

SENATE BILL No. 1133

October 20, 2016, Introduced by Senators HERTEL, HOOD, BRANDENBURG and GREGORY and referred to the Committee on Appropriations.

A bill to amend 1943 PA 240, entitled "State employees' retirement act," by amending sections 20d, 31, and 49 (MCL 38.20d, 38.31, and 38.49), section 20d as amended by 2002 PA 93, section 31 as amended by 2002 PA 99, and section 49 as amended by 2011 PA 264.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 20d. (1) ~~On and after July 1,~~ **AFTER JUNE 30,** 1974,
2 hospitalization and medical coverage insurance premium payable by
3 ~~any~~ **A** retirant or his or her beneficiary and his or her dependents
4 under ~~any~~ **A** group health plan authorized by the Michigan civil
5 service commission and the department of **TECHNOLOGY**, management,
6 and budget ~~shall~~ **MUST** be paid by the retirement board from the

1 health insurance reserve fund created in section 11. The amount
2 payable ~~shall~~**MUST** be in the same proportion of premium payable by
3 ~~the state of Michigan~~**THIS STATE** for the classified employees
4 occupying positions in the state civil service. The hospitalization
5 and medical insurance premium payable ~~shall~~**MUST** be paid from
6 appropriations made for this purpose to the health insurance
7 reserve fund sufficient to cover the premium payment needed to be
8 made.

9 (2) Effective January 1, 1988, 90% of the premium payable by a
10 retirant or the retirant's beneficiary and his or her dependents
11 for dental coverage or vision coverage, or both, under ~~any~~**A** group
12 plan authorized by the Michigan civil service commission and the
13 department of **TECHNOLOGY**, management, and budget ~~shall~~**MUST** be paid
14 by the retirement board from the health insurance reserve fund
15 created in section 11.

16 (3) The department of **TECHNOLOGY**, management, and budget shall
17 calculate for each fiscal year any cost savings that have accrued
18 to this state as a result of the implementation of 1996 PA 487 over
19 the costs that would have been incurred by this state to fund
20 premiums payable ~~pursuant to~~**UNDER** section 68 had 1996 PA 487 not
21 been implemented. The total amount of the cost savings, if any,
22 ~~shall~~**MUST** be allocated to the health advance funding subaccount
23 created under section 11(9).

24 (4) ~~On and after~~**AFTER** March ~~31,~~**30**, 1997, the retirement
25 system shall also pay health insurance premiums described in this
26 section in the manner prescribed in section 68.

27 (5) **EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, BEGINNING**

1 ON THE EFFECTIVE DATE OF THE 2016 AMENDATORY ACT THAT AMENDED THIS
 2 SECTION, ON THE DEATH OF THE RETIRANT, A RETIREMENT ALLOWANCE
 3 BENEFICIARY WHO BECAME A RETIREMENT ALLOWANCE BENEFICIARY UNDER
 4 SECTION 31(10) (A) OR (C) OR (11) IS NOT A HEALTH INSURANCE
 5 DEPENDENT AND IS NOT ENTITLED TO HEALTH BENEFITS UNDER THIS
 6 SECTION. BEGINNING ON THE EFFECTIVE DATE OF THE 2016 AMENDATORY ACT
 7 THAT AMENDED THIS SECTION, A SURVIVING SPOUSE SELECTED AS A
 8 RETIREMENT ALLOWANCE BENEFICIARY UNDER SECTION 31(10) (A) OR (C) OR
 9 (11) MAY ELECT THE INSURANCE COVERAGES PROVIDED IN THIS SECTION IF
 10 PAYMENT FOR THE ELECTED COVERAGES IS THE RESPONSIBILITY OF THE
 11 SURVIVING SPOUSE AND IS PAID IN A MANNER PRESCRIBED BY THE
 12 RETIREMENT SYSTEM.

13 (6) ~~(5)~~ For purposes of this section, "retirant" includes a
 14 ~~person~~ **AN INDIVIDUAL** who retires under section 306 or 410 of the
 15 Michigan military act, 1967 PA 150, MCL 32.706 and 32.810.

16 Sec. 31. (1) Except as **OTHERWISE** provided in subsection (6),
 17 (10), **OR** (11), before the effective date of retirement, but not
 18 after the effective date of retirement, a member or deferred member
 19 who is eligible for retirement, as provided in this act, shall
 20 elect to receive ~~his or her benefit in a retirement allowance~~
 21 ~~payable throughout life, which shall be called a regular retirement~~
 22 allowance, or to receive the actuarial equivalent at that time of
 23 his or her regular retirement allowance in a reduced retirement
 24 allowance payable throughout the lives of the retirant and a
 25 retirement allowance beneficiary, ~~pursuant to~~ **UNDER** 1 of the
 26 following payment options:

27 (a) Option A. ~~Upon~~ **ON** the retirant's death, his or her reduced

1 retirement allowance ~~shall~~**WILL** be continued throughout the life of
2 and paid to the retirement allowance beneficiary whom the member
3 nominated by written designation executed and filed with the
4 retirement board before the effective date of his or her
5 retirement.

6 (b) Option B. ~~Upon~~**ON** the retirant's death, 1/2 of his or her
7 reduced retirement allowance ~~shall~~**WILL** be continued throughout the
8 life of and paid to the retirement allowance beneficiary whom the
9 member nominated by written designation executed and filed with the
10 retirement board before the effective date of his or her
11 retirement.

12 (c) Option C. ~~On and after January 1, 2000, upon~~**AFTER**
13 **DECEMBER 31, 1999, ON** the retirant's death, 3/4 of his or her
14 reduced retirement allowance ~~shall~~**WILL** be continued throughout the
15 life of and paid to the retirement allowance beneficiary whom the
16 member nominated by written designation executed and filed with the
17 retirement board before the effective date of his or her
18 retirement.

19 (2) Except as **OTHERWISE** provided in ~~subsections~~**SUBSECTION**
20 (3), ~~and~~ (8), (10), **OR** (11), the election of a payment option under
21 subsection (1) ~~shall~~**MUST** not be changed on or after the effective
22 date of the retirement allowance. ~~A~~**EXCEPT AS OTHERWISE PROVIDED IN**
23 **THIS SECTION, A** retirement allowance beneficiary designated under
24 this section ~~shall~~**MUST** not be changed on or after the effective
25 date of the retirement allowance, and ~~shall~~**MUST** be either a
26 spouse, brother, sister, parent, child, including an adopted child,
27 or grandchild of the ~~person~~**INDIVIDUAL** making the designation.

1 Payment to a retirement allowance beneficiary ~~shall~~**MUST** begin on
2 the first day of the month following the death of the retirant or
3 member.

4 (3) ~~if~~**EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (10), IF** the
5 retirement allowance beneficiary named under a payment option under
6 subsection (1) predeceases the retirant, the retirant's benefit
7 ~~shall~~**MUST** revert to the regular retirement allowance, effective
8 with the first day of the month ~~following~~**AFTER** the retirement
9 allowance beneficiary's death. ~~For~~**THIS SUBSECTION APPLIES TO** a
10 retirant whose effective date of retirement was ~~on or~~ before June
11 ~~28, 29,~~ 1976, ~~this subsection shall apply,~~ but the regular
12 retirement allowance is not payable for any month beginning before
13 the later of the retirement allowance beneficiary's death or
14 January 1, 1986. A retirant who on January 1, 1986 is receiving a
15 reduced retirement allowance because the retirant designated a
16 retirement allowance beneficiary and the retirement allowance
17 beneficiary predeceased the retirant is eligible to receive the
18 regular retirement allowance beginning January 1, 1986, but the
19 regular retirement allowance is not payable for any month beginning
20 before January 1, 1986.

21 (4) A member who continues ~~in the employ of~~**TO BE EMPLOYED BY**
22 this state on and after the date ~~he or she~~**THE MEMBER** acquires 10
23 years of service credit or becomes eligible for deferred retirement
24 as provided by section 20(4) or (5), whichever occurs first, may by
25 written declaration executed and filed with the retirement board
26 elect option A, provided for in subsection (1)(a), and nominate a
27 retirement allowance beneficiary in the same manner as if the

1 member were then retiring from service, notwithstanding that the
2 member may not have attained 60 years of age. If the beneficiary's
3 death or divorce from the member occurs before the effective date
4 of the member's retirement, the member's election of option A and
5 nomination of retirement allowance beneficiary ~~shall~~**MUST** be
6 automatically revoked and the member may again elect option A and
7 nominate a retirement allowance beneficiary at any time before the
8 effective date of retirement. If a member who has made an election
9 and nominated a retirement allowance beneficiary as provided in
10 this subsection dies before the effective date of his or her
11 retirement, ~~then~~ the retirement allowance beneficiary ~~shall~~**MUST**
12 immediately receive the retirement allowance that he or she would
13 have been entitled to receive under option A if the member had been
14 regularly retired on the date of the member's death. Except as
15 otherwise provided by subsection (5), if a member who has made an
16 election under this subsection subsequently retires under this act,
17 his or her election of option A ~~shall take~~**TAKES** effect at the time
18 of retirement. Subject to the requirements of subsection (5), the
19 member, before the effective date of retirement, but not after the
20 effective date of retirement, may revoke his or her previous
21 election of option A and elect to receive his or her retirement
22 allowance as a regular retirement allowance or under option B or C
23 as provided for in subsection (1). A retirement allowance ~~shall~~
24 **MUST** not be paid under this subsection ~~on account~~**BECAUSE** of the
25 death of a member if any benefits are paid under section 27 ~~on~~
26 ~~account~~**BECAUSE** of his or her death. If a deferred member who has
27 an option A election in effect dies before the effective date of

1 his or her retirement, the retirement allowance payable under
2 option A ~~shall~~**MUST** be paid to the retirement allowance beneficiary
3 at the time the deceased deferred member otherwise would have been
4 eligible to begin receiving benefits.

5 (5) If a member, deferred member, retiring member, or retiring
6 deferred member is married at the effective date of the retirement
7 allowance, an election under this section, other than an election
8 of a payment option under subsection (1) naming the spouse as
9 retirement allowance beneficiary, ~~shall~~**IS** not ~~be~~ effective unless
10 the election is signed by the spouse. However, this requirement may
11 be waived by the retirement board if the signature of a spouse
12 cannot be obtained because of extenuating circumstances. As used in
13 this subsection, "spouse" means the ~~person~~**INDIVIDUAL** to whom the
14 member, deferred member, retiring member, or retiring deferred
15 member is married at the effective date of the retirement
16 allowance.

17 (6) Until July 1, 1991, ~~upon~~**ON** request in a form as
18 determined by the retirement board, a nonduty disability retirant
19 who retired under section 24 may change his or her election to
20 receive a disability retirement allowance computed as a regular
21 retirement allowance and elect to receive the actuarial equivalent
22 at the time of the election ~~pursuant to~~**UNDER** this subsection of
23 his or her disability retirement allowance in a reduced retirement
24 allowance payable to the retirant and the retirant's spouse
25 ~~pursuant to~~**UNDER** the provisions of a payment option as provided in
26 subsection (1), if the disability retirement allowance effective
27 date was before November 12, 1985 and the retirant had 25 or more

1 years of credited service on the disability retirement allowance
2 effective date. The nonduty disability retirant ~~shall~~**MUST** begin to
3 receive the reduced retirement allowance under this subsection
4 effective the first day of the month following the month in which
5 the retirant makes the election ~~pursuant to~~**UNDER** this subsection.
6 As used in this subsection, "spouse" means the ~~person~~**INDIVIDUAL** to
7 whom the nonduty disability retirant was married on the effective
8 date of his or her disability retirement allowance and on the date
9 the retirant makes the election ~~pursuant to~~**UNDER** this subsection.

10 (7) If a member who continues ~~in the employ of~~**TO BE EMPLOYED**
11 **BY** this state on and after the date ~~he or she~~**THE MEMBER** acquires
12 10 years of service credit, or on and after the date ~~he or she~~**THE**
13 **MEMBER** becomes eligible for deferred retirement as provided by
14 section 20(4) or (5), whichever occurs first, and who does not have
15 an election of option A in force as provided in subsection (4),
16 dies before the effective date of retirement and leaves a surviving
17 spouse, the spouse ~~shall~~**MUST** receive a retirement allowance
18 computed in the same manner as if the member had retired effective
19 the day before the date of his or her death, elected option A, and
20 nominated the spouse as retirement allowance beneficiary. When the
21 retirement allowance beneficiary dies, his or her retirement
22 allowance ~~shall~~**MUST** terminate. If the aggregate amount of
23 retirement allowance payments received by the beneficiary is less
24 than the accumulated contributions credited to the member's account
25 in the employees' savings fund at the time of the member's death,
26 the difference between the accumulated contributions and the
27 aggregate amount of retirement allowance payments received by the

1 beneficiary ~~shall~~**MUST** be transferred from the employer's
2 accumulation fund or pension reserve fund to the employees' savings
3 fund and paid ~~pursuant to~~**UNDER** section 29. A retirement allowance
4 ~~shall~~**MUST** not be paid under this subsection ~~on account~~**BECAUSE** of
5 the death of a member if benefits are paid under section 27 ~~on~~
6 ~~account~~**BECAUSE** of his or her death. If the other requirements of
7 this subsection are met but a surviving spouse does not exist, each
8 of the deceased member's surviving children less than 18 years of
9 age ~~shall~~**MUST** receive an allowance of an equal share of the
10 retirement allowance that would have been paid to the spouse if
11 living at the time of the deceased member's death. Payments under
12 this subsection ~~shall~~**MUST** cease ~~upon~~**ON** the surviving child's
13 marriage, adoption, or becoming 18 years of age, which occurs
14 first.

15 (8) If a retirant receiving a reduced retirement allowance
16 under a payment option under subsection (1) is divorced from the
17 spouse who had been designated as the retirant's retirement
18 allowance beneficiary under the **PAYMENT** option, the **RETIREMENT**
19 **SYSTEM SHALL CONSIDER THE** election of the payment option ~~shall be~~
20 ~~considered void by the retirement system~~ if the judgment of divorce
21 or award or order of the court, or an amended judgment of divorce
22 or award or order of the court, described in the public employee
23 retirement benefit protection act, **2002 PA 100, MCL 38.1681 TO**
24 **38.1689**, and dated after June 27, 1991 provides that the election
25 of the payment option under subsection (1) is to be considered void
26 by the retirement system and the retirant provides a certified copy
27 of the judgment of divorce or award or order of the court, or an

1 amended judgment of divorce or award or order of the court, to the
2 retirement system. If the **RETIREMENT SYSTEM CONSIDERS THE** election
3 of a payment option under subsection (1) ~~is considered void by the~~
4 ~~retirement system~~ under this subsection, the retirant's retirement
5 allowance ~~shall~~ **MUST** revert to a regular retirement allowance,
6 including postretirement adjustments, if any, subject to an award
7 or order of the court as described in the public employee
8 retirement benefit protection act, **2002 PA 100, MCL 38.1681 TO**
9 **38.1689**. The retirement allowance ~~shall~~ **MUST** revert to a regular
10 retirement allowance under this subsection effective the first of
11 the month after the date the retirement system receives a certified
12 copy of the judgment of divorce or award or order of the court.
13 This subsection does not supersede a judgment of divorce or award
14 or order of the court in effect on June 27, 1991. This subsection
15 does not require the retirement system to distribute or pay
16 retirement assets on behalf of a retirant in an amount that exceeds
17 the actuarially determined amount that would otherwise become
18 payable if a judgment of divorce had not been rendered.

19 **(9) IF THE RETIREMENT ALLOWANCE PAYMENTS TERMINATE BEFORE AN**
20 **AGGREGATE AMOUNT EQUAL TO THE RETIRANT'S ACCUMULATED CONTRIBUTIONS**
21 **HAS BEEN PAID, THE DIFFERENCE BETWEEN THE RETIRANT'S ACCUMULATED**
22 **CONTRIBUTIONS AND THE AGGREGATE AMOUNT OF RETIREMENT ALLOWANCE**
23 **PAYMENTS MADE MUST BE PAID TO THE INDIVIDUAL DESIGNATED IN A**
24 **WRITING FILED WITH THE RETIREMENT BOARD ON A FORM PROVIDED BY THE**
25 **RETIREMENT BOARD. IF THE DESIGNATED INDIVIDUAL DOES NOT SURVIVE THE**
26 **RETIRANT OR RETIREMENT ALLOWANCE BENEFICIARY, THE DIFFERENCE MUST**
27 **BE PAID TO THE DECEASED RECIPIENT'S ESTATE OR TO THE LEGAL**

1 REPRESENTATIVE OF THE DECEASED RECIPIENT.

2 (10) A RETIRANT WHO SELECTED A RETIREMENT ALLOWANCE
3 BENEFICIARY UNDER SUBSECTION (1) (A), (B), OR (C) MAY CHANGE HIS OR
4 HER RETIREMENT ALLOWANCE BENEFICIARY ONLY IF ALL OF THE FOLLOWING
5 REQUIREMENTS ARE MET:

6 (A) THE RETIRANT WAS MARRIED ON HIS OR HER RETIREMENT
7 ALLOWANCE EFFECTIVE DATE AND ALL OF THE FOLLOWING APPLY:

8 (i) THE FIRST RETIREMENT ALLOWANCE BENEFICIARY PREDECEASES THE
9 RETIRANT AFTER THE RETIREMENT ALLOWANCE EFFECTIVE DATE.

10 (ii) THE RETIRANT MARRIES ANOTHER SPOUSE AFTER THE RETIREMENT
11 ALLOWANCE EFFECTIVE DATE.

12 (iii) THE RETIRANT FILES A WRITTEN REQUEST WITH THE RETIREMENT
13 SYSTEM TO NAME HIS OR HER CURRENT SPOUSE AS A RETIREMENT ALLOWANCE
14 BENEFICIARY NOT EARLIER THAN 180 DAYS AND NOT LATER THAN 1 YEAR
15 AFTER THE MARRIAGE OF THE RETIRANT AND THE CURRENT SPOUSE. HOWEVER,
16 A RETIRANT WHOSE FIRST RETIREMENT ALLOWANCE BENEFICIARY PREDECEASES
17 THE RETIRANT AFTER THE RETIREMENT ALLOWANCE EFFECTIVE DATE AND
18 BEFORE THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS
19 SUBSECTION HAS 180 DAYS AFTER THE EFFECTIVE DATE OF THE AMENDATORY
20 ACT THAT ADDED THIS SUBSECTION TO FILE A WRITTEN REQUEST WITH THE
21 RETIREMENT SYSTEM.

22 (B) THE RETIRANT WAS MARRIED ON THE EFFECTIVE DATE OF HIS OR
23 HER RETIREMENT, BUT HIS OR HER MARRIAGE WAS NOT RECOGNIZED BY THIS
24 STATE AND ALL OF THE FOLLOWING APPLY:

25 (i) THE RETIRANT CONTINUES TO BE MARRIED TO THE SAME SPOUSE TO
26 WHOM HE OR SHE WAS MARRIED ON THE EFFECTIVE DATE OF RETIREMENT AND
27 WHOSE MARRIAGE IS CURRENTLY RECOGNIZED BY THIS STATE.

1 (ii) THE RETIRANT FILES A WRITTEN REQUEST WITH THE RETIREMENT
2 SYSTEM SELECTING 1 OF THE PAYMENT OPTIONS PROVIDED IN SUBSECTION
3 (1) AND DESIGNATING HIS OR HER CURRENT SPOUSE AS A RETIREMENT
4 ALLOWANCE BENEFICIARY NOT EARLIER THAN 180 DAYS AND NOT LATER THAN
5 1 YEAR AFTER THE DATE OF MARRIAGE OF THE RETIRANT AND THE CURRENT
6 SPOUSE. HOWEVER, A RETIRANT WHOSE DATE OF MARRIAGE IS AFTER THE
7 RETIREMENT ALLOWANCE EFFECTIVE DATE AND BEFORE THE EFFECTIVE DATE
8 OF THE AMENDATORY ACT THAT ADDED THIS SUBSECTION HAS 180 DAYS AFTER
9 THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS SUBSECTION
10 TO FILE A WRITTEN REQUEST WITH THE RETIREMENT SYSTEM.

11 (c) THE RETIRANT WAS NOT MARRIED ON HIS OR HER RETIREMENT
12 ALLOWANCE EFFECTIVE DATE AND ALL OF THE FOLLOWING APPLY:

13 (i) THE RETIRANT MARRIES AFTER THE RETIREMENT ALLOWANCE
14 EFFECTIVE DATE.

15 (ii) THE RETIREMENT ALLOWANCE BENEFICIARY IS THE RETIRANT'S
16 SPOUSE.

17 (iii) THE RETIRANT FILES A WRITTEN REQUEST WITH THE RETIREMENT
18 SYSTEM TO NAME HIS OR HER CURRENT SPOUSE AS A RETIREMENT ALLOWANCE
19 BENEFICIARY NOT EARLIER THAN 180 DAYS AND NOT LATER THAN 1 YEAR
20 AFTER THE DATE OF MARRIAGE OF THE RETIRANT AND THE CURRENT SPOUSE.
21 HOWEVER, A RETIRANT WHOSE DATE OF MARRIAGE IS AFTER THE RETIREMENT
22 ALLOWANCE EFFECTIVE DATE AND BEFORE THE EFFECTIVE DATE OF THE
23 AMENDATORY ACT THAT ADDED THIS SUBSECTION HAS 180 DAYS AFTER THE
24 EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS SUBSECTION TO
25 FILE A WRITTEN REQUEST WITH THE RETIREMENT SYSTEM.

26 (11) A RETIRANT WHO WAS NOT MARRIED ON HIS OR HER RETIREMENT
27 ALLOWANCE EFFECTIVE DATE AND WHO DID NOT SELECT A PAYMENT OPTION

1 PROVIDED IN THIS SECTION MAY SELECT AN OPTIONAL FORM OF BENEFIT
2 PAYMENT UNDER SUBSECTION (1) (A), (B), OR (C) AND DESIGNATE A
3 RETIREMENT ALLOWANCE BENEFICIARY IF ALL OF THE FOLLOWING APPLY:

4 (A) THE RETIRANT MARRIES AFTER HIS OR HER RETIREMENT ALLOWANCE
5 EFFECTIVE DATE.

6 (B) THE RETIREMENT ALLOWANCE BENEFICIARY IS THE RETIRANT'S
7 SPOUSE.

8 (C) THE RETIRANT FILES A WRITTEN REQUEST WITH THE RETIREMENT
9 SYSTEM TO SELECT THE OPTIONAL FORM OF BENEFIT PAYMENT UNDER
10 SUBSECTION (1) (A), (B), OR (C) AND TO DESIGNATE HIS OR HER SPOUSE
11 AS THE RETIREMENT ALLOWANCE BENEFICIARY, NOT EARLIER THAN 180 DAYS
12 AND NOT LATER THAN 1 YEAR AFTER THE RETIRANT'S MARRIAGE. HOWEVER, A
13 RETIRANT WHOSE DATE OF MARRIAGE IS AFTER THE RETIREMENT ALLOWANCE
14 EFFECTIVE DATE AND BEFORE THE EFFECTIVE DATE OF THE AMENDATORY ACT
15 THAT ADDED THIS SUBSECTION HAS 180 DAYS AFTER THE EFFECTIVE DATE OF
16 THE AMENDATORY ACT THAT ADDED THIS SUBSECTION TO FILE A WRITTEN
17 REQUEST WITH THE RETIREMENT SYSTEM.

18 (12) THE RETIREMENT ALLOWANCE OF THE RETIRANT WHO MAKES AN
19 ELECTION UNDER SUBSECTION (10) OR (11) MUST NOT BE GREATER THAN THE
20 ACTUARIAL EQUIVALENT OF THE REGULAR RETIREMENT ALLOWANCE AS
21 DETERMINED BY THE RETIREMENT BOARD AND MUST BECOME EFFECTIVE THE
22 FIRST DAY OF THE MONTH AFTER THE FILING OF THE WRITTEN REQUEST WITH
23 THE RETIREMENT SYSTEM.

24 (13) IF THE RETIRANT DIES NO LATER THAN 12 MONTHS AFTER THE
25 EFFECTIVE DATE OF HIS OR HER ELECTION UNDER SUBSECTION (10) OR
26 (11), THE RETIREMENT ALLOWANCE FOR THE SURVIVING SPOUSE ESTABLISHED
27 UNDER SUBSECTION (10) (A) OR (B) OR (11) MUST TERMINATE 12 MONTHS

1 AFTER THE DEATH OF THE RETIRANT.

2 (14) AS USED IN THIS SECTION:

3 (A) "DATE OF MARRIAGE" MEANS THE DATE THAT A MARRIAGE IS
4 RECOGNIZED BY THIS STATE.

5 (B) "REGULAR RETIREMENT ALLOWANCE" MEANS A RETIREMENT
6 ALLOWANCE PAYABLE FOR LIFE.

7 Sec. 49. (1) This section is enacted ~~pursuant to~~ **UNDER** section
8 401(a) of the internal revenue code, 26 USC 401, ~~that~~ **WHICH** imposes
9 certain administrative requirements and benefit limitations for
10 qualified governmental plans. This state intends that the
11 retirement system be a qualified pension plan created in trust
12 under section 401 of the internal revenue code, 26 USC 401, and
13 that the trust be an ~~exempt~~ organization **EXEMPT FROM TAXATION** under
14 section 501 of the internal revenue code, 26 USC 501. The
15 department shall administer the retirement system to fulfill this
16 intent.

17 (2) The retirement system shall be administered in compliance
18 with ~~the provisions of~~ section 415 of the internal revenue code, 26
19 USC 415, and regulations under that section that are applicable to
20 governmental plans and, beginning January 1, 2010, applicable
21 provisions of the final regulations issued by the ~~internal revenue~~
22 ~~service~~ **INTERNAL REVENUE SERVICE** on April 5, 2007. Employer-
23 financed benefits provided by the retirement system under this act
24 ~~shall~~ **MUST** not exceed the applicable limitations set forth in
25 section 415 of the internal revenue code, 26 USC 415, as adjusted
26 by the commissioner of internal revenue under section 415(d) of the
27 internal revenue code, 26 USC 415, to reflect cost-of-living

1 increases, and the retirement system shall adjust the benefits,
2 including benefits payable to retirants and retirement allowance
3 beneficiaries, subject to the limitation each calendar year to
4 conform with the adjusted limitation. For purposes of section
5 415(b) of the internal revenue code, 26 USC 415, the applicable
6 limitation ~~shall apply~~ **APPLIES** to aggregated benefits received from
7 all qualified pension plans for which the office of retirement
8 services coordinates administration of that limitation. If there is
9 a conflict between this section and another section of this act,
10 this section prevails.

11 (3) The assets of the retirement system ~~shall~~ **MUST** be held in
12 trust and invested for the sole purpose of meeting the legitimate
13 obligations of the retirement system and ~~shall~~ **MUST** not be used for
14 any other purpose. The assets ~~shall~~ **MUST** not be used for or
15 diverted to a purpose other than for the exclusive benefit of the
16 members, vested former members, retirants, and retirement allowance
17 beneficiaries before satisfaction of all retirement system
18 liabilities.

19 (4) The retirement system shall return post-tax member
20 contributions made by a member and received by the retirement
21 system to a member ~~upon~~ **ON** retirement, ~~pursuant to internal revenue~~
22 ~~service~~ **UNDER INTERNAL REVENUE SERVICE** regulations and approved
23 ~~internal revenue service~~ **INTERNAL REVENUE SERVICE** exclusion ratio
24 tables.

25 (5) The required beginning date for retirement allowances and
26 other distributions ~~shall~~ **MUST** not be later than April 1 of the
27 calendar year following the calendar year in which the employee

1 attains age 70-1/2 or April 1 of the calendar year following the
2 calendar year in which the employee retires. The required minimum
3 distribution requirements imposed by section 401(a)(9) of the
4 internal revenue code, 26 USC 401, ~~shall~~ apply to this act and **MUST**
5 be administered in accordance with a reasonable and good faith
6 interpretation of the required minimum distribution requirements
7 for all years to which the required minimum distribution
8 requirements apply to the retirement system.

9 (6) If the retirement system is terminated, the interest of
10 the members, vested former members, retirants, and retirement
11 allowance beneficiaries in the retirement system is nonforfeitable
12 to the extent funded as described in section 411(d)(3) of the
13 internal revenue code, 26 USC 411, and related ~~internal revenue~~
14 ~~service~~ **INTERNAL REVENUE SERVICE** regulations applicable to
15 governmental plans.

16 (7) Notwithstanding any other provision of this act to the
17 contrary that would limit a distributee's election under this act,
18 a distributee may elect, at the time and in the manner prescribed
19 by the retirement board, to have any portion of an eligible
20 rollover distribution paid directly to an eligible retirement plan
21 specified by the distributee in a direct rollover. This subsection
22 applies to distributions made ~~on or after January 1, 1993.~~ **DECEMBER**
23 **31, 1992.** Beginning October 1, 2010, a nonspouse beneficiary may
24 elect to have any portion of an amount payable under this act that
25 is an eligible rollover distribution treated as a direct rollover
26 that will be paid in a direct trustee-to-trustee transfer to an
27 individual retirement account or individual retirement annuity

1 described in section 408(a) or (b) of the internal revenue code, 26
2 USC 408, that is established for the purpose of receiving a
3 distribution on behalf of the beneficiary and that will be treated
4 as an inherited individual retirement account or individual
5 retirement annuity ~~pursuant to~~ **UNDER** section 402(c)(11) of the
6 internal revenue code, 26 USC 402.

7 (8) For purposes of determining actuarial equivalent
8 retirement allowances under sections 31(1)(a) and (b) and 20(2),
9 the actuarially assumed interest rate ~~shall~~ **MUST** be 8% with
10 ~~utilization of the 1983 group annuity and mortality~~
11 ~~table.~~ **DETERMINED BY THE DIRECTOR OF THE DEPARTMENT OF TECHNOLOGY,**
12 **MANAGEMENT, AND BUDGET AND THE RETIREMENT BOARD IN CONSULTATION**
13 **WITH THE ACTUARY USING THE MORTALITY TABLES RECOMMENDED BY THE**
14 **ACTUARY.**

15 (9) Notwithstanding any other provision of this act to the
16 contrary, the compensation of a member of the retirement system
17 ~~shall~~ **MUST** be taken into account for any year under the retirement
18 system only to the extent that it does not exceed the compensation
19 limit established in section 401(a)(17) of the internal revenue
20 code, 26 USC 401, as adjusted by the commissioner of internal
21 revenue. This subsection applies to ~~any person~~ **AN INDIVIDUAL** who
22 first becomes a member of the retirement system ~~on or after October~~
23 ~~1,~~ **SEPTEMBER 30, 1996.**

24 (10) Notwithstanding any other provision of this act to the
25 contrary, contributions, benefits, and service credit with respect
26 to qualified military service ~~will~~ **MUST** be provided under the
27 retirement system in accordance with section 414(u) of the internal

1 revenue code, 26 USC 414. This subsection applies to all qualified
2 military service ~~on or~~ after December ~~12,~~**11**, 1994. Beginning on
3 January 1, 2007, in accordance with section 401(a)(37) of the
4 internal revenue code, 26 USC 401, if a member dies while
5 performing qualified military service for purposes of determining
6 death benefits payable under this act, the member ~~shall be~~**IS**
7 treated as having resumed and then terminated employment because of
8 death.