AMOUNT TRANSFERRED UNDER
24 SUBSECTION (1), (3), OR (5) WHEN MAKING THE RECOMPUTATION REQUIRED
25 UNDER SUBSECTION (2), (4), OR (6). ESTIMATED AND ACTUAL FINAL
26 AVERAGE COMPENSATION SHALL BE DETERMINED AS PROVIDED IN SECTIONS 3A
27 AND 4(11) AS OF 12 MIDNIGHT ON THE DATE THE MEMBER OR DEFERRED

1 MEMBER CEASES TO BE A MEMBER OF TIER 1 UNDER SECTION 110.

2 (8) FOR A FORMER NONVESTED MEMBER WHO ELECTS TO TERMINATE
3 MEMBERSHIP IN TIER 1 UNDER SECTION 110(3) AND WHO HAS ACCUMULATED
4 CONTRIBUTIONS STANDING TO HIS OR HER CREDIT IN THE RESERVE FOR
5 EMPLOYEE CONTRIBUTIONS OR THE RESERVE FOR MEMBER INVESTMENT PLAN,
6 THE RETIREMENT SYSTEM SHALL DIRECT THE STATE TREASURER TO TRANSFER
7 A LUMP SUM AMOUNT FROM THE APPROPRIATE RESERVE CREATED UNDER
8 ARTICLE 2 TO THE QUALIFIED PARTICIPANT'S ACCOUNT IN TIER 2 ON OR
9 BEFORE THE EXPIRATION OF 60 DAYS AFTER THE DATE OF THE INDIVIDUAL'S
10 ELECTION TO TERMINATE MEMBERSHIP. THE RETIREMENT SYSTEM SHALL
11 CALCULATE THE AMOUNT TO BE TRANSFERRED, WHICH SHALL BE EQUAL TO THE
12 SUM OF THE FOLLOWING:

13 (A) THE FORMER NONVESTED MEMBER'S ACCUMULATED CONTRIBUTIONS,
14 IF ANY, FROM THE RESERVE FOR EMPLOYEE CONTRIBUTIONS AS OF 12
15 MIDNIGHT ON THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE
16 DATE OF THE ELECTION.

17 (B) FOR A FORMER NONVESTED MEMBER WHO IS A PARTICIPANT IN THE
18 MEMBER INVESTMENT PLAN, THE FORMER NONVESTED MEMBER'S ACCUMULATED
19 CONTRIBUTIONS, IF ANY, FROM THE RESERVE FOR MEMBER INVESTMENT PLAN
20 AS OF 12 MIDNIGHT ON THE LAST DAY OF THE PAYROLL PERIOD THAT
21 INCLUDES THE DATE OF THE ELECTION.

22 (C) INTEREST ON ANY AMOUNTS DETERMINED IN SUBDIVISIONS (A) AND
23 (B) FROM THE FIRST DAY OF THE PAYROLL PERIOD IMMEDIATELY FOLLOWING
24 THE DATE OF THE ELECTION TO THE DATE OF THE TRANSFER, BASED UPON 8%
25 EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

26 (9) IF THE DEPARTMENT OF MANAGEMENT AND BUDGET RECEIVES
27 NOTIFICATION FROM THE UNITED STATES INTERNAL REVENUE SERVICE THAT

1 THIS SECTION OR ANY PORTION OF THIS SECTION WILL CAUSE THE
2 RETIREMENT SYSTEM TO BE DISQUALIFIED FOR TAX PURPOSES UNDER THE
3 INTERNAL REVENUE CODE, THEN THE PORTION THAT WILL CAUSE THE
4 DISQUALIFICATION DOES NOT APPLY.

5 SEC. 112. AFTER CONSULTING THE RETIREMENT SYSTEM'S ACTUARY,
6 THE DEPARTMENT OF MANAGEMENT AND BUDGET SHALL CALCULATE FOR EACH
7 FISCAL YEAR ANY COST SAVINGS THAT HAVE ACCRUED TO THIS RETIREMENT
8 SYSTEM AS A RESULT OF THE IMPLEMENTATION OF THE AMENDATORY ACT THAT
9 ADDED THIS SECTION OVER THE COSTS THAT WOULD HAVE BEEN INCURRED BY
10 THIS RETIREMENT SYSTEM HAD THE AMENDATORY ACT THAT ADDED THIS
11 SECTION NOT BEEN IMPLEMENTED. THE TOTAL AMOUNT OF THE COST SAVINGS
12 SHALL NOT BE USED TO DECREASE THE ACTUARIAL RATE CHARGED TO
13 REPORTING UNITS.

14 ARTICLE 7

15 SEC. 121. FOR THE PURPOSES OF THIS ARTICLE, THE WORDS AND
16 PHRASES DEFINED IN SECTIONS 122 TO 124 HAVE THE MEANINGS ASCRIBED
17 TO THEM IN THOSE SECTIONS.

18 SEC. 122. (1) "ACCUMULATED BALANCE" MEANS THE TOTAL BALANCE IN
19 A QUALIFIED PARTICIPANT'S, FORMER QUALIFIED PARTICIPANT'S, OR
20 REFUND BENEFICIARY'S INDIVIDUAL ACCOUNT IN TIER 2.

21 (2) "COMPENSATION" MEANS THE REMUNERATION PAID A QUALIFIED
22 PARTICIPANT ON ACCOUNT OF THE QUALIFIED PARTICIPANT'S SERVICES
23 RENDERED TO HIS OR HER EMPLOYER. COMPENSATION INCLUDES ONLY
24 MEDICARE TAXABLE WAGES AS REPORTED BY THE EMPLOYER ON THE
25 PARTICIPANT'S FEDERAL FORM W-2, WAGE AND TAX STATEMENT.

26 (3) "DEPARTMENT" MEANS THE DEPARTMENT OF MANAGEMENT AND
27 BUDGET.

1 SEC. 123. (1) "EMPLOYER" MEANS A REPORTING UNIT.

2 (2) "FORMER QUALIFIED PARTICIPANT" MEANS AN INDIVIDUAL WHO WAS
3 A QUALIFIED PARTICIPANT AND WHO TERMINATES THE EMPLOYMENT UPON
4 WHICH HIS OR HER PARTICIPATION IS BASED FOR ANY REASON.

5 (3) "HEALTH BENEFIT DEPENDENT" MEANS AN INDIVIDUAL WHO WOULD
6 HAVE BEEN ELIGIBLE FOR HEALTH INSURANCE COVERAGE AS A HEALTH
7 INSURANCE DEPENDENT UNDER SECTION 91(10)(A) IF THE FORMER QUALIFIED
8 PARTICIPANT HAD BECOME A RETIRANT OF TIER 1.

9 SEC. 124. (1) "QUALIFIED PARTICIPANT" MEANS AN INDIVIDUAL WHO
10 IS A PARTICIPANT OF TIER 2 AND WHO MEETS 1 OF THE FOLLOWING
11 REQUIREMENTS:

12 (A) AN INDIVIDUAL WHO IS FIRST EMPLOYED AND ENTERED UPON THE
13 PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER THE IMPLEMENTATION DATE.

14 (B) AN INDIVIDUAL WHO ELECTS TO TERMINATE MEMBERSHIP IN TIER 1
15 AND WHO ELECTS TO PARTICIPATE IN TIER 2 IN THE MANNER PRESCRIBED IN
16 SECTION 110.

17 (2) "REFUND BENEFICIARY" MEANS AN INDIVIDUAL NOMINATED BY A
18 QUALIFIED PARTICIPANT OR A FORMER QUALIFIED PARTICIPANT UNDER
19 SECTION 134 TO RECEIVE A DISTRIBUTION OF THE PARTICIPANT'S
20 ACCUMULATED BALANCE IN THE MANNER PRESCRIBED IN SECTION 135.

21 (3) "STATE TREASURER" MEANS THE TREASURER OF THIS STATE.

22 SEC. 125. (1) THE STATE TREASURER SHALL INVEST THE ASSETS OF
23 TIER 2. THE STATE TREASURER IS THE FIDUCIARY AND TRUSTEE OF TIER 2.
24 THE STATE TREASURER MAY APPOINT AN ADVISORY BOARD TO ASSIST THE
25 STATE TREASURER IN CARRYING OUT HIS OR HER DUTIES AS FIDUCIARY AND
26 TRUSTEE.

27 (2) THE DEPARTMENT SHALL DETERMINE THE PROVISIONS AND

1 PROCEDURES OF TIER 2 IN CONFORMITY WITH THIS ACT AND THE INTERNAL
2 REVENUE CODE.

3 (3) THE DEPARTMENT HAS THE EXCLUSIVE AUTHORITY AND
4 RESPONSIBILITY TO EMPLOY OR CONTRACT WITH PERSONNEL AND FOR
5 SERVICES THAT THE DEPARTMENT AND STATE TREASURER DETERMINE
6 NECESSARY FOR THE PROPER ADMINISTRATION OF AND INVESTMENT OF ASSETS
7 OF TIER 2 INCLUDING BUT NOT LIMITED TO MANAGERIAL, PROFESSIONAL,
8 LEGAL, CLERICAL, TECHNICAL, AND ADMINISTRATIVE PERSONNEL OR
9 SERVICES.

10 SEC. 126. (1) A QUALIFIED PARTICIPANT, FORMER QUALIFIED
11 PARTICIPANT, HEALTH BENEFIT DEPENDENT, OR REFUND BENEFICIARY MAY
12 REQUEST A HEARING ON A CLAIM INVOLVING HIS OR HER RIGHTS UNDER TIER
13 2. UPON WRITTEN REQUEST, THE DEPARTMENT SHALL PROVIDE FOR A HEARING
14 THAT SHALL BE CONDUCTED PURSUANT TO CHAPTER 4 OF THE ADMINISTRATIVE
15 PROCEDURES ACT OF 1969, 1969 PA 306, MCL 24.271 TO 24.287. AN
16 INDIVIDUAL MAY BE REPRESENTED BY COUNSEL OR OTHER AUTHORIZED AGENT
17 AT A HEARING CONDUCTED UNDER THIS SECTION.

18 (2) CHAPTERS 2, 3, AND 5 OF THE ADMINISTRATIVE PROCEDURES ACT
19 OF 1969, 1969 PA 306, MCL 24.224 TO 24.264 AND 24.291 TO 24.292, DO
20 NOT APPLY TO THE ESTABLISHMENT, IMPLEMENTATION, ADMINISTRATION,
21 OPERATION, INVESTMENT, OR DISTRIBUTION OF TIER 2.

22 SEC. 127. EACH QUALIFIED PARTICIPANT, FORMER QUALIFIED
23 PARTICIPANT, AND REFUND BENEFICIARY SHALL DIRECT THE INVESTMENT OF
24 THE INDIVIDUAL'S ACCUMULATED EMPLOYER AND EMPLOYEE CONTRIBUTIONS
25 AND EARNINGS TO 1 OR MORE INVESTMENT CHOICES WITHIN AVAILABLE
26 CATEGORIES OF INVESTMENT PROVIDED BY THE STATE TREASURER. THE
27 LIMITATIONS ON THE PERCENTAGE OF TOTAL ASSETS FOR INVESTMENTS

1 PROVIDED IN THE PUBLIC EMPLOYEE RETIREMENT SYSTEM INVESTMENT ACT,
2 1965 PA 314, MCL 38.1132 TO 38.1140M, DO NOT APPLY TO TIER 2.

3 SEC. 128. THE ADMINISTRATIVE EXPENSES OF TIER 2 SHALL BE PAID
4 BY THE QUALIFIED PARTICIPANTS, FORMER QUALIFIED PARTICIPANTS, AND
5 REFUND BENEFICIARIES WHO HAVE NOT CLOSED THEIR ACCOUNTS IN A MANNER
6 DETERMINED BY THE DEPARTMENT.

7 SEC. 129. A QUALIFIED PARTICIPANT SHALL NOT PARTICIPATE IN ANY
8 OTHER PUBLIC SECTOR RETIREMENT BENEFITS PLAN FOR SIMULTANEOUS
9 SERVICE RENDERED TO THE SAME PUBLIC SECTOR EMPLOYER. EXCEPT AS
10 OTHERWISE PROVIDED IN THIS ACT OR BY THE DEPARTMENT, THIS SECTION
11 DOES NOT PROHIBIT A QUALIFIED PARTICIPANT FROM PARTICIPATING IN A
12 RETIREMENT PLAN ESTABLISHED BY A PUBLIC SECTOR EMPLOYER UNDER THE
13 INTERNAL REVENUE CODE. FOR THE PURPOSES OF THIS SECTION, PUBLIC
14 SECTOR EMPLOYER INCLUDES, BUT IS NOT LIMITED TO, A REPORTING UNIT.

15 SEC. 130. (1) THE DEPARTMENT SHALL PROMPTLY CREDIT THE TIER 2
16 ACCOUNT OF A QUALIFIED PARTICIPANT OR FORMER QUALIFIED PARTICIPANT
17 WHO MAKES AN ELECTION UNDER SECTION 110 TO TERMINATE MEMBERSHIP IN
18 TIER 1 WITH ANY AMOUNT TRANSFERRED FROM TIER 1 PURSUANT TO SECTION
19 111.

20 (2) NOT LATER THAN 30 DAYS AFTER RECEIPT OF A RECOMPUTED
21 AMOUNT UNDER SECTION 111(2), (4), OR (6), THE DEPARTMENT SHALL
22 CHARGE THE PARTICIPANT'S TIER 2 ACCOUNT FOR ANY AMOUNT OF EXCESS
23 TRANSFERS UNDER SECTION 111(1), (3), OR (5) AND TRANSFER THAT
24 AMOUNT TO THE APPROPRIATE RESERVE IN TIER 1. THE STATE TREASURER
25 MAY DETERMINE WHICH INVESTMENT CHOICE OR CHOICES WITHIN A
26 PARTICIPANT'S TIER 2 ACCOUNT WILL BE USED FOR THIS PURPOSE.

27 SEC. 131. (1) THIS SECTION IS SUBJECT TO THE VESTING

1 REQUIREMENTS OF SECTION 132.

2 (2) A QUALIFIED PARTICIPANT'S EMPLOYER SHALL CONTRIBUTE TO THE
3 QUALIFIED PARTICIPANT'S TIER 2 ACCOUNT AN AMOUNT EQUAL TO 4% OF THE
4 QUALIFIED PARTICIPANT'S COMPENSATION.

5 (3) A QUALIFIED PARTICIPANT MAY PERIODICALLY ELECT TO
6 CONTRIBUTE UP TO 3% OF HIS OR HER COMPENSATION TO HIS OR HER TIER 2
7 ACCOUNT. THE QUALIFIED PARTICIPANT'S EMPLOYER SHALL MAKE AN
8 ADDITIONAL CONTRIBUTION TO THE QUALIFIED PARTICIPANT'S TIER 2
9 ACCOUNT IN AN AMOUNT EQUAL TO THE CONTRIBUTION MADE BY THE
10 QUALIFIED PARTICIPANT UNDER THIS SUBSECTION.

11 (4) A QUALIFIED PARTICIPANT MAY MAKE CONTRIBUTIONS IN ADDITION
12 TO CONTRIBUTIONS MADE UNDER SUBSECTION (3) TO HIS OR HER TIER 2
13 ACCOUNT AS PERMITTED BY THE DEPARTMENT AND THE INTERNAL REVENUE
14 CODE. THE QUALIFIED PARTICIPANT'S EMPLOYER SHALL NOT MATCH
15 CONTRIBUTIONS MADE BY THE QUALIFIED PARTICIPANT UNDER THIS
16 SUBSECTION.

17 SEC. 132. (1) A QUALIFIED PARTICIPANT IS IMMEDIATELY 100%
18 VESTED IN HIS OR HER CONTRIBUTIONS MADE TO TIER 2. A QUALIFIED
19 PARTICIPANT SHALL VEST IN THE EMPLOYER CONTRIBUTIONS MADE ON HIS OR
20 HER BEHALF TO TIER 2 ACCORDING TO THE FOLLOWING SCHEDULE:

21 (A) UPON COMPLETION OF 2 YEARS OF SERVICE, 50%.

22 (B) UPON COMPLETION OF 3 YEARS OF SERVICE, 75%.

23 (C) UPON COMPLETION OF 4 YEARS OF SERVICE, 100%.

24 (2) A QUALIFIED PARTICIPANT IS VESTED IN THE HEALTH INSURANCE
25 COVERAGE PROVIDED IN SECTION 136 IF THE QUALIFIED PARTICIPANT MEETS
26 1 OF THE FOLLOWING REQUIREMENTS:

27 (A) THE QUALIFIED PARTICIPANT HAS COMPLETED 10 YEARS OF

1 SERVICE AS A QUALIFIED PARTICIPANT AND WAS NOT A MEMBER, DEFERRED
2 MEMBER, OR FORMER NONVESTED MEMBER OF TIER 1.

3 (B) THE QUALIFIED PARTICIPANT WAS A MEMBER, DEFERRED MEMBER,
4 OR FORMER NONVESTED MEMBER OF TIER 1 WHO MADE AN ELECTION TO
5 PARTICIPATE IN TIER 2 PURSUANT TO SECTION 110, AND WHO HAS MET THE
6 SERVICE REQUIREMENTS HE OR SHE WOULD HAVE BEEN REQUIRED TO MEET IN
7 ORDER TO VEST IN HEALTH BENEFITS UNDER SECTION 91.

8 SEC. 133. A QUALIFIED PARTICIPANT WHO WAS A MEMBER, DEFERRED
9 MEMBER, OR FORMER NONVESTED MEMBER OF TIER 1 WHO MAKES AN ELECTION
10 TO PARTICIPATE IN TIER 2 PURSUANT TO SECTION 110, SHALL BE CREDITED
11 WITH THE YEARS OF SERVICE ACCRUED UNDER TIER 1 ON THE EFFECTIVE
12 DATE OF PARTICIPATION IN TIER 2 FOR THE PURPOSE OF MEETING THE
13 VESTING REQUIREMENTS FOR BENEFITS UNDER SECTION 132.

14 SEC. 134. A QUALIFIED PARTICIPANT OR FORMER QUALIFIED
15 PARTICIPANT MAY NOMINATE 1 OR MORE INDIVIDUALS AS A REFUND
16 BENEFICIARY BY FILING WRITTEN NOTICE OF NOMINATION WITH THE
17 DEPARTMENT. IF THE QUALIFIED PARTICIPANT OR FORMER QUALIFIED
18 PARTICIPANT IS MARRIED AT THE TIME OF THE NOMINATION AND THE
19 PARTICIPANT'S SPOUSE IS NOT THE REFUND BENEFICIARY FOR 100% OF THE
20 ACCOUNT, THE NOMINATION IS NOT EFFECTIVE UNLESS THE NOMINATION IS
21 SIGNED BY THE PARTICIPANT'S SPOUSE. HOWEVER, THE DEPARTMENT MAY
22 WAIVE THIS REQUIREMENT IF THE SPOUSE'S SIGNATURE CANNOT BE OBTAINED
23 BECAUSE OF EXTENUATING CIRCUMSTANCES.

24 SEC. 135. (1) A QUALIFIED PARTICIPANT IS ELIGIBLE TO RECEIVE
25 DISTRIBUTION OF HIS OR HER ACCUMULATED BALANCE IN TIER 2 UPON
26 BECOMING A FORMER QUALIFIED PARTICIPANT.

27 (2) UPON THE DEATH OF A QUALIFIED PARTICIPANT OR FORMER

1 QUALIFIED PARTICIPANT, THE ACCUMULATED BALANCE OF THAT DECEASED
2 PARTICIPANT IS CONSIDERED TO BELONG TO THE REFUND BENEFICIARY, IF
3 ANY, OF THAT DECEASED PARTICIPANT. IF A VALID NOMINATION OF REFUND
4 BENEFICIARY IS NOT ON FILE WITH THE DEPARTMENT, THE DEPARTMENT, IN
5 A LUMP SUM DISTRIBUTION, SHALL DISTRIBUTE THE ACCUMULATED BALANCE
6 TO THE LEGAL REPRESENTATIVE, IF ANY, OF THE DECEASED PARTICIPANT
7 OR, IF THERE IS NO LEGAL REPRESENTATIVE, TO THE DECEASED
8 PARTICIPANT'S ESTATE.

9 (3) A FORMER QUALIFIED PARTICIPANT OR REFUND BENEFICIARY MAY
10 ELECT 1 OR A COMBINATION OF SEVERAL OF THE FOLLOWING METHODS OF
11 DISTRIBUTION OF THE ACCUMULATED BALANCE:

12 (A) A LUMP SUM DISTRIBUTION TO THE RECIPIENT.

13 (B) A LUMP SUM DIRECT ROLLOVER TO ANOTHER QUALIFIED PLAN, TO
14 THE EXTENT ALLOWED BY FEDERAL LAW.

15 (C) PERIODIC DISTRIBUTIONS, AS AUTHORIZED BY THE DEPARTMENT.

16 (D) NO CURRENT DISTRIBUTION, IN WHICH CASE THE ACCUMULATED
17 BALANCE SHALL REMAIN IN TIER 2 UNTIL THE FORMER QUALIFIED
18 PARTICIPANT OR REFUND BENEFICIARY ELECTS A METHOD OR METHODS OF
19 DISTRIBUTION UNDER SUBDIVISIONS (A) TO (C), TO THE EXTENT ALLOWED
20 BY FEDERAL LAW.

21 SEC. 135A. (1) A QUALIFIED PARTICIPANT WHOM THE RETIREMENT
22 BOARD FINDS TO HAVE BECOME TOTALLY AND PERMANENTLY DISABLED FROM
23 ANY GAINFUL EMPLOYMENT BY REASON OF PERSONAL INJURY OR MENTAL OR
24 PHYSICAL ILLNESS WHILE SERVING AS AN EMPLOYEE OF THAT REPORTING
25 UNIT SHALL BE GRANTED A SUPPLEMENTAL BENEFIT EQUIVALENT TO THE
26 AMOUNT PROVIDED FOR IN SECTION 84 AS IF THE FORMER QUALIFIED
27 PARTICIPANT HAD RETIRED UNDER SECTION 87, WHICH SUPPLEMENTAL

1 BENEFIT SHALL BE OFFSET BY THE VALUE OF THE DISTRIBUTION OF HIS OR
2 HER ACCUMULATED BALANCE UPON BECOMING A FORMER QUALIFIED
3 PARTICIPANT PURSUANT TO SECTION 135.

4 (2) IF A QUALIFIED PARTICIPANT DIES AS A RESULT OF INJURY OR
5 ILLNESS ARISING OUT OF AND IN THE COURSE OF THE QUALIFIED
6 PARTICIPANT'S REPORTING UNIT SERVICE FOR WHICH WORKER'S DISABILITY
7 COMPENSATION IS PAID, OR A DUTY DISABILITY RETIRANT WHO IS IN
8 RECEIPT OF WEEKLY WORKER'S DISABILITY COMPENSATION ON ACCOUNT OF
9 THE RETIRANT'S REPORTING UNIT SERVICE DIES FROM THE SAME CAUSES FOR
10 WHICH THE FORMER QUALIFIED PARTICIPANT RETIRED WITHIN 36 MONTHS
11 AFTER THE FORMER QUALIFIED PARTICIPANT'S RETIREMENT, AND IN EITHER
12 CASE THE DEATH OR THE ILLNESS OR INJURY RESULTING IN DEATH IS FOUND
13 BY THE RETIREMENT BOARD TO HAVE RESULTED, WITHOUT THE QUALIFIED
14 PARTICIPANT'S OR FORMER QUALIFIED PARTICIPANT'S WILLFUL NEGLIGENCE,
15 FROM THE PERFORMANCE OF THE QUALIFIED PARTICIPANT'S OR FORMER
16 QUALIFIED PARTICIPANT'S REPORTING UNIT SERVICE, A SUPPLEMENTAL
17 BENEFIT SHALL BE GRANTED EQUIVALENT TO THE AMOUNT PROVIDED FOR IN
18 SECTION 84 HAD THE FORMER QUALIFIED PARTICIPANT BEEN CONSIDERED
19 RETIRED UNDER SECTION 90, WHICH SUPPLEMENTAL BENEFIT SHALL BE
20 OFFSET BY THE VALUE OF THE DISTRIBUTION OF HIS OR HER ACCUMULATED
21 BALANCE UPON BECOMING A FORMER QUALIFIED PARTICIPANT PURSUANT TO
22 SECTION 135.

23 (3) A QUALIFIED PARTICIPANT WHO HAS AT LEAST 10 YEARS OF
24 CREDITED SERVICE WHOM THE RETIREMENT BOARD FINDS TO HAVE BECOME
25 TOTALLY AND PERMANENTLY DISABLED FOR PURPOSES OF EMPLOYMENT BY HIS
26 OR HER REPORTING UNIT BY REASON OF PERSONAL INJURY OR MENTAL OR
27 PHYSICAL ILLNESS BEFORE TERMINATION OF REPORTING UNIT SERVICE AND

1 EMPLOYMENT SHALL BE GRANTED A SUPPLEMENTAL BENEFIT EQUIVALENT TO
2 THE AMOUNT PROVIDED FOR IN SECTION 84 AS IF THE FORMER QUALIFIED
3 PARTICIPANT HAD RETIRED UNDER SECTION 86, WHICH SUPPLEMENTAL
4 BENEFIT SHALL BE OFFSET BY THE VALUE OF THE DISTRIBUTION OF HIS OR
5 HER ACCUMULATED BALANCE UPON BECOMING A FORMER QUALIFIED
6 PARTICIPANT PURSUANT TO SECTION 135.

7 (4) IF A QUALIFIED PARTICIPANT WHO MEETS THE SERVICE
8 REQUIREMENTS OF SECTION 89 DIES AS A RESULT OF INJURY OR ILLNESS
9 THAT DOES NOT ARISE OUT OF AND IN THE COURSE OF THE QUALIFIED
10 PARTICIPANT'S REPORTING UNIT SERVICE, A SUPPLEMENTAL BENEFIT SHALL
11 BE GRANTED EQUIVALENT TO THE AMOUNT PROVIDED FOR IN SECTION 89 HAD
12 THE FORMER QUALIFIED PARTICIPANT BEEN CONSIDERED RETIRED UNDER
13 SECTION 89, WHICH SUPPLEMENTAL BENEFIT SHALL BE OFFSET BY THE VALUE
14 OF THE DISTRIBUTION OF HIS OR HER ACCUMULATED BALANCE UPON BECOMING
15 A FORMER QUALIFIED PARTICIPANT PURSUANT TO SECTION 135.

16 (5) A QUALIFIED PARTICIPANT, FORMER QUALIFIED PARTICIPANT, OR
17 BENEFICIARY OF A DECEASED PARTICIPANT, WHICH PARTICIPANT IS
18 ELIGIBLE FOR A DISABILITY RETIREMENT ALLOWANCE UNDER THIS SECTION,
19 IS ELIGIBLE FOR HEALTH INSURANCE COVERAGE UNDER SECTION 91 IN ALL
20 RESPECTS AND UNDER THE SAME TERMS AS A RETIRANT AND HIS OR HER
21 BENEFICIARIES UNDER TIER 1.

22 SEC. 136. (1) A FORMER QUALIFIED PARTICIPANT MAY ELECT HEALTH
23 INSURANCE BENEFITS IN THE MANNER PRESCRIBED IN THIS SECTION IF HE
24 OR SHE MEETS BOTH OF THE FOLLOWING REQUIREMENTS:

25 (A) THE FORMER QUALIFIED PARTICIPANT IS VESTED IN HEALTH
26 BENEFITS UNDER SECTION 132(2).

27 (B) THE FORMER QUALIFIED PARTICIPANT MEETS OR EXCEEDS THE

1 BENEFIT COMMENCEMENT AGE EMPLOYED IN THE ACTUARIAL PRESENT VALUE
2 CALCULATION UNDER SECTION 111 AND THE SERVICE REQUIREMENTS THAT
3 WOULD HAVE APPLIED TO THAT FORMER PARTICIPANT UNDER TIER 1 FOR
4 RECEIVING HEALTH INSURANCE COVERAGE UNDER SECTION 91, IF THAT
5 FORMER PARTICIPANT WAS A MEMBER OF TIER 1.

6 (2) A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT
7 HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) MAY ELECT HEALTH
8 INSURANCE COVERAGE IN A HEALTH BENEFIT PLAN OR PLANS AS AUTHORIZED
9 BY SECTION 91 OR IN ANOTHER PLAN AS PROVIDED IN SUBSECTION (6). A
10 FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT HEALTH
11 INSURANCE COVERAGE UNDER SUBSECTION (1) MAY ALSO ELECT HEALTH
12 INSURANCE COVERAGE FOR HIS OR HER HEALTH BENEFIT DEPENDENTS, IF
13 ANY. A SURVIVING HEALTH BENEFIT DEPENDENT OF A DECEASED FORMER
14 QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT HEALTH INSURANCE
15 COVERAGE UNDER SUBSECTION (1) MAY ELECT HEALTH INSURANCE COVERAGE
16 IN THE MANNER PRESCRIBED IN THIS SECTION.

17 (3) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (6), AN
18 INDIVIDUAL WHO ELECTS HEALTH INSURANCE COVERAGE UNDER THIS SECTION
19 SHALL BECOME A MEMBER OF A HEALTH INSURANCE COVERAGE GROUP
20 AUTHORIZED UNDER SECTION 91.

21 (4) FOR A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO
22 ELECT HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) AND WHO IS
23 VESTED IN THOSE BENEFITS UNDER SECTION 132(2)(A), AND FOR HIS OR
24 HER HEALTH BENEFIT DEPENDENTS, THE RETIREMENT SYSTEM SHALL PAY A
25 PORTION OF THE HEALTH INSURANCE PREMIUM AS CALCULATED UNDER THIS
26 SUBSECTION ON A CASH DISBURSEMENT METHOD. AN INDIVIDUAL DESCRIBED
27 IN THIS SUBSECTION WHO ELECTS HEALTH INSURANCE COVERAGE UNDER THIS

1 SECTION SHALL PAY TO THE RETIREMENT SYSTEM THE REMAINING PORTION OF
2 THE HEALTH INSURANCE COVERAGE PREMIUM NOT PAID BY THE RETIREMENT
3 SYSTEM UNDER THIS SUBSECTION. THE PORTION OF THE HEALTH INSURANCE
4 COVERAGE PREMIUM PAID BY THE RETIREMENT SYSTEM UNDER THIS
5 SUBSECTION SHALL BE EQUAL TO THE PRODUCT OF 3% AND THE FORMER
6 QUALIFIED PARTICIPANT'S YEARS OF SERVICE, UP TO 30 YEARS, AND SHALL
7 NOT EXCEED 90% OF THE PAYMENTS FOR HEALTH INSURANCE COVERAGE UNDER
8 SECTION 91. ADDITIONALLY, IF A FORMER QUALIFIED PARTICIPANT
9 DESCRIBED IN THIS SUBSECTION HAS LESS THAN 30 YEARS OF SERVICE
10 CREDIT AND IS LESS THAN 60 YEARS OF AGE, THE RETIREMENT SYSTEM
11 SHALL REDUCE THE AMOUNT PAYABLE UNDER THIS SUBSECTION BY THE
12 FORMULA USED TO REDUCE A RETIREMENT ALLOWANCE UNDER SECTION 84(2).
13 IF THE INDIVIDUAL ELECTS THE HEALTH INSURANCE COVERAGE PROVIDED
14 UNDER SECTION 91, THE RETIREMENT SYSTEM SHALL TRANSFER ITS PORTION
15 OF THE AMOUNT CALCULATED UNDER THIS SUBSECTION TO THE RESERVE FOR
16 HEALTH BENEFITS CREATED BY SECTION 34.

17 (5) A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT
18 HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) AND WHO IS VESTED IN
19 THOSE BENEFITS UNDER SECTION 132(2)(B) MAY ELECT HEALTH INSURANCE
20 COVERAGE UNDER SECTION 91 FOR HIMSELF OR HERSELF AND FOR HIS OR HER
21 HEALTH BENEFIT DEPENDENTS, IN ALL RESPECTS AND UNDER THE SAME TERMS
22 AS WOULD A RETIRANT AND HIS OR HER HEALTH INSURANCE DEPENDENTS
23 UNDER TIER 1.

24 (6) A FORMER QUALIFIED PARTICIPANT OR HEALTH BENEFIT DEPENDENT
25 WHO IS ELIGIBLE TO ELECT HEALTH INSURANCE COVERAGE UNDER THIS
26 SECTION AND WHO ELECTS HEALTH INSURANCE COVERAGE UNDER A DIFFERENT
27 PLAN THAN THE PLAN AUTHORIZED UNDER SECTION 91 MAY ELECT TO HAVE AN

1 AMOUNT UP TO THE AMOUNT OF THE RETIREMENT SYSTEM'S SHARE OF THE
2 MONTHLY HEALTH INSURANCE PREMIUM SUBSIDY PROVIDED IN THIS SECTION
3 PAID BY THE RETIREMENT SYSTEM DIRECTLY TO THE OTHER HEALTH
4 INSURANCE PLAN OR TO A MEDICAL SAVINGS ACCOUNT ESTABLISHED PURSUANT
5 TO SECTION 220 OF THE INTERNAL REVENUE CODE, TO THE EXTENT ALLOWED
6 BY LAW OR UNDER THE PROVISIONS AND PROCEDURES OF TIER 2.

7 (7) IF THE DEPARTMENT OF MANAGEMENT AND BUDGET RECEIVES
8 NOTIFICATION FROM THE UNITED STATES INTERNAL REVENUE SERVICE THAT
9 THIS SECTION OR ANY PORTION OF THIS SECTION WILL CAUSE THE
10 RETIREMENT SYSTEM TO BE DISQUALIFIED FOR TAX PURPOSES UNDER THE
11 INTERNAL REVENUE CODE, THEN THE PORTION THAT WILL CAUSE THE
12 DISQUALIFICATION DOES NOT APPLY.

13 SEC. 137. (1) DISTRIBUTIONS FROM EMPLOYER CONTRIBUTIONS MADE
14 PURSUANT TO SECTION 131(2) AND (3) AND EARNINGS ON THOSE EMPLOYER
15 CONTRIBUTIONS, AND DISTRIBUTIONS FROM EMPLOYEE CONTRIBUTIONS MADE
16 PURSUANT TO SECTION 131(3) AND EARNINGS ON THOSE EMPLOYEE
17 CONTRIBUTIONS, ARE EXEMPT FROM ANY STATE, COUNTY, MUNICIPAL, OR
18 OTHER LOCAL TAX, AND SHALL NOT BE SUBJECT TO EXECUTION,
19 GARNISHMENT, ATTACHMENT, THE OPERATION OF BANKRUPTCY OR INSOLVENCY
20 LAWS, OR OTHER PROCESS OF LAW, AND SHALL BE UNASSIGNABLE EXCEPT AS
21 OTHERWISE PROVIDED IN THIS ACT.

22 (2) THE RIGHT OF A QUALIFIED PARTICIPANT OR A FORMER QUALIFIED
23 PARTICIPANT, OR HIS OR HER BENEFICIARIES, TO A DISTRIBUTION
24 DESCRIBED IN SUBSECTION (1) IS SUBJECT TO FORFEITURE PURSUANT TO
25 THE PUBLIC EMPLOYEE RETIREMENT BENEFITS FORFEITURE ACT, 1994 PA
26 350, MCL 38.2701 TO 38.2705.

27 (3) THE RIGHT OF A QUALIFIED PARTICIPANT OR FORMER QUALIFIED

1 PARTICIPANT TO A DISTRIBUTION DESCRIBED IN SUBSECTION (1) IS
2 SUBJECT TO AN AWARD BY A COURT PURSUANT TO SECTION 18 OF 1846 RS
3 84, MCL 552.18; AN ELIGIBLE DOMESTIC RELATIONS ORDER UNDER THE
4 ELIGIBLE DOMESTIC RELATIONS ORDER ACT, 1991 PA 46, MCL 38.1701 TO
5 38.1711; AND TO ANY OTHER DOMESTIC RELATIONS ORDER OF A COURT
6 PERTAINING TO ALIMONY OR CHILD SUPPORT.

7 (4) IF AN AWARD OR ORDER DESCRIBED IN SUBSECTION (3) REQUIRES
8 THE WITHHOLDING OR MAKING OF A PAYMENT OF A DISTRIBUTION DESCRIBED
9 IN SUBSECTION (1) OR REQUIRES THE INDIVIDUAL TO REQUEST THAT
10 PAYMENT OF A DISTRIBUTION DESCRIBED IN SUBSECTION (1) BE MADE, FOR
11 THE PURPOSE OF MEETING THE INDIVIDUAL'S OBLIGATIONS TO A SPOUSE,
12 FORMER SPOUSE, OR CHILD, AS PROVIDED IN SUBSECTION (3), THE
13 WITHHOLDING OR PAYMENT PROVISIONS OF THE AWARD OR ORDER ARE
14 EFFECTIVE ONLY AGAINST SUCH AMOUNTS AS THEY BECOME DUE AND PAYABLE
15 TO THE INDIVIDUAL RECEIVING THE DISTRIBUTION, UNLESS OTHERWISE
16 PROVIDED IN AN ELIGIBLE DOMESTIC RELATIONS ORDER UNDER THE ELIGIBLE
17 DOMESTIC RELATIONS ORDER ACT, 1991 PA 46, MCL 38.1701 TO 38.1711.
18 THE LIMITATION CONTAINED IN THIS SUBSECTION DOES NOT APPLY TO THE
19 ACCUMULATED EMPLOYEE CONTRIBUTIONS OF A FORMER QUALIFIED
20 PARTICIPANT WHO HAS TERMINATED EMPLOYMENT BEFORE ACQUIRING A VESTED
21 STATUS PURSUANT TO THIS ARTICLE.

22 (5) THE STATE TREASURER HAS THE RIGHT OF SETOFF TO RECOVER
23 OVERPAYMENTS MADE UNDER THIS ARTICLE AND TO SATISFY ANY CLAIMS
24 ARISING FROM EMBEZZLEMENT OR FRAUD COMMITTED BY A QUALIFIED
25 PARTICIPANT, FORMER QUALIFIED PARTICIPANT, REFUND BENEFICIARY, OR
26 OTHER PERSON WHO HAS A CLAIM TO A DISTRIBUTION OR ANY OTHER BENEFIT
27 FROM TIER 2.

1 (6) THE STATE TREASURER SHALL CORRECT ERRORS IN THE RECORDS
2 AND ACTIONS UNDER THIS ARTICLE, AND SHALL SEEK TO RECOVER
3 OVERPAYMENTS AND SHALL MAKE UP UNDERPAYMENTS.

4 Enacting section 1. If any section or part of a section of
5 this act is for any reason held to be invalid or unconstitutional,
6 the holding does not affect the validity of the remaining sections
7 of this act or the act in its entirety.