

HOUSE SUBSTITUTE FOR
SENATE BILL NO. 1226

A bill to amend 1943 PA 240, entitled
"State employees' retirement act,"
by amending sections 38, 68, and 68c (MCL 38.38, 38.68, and
38.68c), section 38 as amended by 2007 PA 16, section 68 as added
by 1996 PA 487, and section 68c as amended by 2010 PA 54, and by
adding sections 19j, 20i, 35, and 68d.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 SEC. 19J. (1) NOTWITHSTANDING SECTION 19, A MEMBER MAY RETIRE
2 AND RECEIVE A RETIREMENT ALLOWANCE COMPUTED UNDER THIS SECTION IF
3 THE MEMBER MEETS ALL OF THE FOLLOWING REQUIREMENTS:

4 (A) ON THE LAST DAY OF THE MONTH PRECEDING THE EFFECTIVE DATE
5 OF HIS OR HER RETIREMENT AS STATED IN SUBDIVISION (F), THE MEMBER'S
6 COMBINED AGE AND LENGTH OF CREDITED SERVICE IS EQUAL TO OR GREATER

1 THAN 80 YEARS, THE MEMBER'S LENGTH OF CREDITED SERVICE IS EQUAL TO
2 OR GREATER THAN 30 YEARS, OR THE MEMBER IS ELIGIBLE TO RETIRE UNDER
3 SECTION 19 WITH A RETIREMENT ALLOWANCE THAT IS NOT SUBJECT TO
4 REDUCTION UNDER SECTION 19(2).

5 (B) THE MEMBER OCCUPIES A POSITION IN THE CLASSIFIED STATE
6 CIVIL SERVICE, HAS CLASSIFIED STATE CIVIL SERVICE STATUS, OR IS AN
7 INDIVIDUAL NOT DESCRIBED IN SUBSECTION (2)(B).

8 (C) THE MEMBER IS NOT ELIGIBLE FOR A SUPPLEMENTAL EARLY
9 RETIREMENT UNDER SECTION 46 AS A COVERED EMPLOYEE DEFINED IN
10 SECTION 45, OR IF THE MEMBER IS ELIGIBLE FOR A SUPPLEMENTAL EARLY
11 RETIREMENT UNDER SECTION 46 AS A COVERED EMPLOYEE DEFINED IN
12 SECTION 45, THE MEMBER MEETS THE REQUIREMENTS OF SUBSECTION (6).

13 (D) THE MEMBER IS NOT A CONSERVATION OFFICER AS DESCRIBED IN
14 SECTION 48, OR IF THE MEMBER IS A CONSERVATION OFFICER AS DESCRIBED
15 IN SECTION 48, THE MEMBER MEETS THE REQUIREMENTS OF SUBSECTION (6).

16 (E) THE MEMBER WAS EMPLOYED BY THIS STATE OR THE LEGISLATURE
17 WITHIN THE 6-MONTH PERIOD ENDING ON THE FIRST DAY OF THE
18 INCENTIVIZED RETIREMENT APPLICATION PERIOD. A MEMBER WHO WAS LAID
19 OFF OR GRANTED AN APPROVED LEAVE OF ABSENCE FROM STATE EMPLOYMENT
20 WITHIN THE 12-MONTH PERIOD ENDING ON THE FIRST DAY OF THE
21 INCENTIVIZED RETIREMENT APPLICATION PERIOD IS CONSIDERED TO HAVE
22 MET THE EMPLOYMENT REQUIREMENT OF THIS SUBDIVISION.

23 (F) THE MEMBER EXECUTES AND FILES AN APPLICATION IN A MANNER
24 DETERMINED BY THE RETIREMENT SYSTEM WITH THE RETIREMENT BOARD,
25 DURING THE INCENTIVIZED RETIREMENT APPLICATION PERIOD, STATING A
26 RETIREMENT ALLOWANCE EFFECTIVE DATE THAT IS ON OR AFTER NOVEMBER 1,
27 2010 BUT NOT LATER THAN JANUARY 1, 2011. A MEMBER MAY WITHDRAW AN

1 APPLICATION ON OR BEFORE THE CLOSE OF THE INCENTIVIZED RETIREMENT
2 APPLICATION PERIOD. AN APPLICATION SUBMITTED BY A MEMBER AND NOT
3 WITHDRAWN ON OR BEFORE THE CLOSE OF THE INCENTIVIZED RETIREMENT
4 APPLICATION PERIOD IS IRREVOCABLE.

5 (2) NOTWITHSTANDING SECTION 19, A MEMBER MAY RETIRE AND
6 RECEIVE A RETIREMENT ALLOWANCE COMPUTED UNDER THIS SECTION IF THE
7 MEMBER MEETS ALL OF THE FOLLOWING REQUIREMENTS:

8 (A) ON THE LAST DAY OF THE MONTH PRECEDING THE EFFECTIVE DATE
9 OF HIS OR HER RETIREMENT AS STATED IN SUBDIVISION (F), THE MEMBER'S
10 COMBINED AGE AND LENGTH OF CREDITED SERVICE IS EQUAL TO OR GREATER
11 THAN 80 YEARS, THE MEMBER'S CREDITED SERVICE IS EQUAL TO OR GREATER
12 THAN 30 YEARS, OR THE MEMBER IS ELIGIBLE TO RETIRE UNDER SECTION 19
13 WITH A RETIREMENT ALLOWANCE THAT IS NOT SUBJECT TO REDUCTION UNDER
14 SECTION 19(2).

15 (B) THE MEMBER IS AN EMPLOYEE OF THE LEGISLATIVE BRANCH OF
16 STATE GOVERNMENT WITHOUT CLASSIFIED CIVIL SERVICE STATUS, IS AN
17 EMPLOYEE OF THE JUDICIAL BRANCH OF STATE GOVERNMENT, OR IS AN
18 UNCLASSIFIED STATE EMPLOYEE NOT WITHIN THE CLASSIFIED STATE CIVIL
19 SERVICE.

20 (C) THE MEMBER IS NOT ELIGIBLE FOR A SUPPLEMENTAL EARLY
21 RETIREMENT UNDER SECTION 46 AS A COVERED EMPLOYEE DEFINED IN
22 SECTION 45, OR IF THE MEMBER IS ELIGIBLE FOR A SUPPLEMENTAL EARLY
23 RETIREMENT UNDER SECTION 46 AS A COVERED EMPLOYEE DEFINED IN
24 SECTION 45, THE MEMBER MEETS THE REQUIREMENTS OF SUBSECTION (6).

25 (D) THE MEMBER IS NOT A CONSERVATION OFFICER AS DESCRIBED IN
26 SECTION 48, OR IF THE MEMBER IS A CONSERVATION OFFICER AS DESCRIBED
27 IN SECTION 48, THE MEMBER MEETS THE REQUIREMENTS OF SUBSECTION (6).

1 (E) THE MEMBER WAS EMPLOYED BY THIS STATE WITHIN THE 6-MONTH
2 PERIOD ENDING ON THE FIRST DAY OF THE INCENTIVIZED RETIREMENT
3 APPLICATION PERIOD. A MEMBER WHO WAS LAID OFF OR GRANTED AN
4 APPROVED LEAVE OF ABSENCE FROM STATE EMPLOYMENT WITHIN THE 12-MONTH
5 PERIOD ENDING ON THE FIRST DAY OF THE INCENTIVIZED RETIREMENT
6 APPLICATION PERIOD IS CONSIDERED TO HAVE MET THE EMPLOYMENT
7 REQUIREMENT OF THIS SUBDIVISION.

8 (F) THE MEMBER EXECUTES AND FILES AN APPLICATION IN A MANNER
9 DETERMINED BY THE RETIREMENT SYSTEM WITH THE RETIREMENT BOARD,
10 DURING THE INCENTIVIZED RETIREMENT APPLICATION PERIOD, STATING A
11 RETIREMENT ALLOWANCE EFFECTIVE DATE THAT IS ON OR AFTER NOVEMBER 1,
12 2010 BUT NOT LATER THAN JANUARY 1, 2011. A MEMBER MAY WITHDRAW AN
13 APPLICATION ON OR BEFORE THE CLOSE OF THE INCENTIVIZED RETIREMENT
14 APPLICATION PERIOD. AN APPLICATION SUBMITTED BY A MEMBER AND NOT
15 WITHDRAWN ON OR BEFORE THE CLOSE OF THE INCENTIVIZED RETIREMENT
16 APPLICATION PERIOD IS IRREVOCABLE.

17 (3) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT, A MEMBER
18 RETIRING UNDER THIS SECTION AGREES THAT ANY AMOUNT THAT HE OR SHE
19 WOULD OTHERWISE BE ENTITLED TO RECEIVE AT RETIREMENT ON ACCOUNT OF
20 ACCUMULATED ANNUAL LEAVE, SICK LEAVE, AND OTHER DEFERRED LEAVE
21 HOURS SHALL NOT BE PAID TO THE MEMBER AND SHALL BE FORFEITED. THE
22 VALUE OF ACCRUED ANNUAL LEAVE UP TO 240 HOURS AND THE VALUE OF
23 VOLUNTARY AND INVOLUNTARY PAY REDUCTION PLAN B FOR SERVICES
24 RENDERED ON OR BEFORE OCTOBER 1, 1981, FORFEITED UNDER THIS
25 SUBSECTION BY A MEMBER SHALL BE INCLUDED IN THE CALCULATION FOR THE
26 PURPOSES OF DETERMINING "FINAL AVERAGE COMPENSATION" FOR THAT
27 MEMBER UNDER THIS SECTION. THIS SUBSECTION DOES NOT APPLY TO BANKED

1 LEAVE TIME.

2 (4) THE DIRECTOR OF A PRINCIPAL DEPARTMENT OF THE EXECUTIVE
3 BRANCH OF STATE GOVERNMENT MAY REQUEST THAT THE EFFECTIVE DATE OF
4 RETIREMENT UNDER SUBSECTION (1) OR (2) OF A MEMBER EMPLOYED BY THAT
5 DEPARTMENT BE EXTENDED TO A DATE NOT LATER THAN JULY 1, 2011. TO
6 MAKE A REQUEST UNDER THIS SUBSECTION, THE DIRECTOR SHALL SUBMIT A
7 WRITTEN REQUEST AND THE WRITTEN CONCURRENCE OF THE MEMBER TO THE
8 DIRECTOR OF THE OFFICE OF THE STATE EMPLOYER AND THE STATE BUDGET
9 DIRECTOR ON OR BEFORE THE CLOSE OF THE INCENTIVIZED RETIREMENT
10 APPLICATION PERIOD. UPON RECEIPT OF THE WRITTEN REQUEST AND
11 CONCURRENCE, THE DIRECTOR OF THE OFFICE OF THE STATE EMPLOYER AND
12 THE STATE BUDGET DIRECTOR MAY EXTEND THE EFFECTIVE DATE OF
13 RETIREMENT OF A MEMBER OTHERWISE ELIGIBLE TO RETIRE UNDER
14 SUBSECTION (1) OR (2) TO A DATE NOT LATER THAN JULY 1, 2011. UPON
15 WRITTEN APPROVAL OF THE SENATE MAJORITY LEADER FOR A MEMBER WHO IS
16 AN EMPLOYEE OF THE SENATE, THE SPEAKER OF THE HOUSE OF
17 REPRESENTATIVES FOR A MEMBER WHO IS AN EMPLOYEE OF THE HOUSE OF
18 REPRESENTATIVES, THE SENATE MAJORITY LEADER AND THE SPEAKER OF THE
19 HOUSE OF REPRESENTATIVES FOR A MEMBER WHO IS AN EMPLOYEE OF THE
20 OFFICE OF THE AUDITOR GENERAL, DIRECTOR OR CHAIR OF THE LEGISLATIVE
21 RETIREMENT SYSTEM FOR A MEMBER WHO IS AN EMPLOYEE OF THE
22 LEGISLATIVE RETIREMENT SYSTEM, OR THE CHAIR AND ALTERNATE CHAIR OF
23 THE LEGISLATIVE COUNCIL FOR A MEMBER WHO IS AN EMPLOYEE OF AN
24 AGENCY UNDER THE JURISDICTION OF THE LEGISLATIVE COUNCIL, AND UPON
25 WRITTEN CONCURRENCE OF THE MEMBER, THE EFFECTIVE DATE OF RETIREMENT
26 FOR THAT MEMBER MAY BE EXTENDED TO A DATE NOT LATER THAN JULY 1,
27 2011. UPON WRITTEN APPROVAL OF THE CHIEF JUSTICE FOR A MEMBER WHO

1 IS AN EMPLOYEE OF THE JUDICIAL BRANCH, INCLUDING, BUT NOT LIMITED
2 TO, MEMBERS DESCRIBED IN SECTION 44A, AND UPON WRITTEN CONCURRENCE
3 OF THE MEMBER, THE EFFECTIVE DATE OF RETIREMENT FOR THAT MEMBER MAY
4 BE EXTENDED TO A DATE NOT LATER THAN JULY 1, 2011. THE INDIVIDUAL
5 OR INDIVIDUALS WHO APPROVE THE EXTENSION OF AN EFFECTIVE DATE OF
6 RETIREMENT FOR A MEMBER WHO IS AN EMPLOYEE OF THE LEGISLATURE,
7 SUPREME COURT, OR COURT OF APPEALS SHALL SUBMIT WRITTEN
8 NOTIFICATION TO THE OFFICE OF RETIREMENT SERVICES OF ALL EXTENSIONS
9 APPROVED ON OR BEFORE OCTOBER 29, 2010.

10 (5) UPON HIS OR HER RETIREMENT AS PROVIDED IN THIS SECTION, A
11 MEMBER WITH A RETIREMENT ALLOWANCE EFFECTIVE DATE ON OR BEFORE
12 JANUARY 1, 2011 SHALL RECEIVE A RETIREMENT ALLOWANCE EQUAL TO THE
13 MEMBER'S NUMBER OF YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE
14 MULTIPLIED BY 1.6% OF HIS OR HER FINAL AVERAGE COMPENSATION IF THE
15 MEMBER'S FINAL AVERAGE COMPENSATION IS \$90,000.00 OR LESS, AND THE
16 MEMBER IS ELIGIBLE TO RETIRE UNDER SECTION 19 WITH A RETIREMENT
17 ALLOWANCE THAT IS NOT SUBJECT TO REDUCTION UNDER SECTION 19(2). IF
18 THE MEMBER HAS A RETIREMENT ALLOWANCE EFFECTIVE DATE ON OR BEFORE
19 JANUARY 1, 2011, THE MEMBER IS ELIGIBLE TO RETIRE UNDER SECTION 19
20 WITH A RETIREMENT ALLOWANCE THAT IS NOT SUBJECT TO REDUCTION UNDER
21 SECTION 19(2), AND THAT MEMBER HAS A FINAL AVERAGE COMPENSATION
22 THAT IS GREATER THAN \$90,000.00, THE RETIREMENT ALLOWANCE SHALL BE
23 EQUAL TO THE MEMBER'S NUMBER OF YEARS AND FRACTION OF A YEAR OF
24 CREDITED SERVICE MULTIPLIED BY 1.6% OF HIS OR HER FINAL AVERAGE
25 COMPENSATION UP TO A FINAL AVERAGE COMPENSATION OF \$90,000.00 AND
26 THE REMAINING PORTION OF THE RETIREMENT ALLOWANCE SHALL BE EQUAL TO
27 THE MEMBER'S NUMBER OF YEARS AND FRACTION OF A YEAR OF CREDITED

1 SERVICE MULTIPLIED BY 1.5% OF THE PORTION OF FINAL AVERAGE
2 COMPENSATION OVER \$90,000.00. FOR MEMBERS ELIGIBLE UNDER THIS
3 SECTION BECAUSE THE MEMBER'S COMBINED AGE AND LENGTH OF CREDITED
4 SERVICE IS EQUAL TO OR GREATER THAN 80 YEARS OR BECAUSE THE
5 MEMBER'S LENGTH OF CREDITED SERVICE IS EQUAL TO OR GREATER THAN 30
6 YEARS, UPON HIS OR HER RETIREMENT AS PROVIDED IN THIS SECTION, A
7 MEMBER WHO RETIRES WITH A RETIREMENT EFFECTIVE DATE ON OR BEFORE
8 JANUARY 1, 2011 SHALL RECEIVE A RETIREMENT ALLOWANCE EQUAL TO THE
9 MEMBER'S NUMBER OF YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE
10 MULTIPLIED BY 1.55% OF THE MEMBER'S FINAL AVERAGE COMPENSATION IF
11 THE FINAL AVERAGE COMPENSATION IS \$90,000.00 OR LESS. FOR MEMBERS
12 ELIGIBLE TO RETIRE UNDER THIS SECTION BECAUSE THE MEMBER'S COMBINED
13 AGE AND LENGTH OF CREDITED SERVICE IS EQUAL TO OR GREATER THAN 80
14 YEARS OR BECAUSE THE MEMBER'S LENGTH OF CREDITED SERVICE IS EQUAL
15 TO OR GREATER THAN 30 YEARS WHOSE FINAL AVERAGE COMPENSATION IS
16 GREATER THAN \$90,000.00, THE RETIREMENT ALLOWANCE SHALL BE
17 CALCULATED SO THAT THE MEMBER RECEIVES A PORTION OF HIS OR HER
18 RETIREMENT ALLOWANCE EQUAL TO THE MEMBER'S NUMBER OF YEARS AND
19 FRACTION OF A YEAR OF CREDITED SERVICE MULTIPLIED BY 1.55% OF HIS
20 OR HER FINAL AVERAGE COMPENSATION UP TO A FINAL AVERAGE
21 COMPENSATION OF \$90,000.00 AND THE REMAINING PORTION OF THE
22 RETIREMENT ALLOWANCE SHALL BE CALCULATED AS EQUAL TO THE MEMBER'S
23 NUMBER OF YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE
24 MULTIPLIED BY 1.5% OF THE PORTION OF FINAL AVERAGE COMPENSATION
25 OVER \$90,000.00. NO ADDITIONAL INCREASE IN MULTIPLIER SHALL BE USED
26 BASED ON AN EXTENSION UNDER SUBSECTION (4).

27 (6) A MEMBER WHO IS A CONSERVATION OFFICER AS DESCRIBED IN

1 SECTION 48 OR A MEMBER WHO IS ELIGIBLE FOR A SUPPLEMENTAL EARLY
2 RETIREMENT UNDER SECTION 46 AS A COVERED EMPLOYEE DEFINED IN
3 SECTION 45 MAY MAKE THE ELECTION AND BE ELIGIBLE FOR A RETIREMENT
4 ALLOWANCE UNDER THIS SECTION IF THE MEMBER MEETS THE ELIGIBILITY
5 REQUIREMENTS OF THIS SECTION. A MEMBER WHO MEETS THE ELIGIBILITY
6 REQUIREMENTS AND MAKES AN ELECTION UNDER THIS SECTION SHALL RECEIVE
7 A RETIREMENT ALLOWANCE CALCULATED UNDER THIS SECTION AND SHALL NOT
8 BE ELIGIBLE FOR ANY SUPPLEMENTAL BENEFIT THAT HE OR SHE MAY HAVE
9 BEEN ELIGIBLE FOR HAD HE OR SHE RETIRED UNDER SECTIONS 45 TO 48.

10 (7) ANY ADDITIONAL COSTS TO THE RETIREMENT SYSTEM AS A RESULT
11 OF THE RETIREMENT ALLOWANCE CALCULATIONS UNDER THIS SECTION SHALL
12 BE AMORTIZED OVER A 5-YEAR PERIOD.

13 (8) AS USED IN THIS SECTION, "INCENTIVIZED RETIREMENT
14 APPLICATION PERIOD" MEANS THE PERIOD BEGINNING ON THE EFFECTIVE
15 DATE OF THE AMENDATORY ACT THAT ADDED THIS SECTION AND ENDING ON
16 NOVEMBER 5, 2010 AT 5 P.M. EASTERN STANDARD TIME UNLESS THE MEMBER
17 SELECTS A RETIREMENT ALLOWANCE EFFECTIVE DATE OF NOVEMBER 1, 2010.
18 IF THE MEMBER SELECTS A RETIREMENT ALLOWANCE EFFECTIVE DATE OF
19 NOVEMBER 1, 2010, THEN THE INCENTIVIZED RETIREMENT APPLICATION
20 PERIOD ENDS ON OCTOBER 22, 2010 AT 5 P.M. EASTERN DAYLIGHT TIME.

21 SEC. 20I. UPON HIS OR HER RETIREMENT AS PROVIDED FOR IN
22 SECTION 19J, BEGINNING JANUARY 1, 2011, A MEMBER SHALL RECEIVE A
23 SUPPLEMENT FOR 60 MONTHS TO HIS OR HER RETIREMENT ALLOWANCE
24 PAYMENTS EQUAL TO 1/60 OF THE AMOUNT FORFEITED IN SECTION 19J(3).
25 THE TOTAL AMOUNT OF THE SUPPLEMENT SHALL ALSO BE TREATED IN THE
26 SAME MANNER AS ACCUMULATED CONTRIBUTIONS CREDITED TO THE RETIRANT
27 IN THE EMPLOYEES SAVING FUND FOR PURPOSES OF A CALCULATION

Senate Bill No. 1226 (H-38) as amended September 23, 2010

1 PERFORMED FOR THIS SUPPLEMENT IN THE SAME MANNER AS SECTION 20(3).

2 THE AMOUNTS IN THIS SECTION DO NOT INCLUDE BANKED LEAVE TIME. THE
 3 EMPLOYER SHALL MAKE PAYMENTS TO THE RETIREMENT SYSTEM IN AMOUNTS
 4 EQUAL TO THE SUPPLEMENT REQUIRED UNDER THIS SECTION. THESE PAYMENTS
 5 SHALL BE MADE FROM FUNDS APPROPRIATED TO THE APPOINTING AUTHORITY
 6 IN A MANNER DETERMINED BY THE EMPLOYER.

7 SEC. 35. (1) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION,
 8 BEGINNING WITH THE FIRST PAY DATE AFTER NOVEMBER 1, 2010 AND ENDING
 9 SEPTEMBER 30, 2013, EACH MEMBER AND EACH QUALIFIED PARTICIPANT
 10 SHALL CONTRIBUTE AN AMOUNT EQUAL TO 3.0% OF THE MEMBER'S OR
 11 QUALIFIED PARTICIPANT'S COMPENSATION TO THE APPROPRIATE FUNDING
 12 ACCOUNT ESTABLISHED UNDER THE PUBLIC EMPLOYEE RETIREMENT HEALTH
 13 CARE FUNDING ACT, 2010 PA 77, MCL 38.2731 TO 38.2747. THE MEMBER
 14 AND QUALIFIED PARTICIPANT CONTRIBUTIONS SHALL BE DEDUCTED BY THE
 15 EMPLOYER AND REMITTED AS EMPLOYER CONTRIBUTIONS TO THE FUNDING
 16 ACCOUNT IN A MANNER THAT THE STATE BUDGET OFFICE AND THE RETIREMENT
 17 SYSTEM SHALL DETERMINE. THE STATE BUDGET OFFICE AND THE RETIREMENT
 18 SYSTEM SHALL DETERMINE A METHOD OF DEDUCTING THE CONTRIBUTIONS
 19 PROVIDED FOR IN THIS SECTION FROM THE COMPENSATION OF EACH MEMBER
 20 AND QUALIFIED PARTICIPANT FOR EACH PAYROLL AND EACH PAYROLL PERIOD.

21 (2) AS USED IN THIS ACT, "FUNDING ACCOUNT" MEANS THE
 22 APPROPRIATE IRREVOCABLE TRUST CREATED IN THE PUBLIC EMPLOYEE
 23 RETIREMENT HEALTH CARE FUNDING ACT, 2010 PA 77, MCL 38.2731 TO
 24 38.2747, FOR THE DEPOSIT OF FUNDS AND THE PAYMENT OF RETIREMENT
 25 HEALTH CARE BENEFITS.

[(3) THE DEPARTMENT OF TECHNOLOGY, MANAGEMENT, AND BUDGET SHALL
 ENSURE, TO THE MAXIMUM EXTENT POSSIBLE, THAT PAYMENTS MADE UNDER THIS
 SECTION SHALL BE APPLIED FOR ANY TAX CREDITS OR TAX LIABILITY REDUCTION
 UNDER THE HEALTH CARE AND EDUCATION RECONCILIATION ACT OF 2010, PUBLIC
 LAW 111-152.]

26 Sec. 38. (1) The annual level percent of payroll contribution
 27 rate to finance the benefits provided under this act shall be

1 determined by actuarial valuation pursuant to subsections (2) and
2 (3), upon the basis of the risk assumptions adopted by the
3 retirement board with approval of the department of management and
4 budget, and in consultation with the investment counsel and the
5 actuary. An annual actuarial valuation shall be made of the
6 retirement system in order to determine the actuarial condition of
7 the retirement system and the required contribution to the
8 retirement system. The actuary shall report to the legislature by
9 April 15 of each year on the actuarial condition of the retirement
10 system as of the end of the previous fiscal year and on the
11 projections of state contributions for the next fiscal year. The
12 actuary shall certify in the report that the techniques and
13 methodologies used are generally accepted within the actuarial
14 profession and that the assumptions and cost estimates used fall
15 within the range of reasonable and prudent assumptions and cost
16 estimates. An annual actuarial gain-loss experience study of the
17 retirement system shall be made in order to determine the financial
18 effect of variations of actual retirement system experience from
19 projected experience.

20 (2) The contribution rate for monthly benefits payable in the
21 event of the death of a member before retirement or the disability
22 of a member shall be computed using ~~a terminal funding method of~~
23 ~~actuarial valuation~~ **AN INDIVIDUAL PROJECTED BENEFIT ENTRY AGE**
24 **NORMAL COST METHOD OF VALUATION.**

25 (3) Except as otherwise provided in this subsection, the
26 contribution rate for benefits ~~other than those provided for in~~
27 ~~subsection (2)~~ shall be computed using an individual projected

1 benefit entry age normal cost method of valuation. For the 1995-96
2 state fiscal year and for each subsequent fiscal year in which the
3 actuarial accrued liability for health benefits is less than 100%
4 funded, the contribution rate for benefits provided under section
5 20d shall be computed using a cash disbursement method. Beginning
6 in the fiscal year after the fiscal year in which the actuarial
7 accrued liability for health benefits under section 20d is at least
8 100% funded by the health advance funding subaccount created under
9 section 11(9), and continuing for each subsequent fiscal year, the
10 contribution rate for health benefits provided under section 20d
11 shall be computed using an individual projected benefit entry age
12 normal cost method of valuation. The contribution rate for service
13 that may be rendered in the current year, the normal cost
14 contribution rate, shall be equal to the aggregate amount of
15 individual entry age normal costs divided by 1% of the aggregate
16 amount of active members' valuation compensation. The unfunded
17 actuarial accrued liability shall be equal to the actuarial present
18 value of benefits reduced by the actuarial present value of future
19 normal cost contributions and the actuarial value of assets on the
20 valuation date. Except as otherwise provided in this subsection,
21 the unfunded actuarial accrued liability shall be amortized in
22 accordance with generally accepted governmental accounting
23 standards over a period equal to or less than 40 years. For the
24 fiscal year that begins on October 1, 2006 only, the contribution
25 for the unfunded actuarial accrued liability shall be equal to 4.5%
26 of the unfunded actuarial accrued liability.

27 (4) The legislature annually shall appropriate to the

1 retirement system the amount determined pursuant to subsections (2)
2 and (3). The state treasurer shall transfer monthly to the
3 retirement system an amount equal to the product of the
4 contribution rates determined in subsections (2) and (3) times the
5 aggregate amount of active member compensation paid during that
6 month. Not later than 60 days after the termination of each state
7 fiscal year, the executive secretary of the retirement board shall
8 certify to the director of the department of management and budget
9 the actual aggregate compensations paid to active members during
10 the preceding state fiscal year. Upon receipt of that
11 certification, the director of the department of management and
12 budget shall compute the difference, if any, between actual state
13 contributions received during the preceding state fiscal year and
14 the product of the contribution rates determined in subsections (2)
15 and (3) times the aggregate compensations paid to active members
16 during the preceding state fiscal year. Except as otherwise
17 provided in subsection (5), the difference, if any, shall be
18 submitted in the executive budget to the legislature for
19 appropriation in the next succeeding state fiscal year. This
20 subsection does not apply for those fiscal years in which a deposit
21 occurs pursuant to subsection (6).

22 (5) For differences occurring in fiscal years beginning on or
23 after October 1, 1991, a minimum of 20% of the difference between
24 the estimated and the actual aggregate compensation and the
25 estimated and the actual contribution rate described in subsection
26 (4), if any, may be submitted in the executive budget to the
27 legislature for appropriation in the next succeeding state fiscal

1 year and a minimum of 25% of the remaining difference shall be
2 submitted in the executive budget to the legislature for
3 appropriation in each of the following 4 state fiscal years, or
4 until 100% of the remaining difference is submitted, whichever
5 first occurs. In addition, interest shall be included for each year
6 that a portion of the remaining difference is carried forward. The
7 interest rate shall equal the actuarially assumed rate of
8 investment return for the state fiscal year in which payment is
9 made. This subsection does not apply for those fiscal years in
10 which a deposit occurs pursuant to subsection (6).

11 (6) For each fiscal year that begins on or after October 1,
12 2001, if the actuarial valuation prepared pursuant to this section
13 for each fiscal year demonstrates that as of the beginning of a
14 fiscal year, and after all credits and transfers required by this
15 act for the previous fiscal year have been made, the sum of the
16 actuarial value of assets and the actuarial present value of future
17 normal cost contributions exceeds the actuarial present value of
18 benefits, the annual level percent of payroll contribution rate as
19 determined pursuant to subsections (1), (2), and (3) may be
20 deposited into the health advance funding subaccount created under
21 section 11(9).

22 (7) Notwithstanding any other provision of this act, if the
23 retirement board establishes an arrangement and fund as described
24 in section 6 of the public employee retirement benefit protection
25 act, the benefits that are required to be paid from that fund shall
26 be paid from a portion of the employer contributions described in
27 this section or other eligible funds. The retirement board shall

1 determine the amount of the employer contributions or other
2 eligible funds that shall be allocated to that fund and deposit
3 that amount in that fund before it deposits any remaining employer
4 contributions or other eligible funds in the pension fund.

5 Sec. 68. (1) A former qualified participant may elect health
6 insurance benefits in the manner prescribed in this section if he
7 or she meets both of the following requirements:

8 (a) The former qualified participant is vested in health
9 benefits under section 64(2).

10 (b) The former qualified participant meets or exceeds the
11 benefit commencement age employed in the actuarial present value
12 calculation under section 51 and the service requirements that
13 would have applied to that former participant under Tier 1 for
14 receiving health insurance coverage under section 20d, if that
15 former participant was a member of Tier 1.

16 (2) A former qualified participant who is eligible to elect
17 health insurance coverage under subsection (1) may elect health
18 insurance coverage in a health benefit plan or plans as authorized
19 by section 20d. ~~, or in another plan as provided in subsection (6).~~
20 A former qualified participant who is eligible to elect health
21 insurance coverage under subsection (1) may also elect health
22 insurance coverage for his or her health benefit dependents, if
23 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 in the manner prescribed in this section.

27 (3) ~~Except as otherwise provided in subsection (6), an AN~~

1 individual who elects health insurance coverage under this section
 2 shall become a member of a health insurance coverage group
 3 authorized pursuant to section 20d.

4 (4) For a former qualified participant who is eligible to
 5 elect health insurance coverage under subsection (1) and who is
 6 vested in those benefits under section 64(2)(a), and for his or her
 7 health benefit dependents, this state shall pay a portion of the
 8 health insurance premium as calculated under this subsection on a
 9 cash disbursement method. An individual described in this
 10 subsection who elects health insurance coverage under this section
 11 shall pay to the retirement system the remaining portion of the
 12 health insurance coverage premium not paid by this state under this
 13 subsection. ~~The~~ **FOR A FORMER QUALIFIED PARTICIPANT WHO COMMENCED**
 14 **STATE EMPLOYMENT BEFORE APRIL 1, 2010 AND FOR HIS OR HER HEALTH**
 15 **BENEFIT DEPENDENTS, THE** portion of the health insurance coverage
 16 premium paid by this state under this subsection shall be equal to
 17 the product of 3% and the former qualified participant's years of
 18 service, up to 30 years, ~~and~~ **BUT** shall not exceed **THE LESSER OF 90%**
 19 **of the payments for health insurance coverage OR THE PORTION OF THE**
 20 **HEALTH INSURANCE COVERAGE PREMIUMS PAYABLE BY THIS STATE FOR A**
 21 **RETIRANT, HIS OR HER BENEFICIARY, AND HIS OR HER DEPENDENTS** under
 22 section 20d. If the individual elects the health insurance coverage
 23 provided under section 20d, the state shall transfer its portion of
 24 the amount calculated under this subsection to the health insurance
 25 reserve fund created by section 11. **FOR A FORMER QUALIFIED**
 26 **PARTICIPANT WHO COMMENCED STATE EMPLOYMENT ON OR AFTER APRIL 1,**
 27 **2010 AND FOR HIS OR HER HEALTH BENEFIT DEPENDENTS, THE PORTION OF**

1 THE HEALTH INSURANCE COVERAGE PREMIUM PAID BY THIS STATE UNDER THIS
2 SUBSECTION SHALL BE EQUAL TO THE PRODUCT OF 3% AND THE FORMER
3 QUALIFIED PARTICIPANT'S YEARS OF SERVICE, UP TO 30 YEARS, BUT SHALL
4 NOT EXCEED THE LESSER OF THE PORTION OF THE HEALTH INSURANCE
5 COVERAGE PREMIUMS PAYABLE BY THIS STATE FOR A RETIRANT, HIS OR HER
6 BENEFICIARY, AND HIS OR HER DEPENDENTS UNDER SECTION 20D OR THE
7 PORTION OF THE HEALTH INSURANCE COVERAGE PREMIUMS PAYABLE BY THIS
8 STATE FOR A MEMBER WHO OCCUPIES A POSITION IN THE CLASSIFIED STATE
9 CIVIL SERVICE OR HAS CLASSIFIED CIVIL SERVICE STATUS COMMENCING
10 STATE EMPLOYMENT ON OR AFTER APRIL 1, 2010.

11 (5) For a former qualified participant who is eligible to
12 elect health insurance coverage under subsection (1) and who is
13 vested in those benefits under section 64(2)(b), and for his or her
14 health benefit dependents, this state shall pay a portion of the
15 health insurance premium as calculated under this subsection on a
16 cash disbursement method. An individual described in this
17 subsection who elects health insurance coverage under this section
18 shall pay to the retirement system the remaining portion of the
19 health insurance coverage premium not paid by this state under this
20 subsection. The portion of the health insurance coverage premium
21 paid by this state under this subsection shall be equal to the
22 premium amounts paid on behalf of retirants of Tier 1 for health
23 insurance coverage under section 20d. If the individual elects the
24 health insurance coverage provided under section 20d, the state
25 shall transfer its portion of the amount calculated under this
26 subsection to the health insurance reserve fund created by section
27 11.

1 ~~(6) A former qualified participant or health benefit dependent~~
2 ~~who is eligible to elect health insurance coverage under this~~
3 ~~section and who elects health insurance coverage under a different~~
4 ~~plan than the plan authorized under section 20d may elect to have~~
5 ~~an amount up to the amount of the retirement system's share of the~~
6 ~~monthly health insurance premium subsidy provided in this section~~
7 ~~paid by the retirement system directly to the other health~~
8 ~~insurance plan or to a medical savings account established pursuant~~
9 ~~to section 220 of the internal revenue code, to the extent allowed~~
10 ~~by law or under the provisions and procedures of Tier 2. BEGINNING~~
11 ~~JANUARY 1, 2011, ANY FORMER QUALIFIED PARTICIPANT OR HEALTH BENEFIT~~
12 ~~DEPENDENT WHO IS ELIGIBLE TO ELECT HEALTH INSURANCE COVERAGE UNDER~~
13 ~~THIS SECTION AND WHO PREVIOUSLY ELECTED COVERAGE UNDER A DIFFERENT~~
14 ~~PLAN THAN THE PLAN AUTHORIZED UNDER SECTION 20D MAY EITHER ELECT~~
15 ~~COVERAGE UNDER THIS SECTION OR MAY AT HIS OR HER OWN COST~~
16 ~~PARTICIPATE IN COVERAGE UNDER A DIFFERENT PLAN THAN THE PLAN~~
17 ~~AUTHORIZED UNDER SECTION 20D.~~

18 (7) If the department of **TECHNOLOGY**, management, and budget
19 receives notification from the United States internal revenue
20 service that this section or any portion of this section will cause
21 the retirement system to be disqualified for tax purposes under the
22 internal revenue code, then the portion that will cause the
23 disqualification does not apply.

24 (8) AS USED IN THIS SECTION, "HEALTH INSURANCE COVERAGE" MEANS
25 THE HOSPITALIZATION AND MEDICAL INSURANCE, DENTAL COVERAGE, VISION
26 COVERAGE, AND ANY OTHER HEALTH CARE INSURANCE PROVIDED IN SECTION
27 20D.

1 Sec. 68c. (1) Except as otherwise provided in this section, a
2 retirant who is receiving a retirement allowance under this act and
3 is employed by this state beginning on or after October ~~1~~, ~~2~~, 2007
4 agrees to forfeit his or her right to receive that retirement
5 allowance during this period of state employment. The retirement
6 system shall cease payment of the retirement allowance to a
7 retirant described in this subsection during this period of state
8 employment and shall reinstate payment of the retirement allowance
9 without recalculation when the period of state employment ceases.
10 This subsection does not apply to a retirant who is employed by
11 this state on ~~September 30, 2007~~ **OCTOBER 1, 2007** so long as he or
12 she remains in the position held by the retirant on ~~September 30,~~
13 ~~2007~~ **OCTOBER 1, 2007**. As used in this subsection, "employed by this
14 state" means employed directly by this state as an employee or
15 indirectly by this state through a contractual arrangement with
16 other parties. **BEGINNING AFTER OCTOBER 1, 2010, "EMPLOYED BY THIS**
17 **STATE" SHALL ALSO INCLUDE ENGAGEMENT BY THE STATE AS AN INDEPENDENT**
18 **CONTRACTOR. THIS SUBSECTION DOES NOT APPLY TO A RETIRANT WHO IS**
19 **ENGAGED AS AN INDEPENDENT CONTRACTOR ON OCTOBER 1, 2010 SO LONG AS**
20 **THE RETIRANT REMAINS ENGAGED IN THE SAME CONTRACT THAT WAS HELD BY**
21 **THE RETIRANT ON OCTOBER 1, 2010 WITHOUT AMENDMENT OR EXTENSION.**

22 (2) A hospital, medical-surgical, and sick care benefits plan,
23 dental plan, vision plan, and hearing plan that covers retirants,
24 retirant allowance beneficiaries, former qualified participants,
25 and health benefit dependents under this act shall contain a
26 coordination of benefits provision that provides all of the
27 following:

1 (a) If the person covered under any of the plans is also
2 eligible for medicare, then the benefits under medicare shall be
3 determined before the health insurance benefits under this act.

4 (b) If a person covered under any of the plans provided by
5 this act is also covered under another plan that contains a
6 coordination of benefits provision, the benefits shall be
7 coordinated as provided in the coordination of benefits act, 1984
8 PA 64, MCL 550.251 to 550.255.

9 (c) If the person covered under any of the plans provided by
10 this act is also covered under another plan that does not contain a
11 coordination of benefits provision, the benefits under the other
12 plan shall be determined before the benefits provided pursuant to
13 this act.

14 (3) Subsection (1) does not apply to a retirant if all of the
15 following apply:

16 (a) The retirant is hired to provide health care services to
17 individuals under the jurisdiction of the department of
18 corrections.

19 (b) The retirant is hired in a position that is limited in
20 term, no benefits are paid, and pay is on a per diem basis.

21 (c) The department of corrections provides written notice to
22 the state budget office and the department of technology,
23 management, and budget that attempts have been made to fill the
24 position through postings and recruitment and that the position
25 vacancy still exists.

26 (d) The department of corrections reports the employment of a
27 retirant under this subsection within 30 days of employment of the

1 retirant to the state budget office and the department of
2 technology, management, and budget. The report shall include the
3 name of the retirant, the capacity in which the retirant is
4 employed, and the total compensation paid to the retirant.

5 (4) SUBSECTION (1) DOES NOT APPLY TO THE APPOINTMENT OF A
6 RETIRANT WHO WAS AN ASSISTANT ATTORNEY GENERAL AS A SPECIAL
7 ASSISTANT ATTORNEY GENERAL WHEN THE ATTORNEY GENERAL DETERMINES
8 THAT, AS A RESULT OF HIS OR HER PREVIOUS EMPLOYMENT WITH THE STATE,
9 THE RETIRANT POSSESSES SPECIALIZED EXPERTISE AND EXPERIENCE
10 NECESSARY FOR THE APPOINTMENT AND THAT THE APPOINTMENT IS THE MOST
11 COST-EFFECTIVE OPTION FOR THIS STATE.

12 SEC. 68D. (1) THERE IS APPROPRIATED FOR THE FISCAL YEAR ENDING
13 SEPTEMBER 30, 2010, \$1,600,000.00 TO THE OFFICE OF RETIREMENT
14 SERVICES IN THE DEPARTMENT OF TECHNOLOGY, MANAGEMENT, AND BUDGET
15 FOR ADMINISTRATION OF THE CHANGES UNDER THE AMENDATORY ACT THAT
16 ADDED THIS SECTION.

17 (2) THE APPROPRIATION AUTHORIZED IN SUBSECTION (1) IS A WORK
18 PROJECT APPROPRIATION, AND ANY UNENCUMBERED OR UNALLOTTED FUNDS ARE
19 CARRIED FORWARD INTO THE FOLLOWING FISCAL YEAR. THE FOLLOWING IS IN
20 COMPLIANCE WITH SECTION 451A(1) OF THE MANAGEMENT AND BUDGET ACT,
21 1984 PA 431, MCL 18.1451A:

22 (A) THE PURPOSE OF THE PROJECT IS TO ADMINISTER CHANGES UNDER
23 THE AMENDATORY ACT THAT ADDED THIS SECTION.

24 (B) THE WORK PROJECT WILL BE ACCOMPLISHED THROUGH A PLAN
25 UTILIZING INTERAGENCY AGREEMENTS, EMPLOYEES, AND CONTRACTS.

26 (C) THE TOTAL ESTIMATED COMPLETION COST OF THE WORK PROJECT IS
27 \$1,600,000.00.

1 (D) THE ESTIMATED COMPLETION DATE FOR THE WORK PROJECT IS
2 SEPTMBER 30, 2011.

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