

SENATE BILL No. 1134

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

A bill to amend 1980 PA 300, entitled
"The public school employees retirement act of 1979,"
by amending sections 85, 91, and 108 (MCL 38.1385, 38.1391, and
38.1408), section 85 as amended by 2006 PA 617 and sections 91 and
108 as amended by 2012 PA 300.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 85. (1) A retiring member or retiring deferred member who
2 meets the requirements of section 81 or 81a or a member whom the
3 retirement board finds to be totally and permanently disabled and
4 eligible to receive a retirement allowance under section 86 or 87
5 shall elect to receive his or her retirement allowance under 1 of
6 the payment options provided in this subsection. The election shall

1 **MUST** be in writing and filed with the retirement board at least 15
2 days before the effective date of the retirement allowance except
3 as provided for a disability retirant under section 86 or 87. The
4 amount of retirement allowance under subdivision (b), (c), or (d)
5 ~~shall~~**MUST** be the actuarial equivalent of the amount of retirement
6 allowance under subdivision (a). The options are as follows:

7 (a) A retirant ~~shall~~**WILL** be paid a straight retirement
8 allowance for life computed ~~pursuant to~~**UNDER** section 84. An
9 additional retirement allowance payment ~~shall~~**MUST** not be made ~~upon~~
10 **ON** the retirant's death.

11 (b) A retirant ~~shall~~**WILL** be paid a reduced retirement
12 allowance for life with the provision that ~~upon~~**ON** the retirant's
13 death, payment of the reduced retirement allowance is continued
14 throughout the lifetime of the retirement allowance beneficiary
15 whom the member or deferred member designates in a writing filed
16 with the retirement board at the time of election of this option. A
17 member or deferred member may elect this option and designate a
18 retirement allowance beneficiary under the conditions set forth in
19 section 82(2) or 89(3).

20 (c) A retirant ~~shall~~**WILL** be paid a reduced retirement
21 allowance for life with the provision that ~~upon~~**ON** the retirant's
22 death, payment of 1/2 of the reduced retirement allowance is
23 continued throughout the lifetime of the retirement allowance
24 beneficiary whom the member designated in a writing filed with the
25 retirement board at the time of election of the option.

26 (d) ~~On and after January 1, 2000,~~**AFTER DECEMBER 31, 1999,** a
27 retirant ~~shall~~**WILL** be paid a reduced retirement allowance for life

1 with the provision that ~~upon~~**ON** the retirant's death, payment of
2 75% of the reduced retirement allowance is continued throughout the
3 lifetime of the retirement allowance beneficiary whom the member
4 designated in a writing filed with the retirement board at the time
5 of election of the option.

6 (2) In addition to the election under subsection (1), a
7 retirant, other than a disability retirant who is 60 years of age
8 or less, may elect to coordinate his or her retirement allowance
9 with an estimated primary social security benefit. The retirant
10 ~~shall~~**MUST** be paid an increased retirement allowance until 62 years
11 of age and a reduced retirement allowance after 62 years of age.
12 The increased retirement allowance paid until 62 years of age ~~shall~~
13 **MUST** approximate the sum of the reduced retirement allowance
14 payable after 62 years of age and the retirant's estimated social
15 security primary insurance amount. The **RETIREMENT SYSTEM SHALL**
16 **DETERMINE THE** estimated social security primary insurance amount.
17 ~~shall be determined by the retirement system.~~ The election under
18 this subsection ~~shall~~**MUST** be made at the same time and in the same
19 manner as required under subsection (1).

20 (3) Except as otherwise provided in this section, the election
21 of a payment option in subsections (1) and (2) ~~shall~~**MUST** not be
22 changed on or after the effective date of the retirement allowance.
23 Except as provided in this section, the retirement allowance
24 beneficiary selected under subsection (1)(b), (c), or (d) ~~shall~~
25 **MUST** not be changed on or after the effective date of the
26 retirement allowance and ~~shall~~**MUST** be ~~either~~ a spouse, brother,
27 sister, parent, or child, including an adopted child, of the

1 member, deferred member, retiring member, or retiring deferred
2 member entitled to make the election under this act. Another
3 retirement allowance beneficiary ~~shall~~**MUST** not be selected. If a
4 member, deferred member, retiring member, or retiring deferred
5 member is married at the retirement allowance effective date, an
6 election under subsection (1), other than an election under
7 subsection (1)(b), (c), or (d) naming the spouse as retirement
8 allowance beneficiary, ~~shall~~**IS** not be effective unless the
9 election is signed by the spouse, except that this requirement may
10 be waived by the board if the signature of a spouse cannot be
11 obtained because of extenuating circumstances. For purposes of this
12 subsection, "spouse" means the ~~person~~**INDIVIDUAL** to whom the
13 member, deferred member, retiring member, or retiring deferred
14 member is married ~~at~~**ON** the retirement allowance effective date.
15 Payment to a retirement allowance beneficiary ~~shall~~**MUST** start the
16 first day of the month ~~following~~**AFTER** the retirant's death.

17 (4) Except as otherwise provided in subsection (8), if the
18 retirement allowance beneficiary selected under subsection (1)(b),
19 (c), or (d) predeceases the retirant, the retirant's benefit ~~shall~~
20 **MUST** revert to a straight retirement allowance including post-
21 retirement adjustments, if any, ~~shall be~~**IS** effective the first of
22 the month ~~following~~**AFTER** the death, and ~~shall~~**MUST** be paid during
23 the remainder of the retirant's life. This subsection applies to a
24 retirant whose effective date of retirement is after June 28, 1976,
25 but the straight retirement allowance ~~shall~~**MUST** not be payable for
26 any month beginning before the later of the retirement allowance
27 beneficiary's death or October 31, 1980. This subsection also

1 applies to a retirant whose effective date of retirement was ~~on or~~
2 before June 28, ~~28~~, 1976, but the straight retirement allowance
3 ~~shall~~**MUST** not be payable for any month beginning before the later
4 of the retirement allowance beneficiary's death or January 1, 1986.
5 A retirant who on January 1, 1986 is receiving a reduced retirement
6 allowance because the retirant designated a retirement allowance
7 beneficiary and the retirement allowance beneficiary predeceased
8 the retirant is eligible to receive the straight retirement
9 allowance beginning January 1, 1986, but the straight retirement
10 allowance ~~shall~~**IS** not ~~be~~ payable for any month beginning before
11 January 1, 1986.

12 (5) A retirant who returns to service ~~pursuant to~~**UNDER**
13 section 61 and whose retirement allowance beneficiary selected
14 under subsection (1)(b), (c), or (d) predeceases the member before
15 he or she again becomes a retirant may again choose a retirement
16 allowance beneficiary ~~pursuant to~~**UNDER** subsection (1)(b), (c), or
17 (d).

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

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

24 (7) If the retirement allowance payments terminate before an
25 aggregate amount equal to the retirant's accumulated contributions
26 has been paid, the difference between the retirant's accumulated
27 contributions and the aggregate amount of retirement allowance

1 payments made ~~shall~~ **MUST** be paid to the ~~person~~ **INDIVIDUAL**
 2 designated in a writing filed with the retirement board on a form
 3 provided by the retirement board. If the designated ~~person~~
 4 **INDIVIDUAL** does not survive the retirant or retirement allowance
 5 beneficiary, the difference shall be paid to the deceased
 6 recipient's estate or to the legal representative of the deceased
 7 recipient.

8 (8) A retirant who selected a retirement allowance beneficiary
 9 under subsection (1)(b), (c), or (d) may change his or her
 10 retirement allowance beneficiary if ~~all~~ **1 OR MORE** of the following
 11 ~~apply~~ **REQUIREMENTS ARE SATISFIED:**

12 (a) ~~The first retirement allowance beneficiary is a spouse.~~ **THE**
 13 **RETIRANT WAS MARRIED ON HIS OR HER RETIREMENT ALLOWANCE EFFECTIVE**
 14 **DATE AND ALL OF THE FOLLOWING APPLY:**

15 (i) ~~(b)~~ The first retirement allowance beneficiary predeceases
 16 the retirant after the retirement allowance effective date.

17 (ii) ~~(c)~~ The retirant marries another spouse after the
 18 retirement allowance effective date.

19 (iii) ~~(d)~~ The retirant files a written request with the
 20 retirement system to name his or her current spouse as a retirement
 21 allowance beneficiary not earlier than 180 days and not later than
 22 1 year after the marriage of the retirant and the current spouse
 23 except that a retirant whose first retirement allowance beneficiary
 24 predeceases the retirant after the retirement allowance effective
 25 date and before ~~the effective date of the amendatory act that added~~
 26 ~~this subsection shall have~~ **JANUARY 1, 2009 HAS** 180 days ~~from the~~
 27 ~~effective date of the amendatory act that added this subsection~~

1 AFTER JANUARY 1, 2009 to file a written request with the retirement
2 system.

3 (B) THE RETIRANT WAS MARRIED ON THE EFFECTIVE DATE OF HIS OR
4 HER RETIREMENT BUT HIS OR HER MARRIAGE WAS NOT RECOGNIZED BY THIS
5 STATE AND ALL OF THE FOLLOWING APPLY:

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

9 (ii) THE RETIRANT FILES A WRITTEN REQUEST WITH THE RETIREMENT
10 SYSTEM TO NAME HIS OR HER CURRENT SPOUSE AS A RETIREMENT ALLOWANCE
11 BENEFICIARY NOT EARLIER THAN 180 DAYS AND NOT LATER THAN 1 YEAR
12 AFTER THE DATE OF MARRIAGE OF THE RETIRANT AND THE CURRENT SPOUSE.
13 HOWEVER, A RETIRANT WHOSE DATE OF MARRIAGE IS AFTER THE RETIREMENT
14 ALLOWANCE EFFECTIVE DATE AND BEFORE THE EFFECTIVE DATE OF THE 2016
15 AMENDATORY ACT THAT AMENDED THIS SECTION HAS 180 DAYS AFTER THE
16 EFFECTIVE DATE OF THE 2016 AMENDATORY ACT THAT AMENDED THIS SECTION
17 TO FILE A WRITTEN REQUEST WITH THE RETIREMENT SYSTEM.

18 (C) THE RETIRANT WAS NOT MARRIED ON HIS OR HER RETIREMENT
19 ALLOWANCE EFFECTIVE DATE AND ALL OF THE FOLLOWING APPLY:

20 (i) THE RETIRANT MARRIES AFTER THE RETIREMENT ALLOWANCE
21 EFFECTIVE DATE.

22 (ii) THE RETIREMENT ALLOWANCE BENEFICIARY IS THE RETIRANT'S
23 SPOUSE.

24 (iii) THE RETIRANT FILES A WRITTEN REQUEST WITH THE RETIREMENT
25 SYSTEM TO NAME HIS OR HER CURRENT SPOUSE AS A RETIREMENT ALLOWANCE
26 BENEFICIARY NOT EARLIER THAN 180 DAYS AND NOT LATER THAN 1 YEAR
27 AFTER THE DATE OF MARRIAGE OF THE RETIRANT AND THE CURRENT SPOUSE.

1 HOWEVER, A RETIRANT WHOSE DATE OF MARRIAGE IS AFTER THE RETIREMENT
 2 ALLOWANCE EFFECTIVE DATE AND BEFORE THE EFFECTIVE DATE OF THE 2016
 3 AMENDATORY ACT THAT AMENDED THIS SECTION HAS 180 DAYS AFTER THE
 4 EFFECTIVE DATE OF THE 2016 AMENDATORY ACT THAT AMENDED THIS SECTION
 5 TO FILE A WRITTEN REQUEST WITH THE RETIREMENT SYSTEM.

6 (9) A retirant who was not married on his or her retirement
 7 allowance effective date and who did not select a payment option
 8 provided in this section may select an optional form of benefit
 9 payment under subsection (1)(b), (c), or (d) and designate a
 10 retirement allowance beneficiary if all of the following apply:

11 (a) The retirant marries after his or her retirement allowance
 12 effective date.

13 (b) The retirement allowance beneficiary is the retirant's
 14 spouse.

15 ~~—— (c) The retirement allowance beneficiary is only designated as~~
 16 ~~the retirement allowance beneficiary for that portion of the~~
 17 ~~retirant's retirement allowance that is not subject to an eligible~~
 18 ~~domestic relations order assigning a previous spouse a reduced~~
 19 ~~benefit under section 4(b) of the eligible domestic relations order~~
 20 ~~act, 1991 PA 46, MCL 38.1704.~~

21 (C) ~~(d)~~ The retirant files a written request with the
 22 retirement system to select the optional form of benefit payment
 23 under subsection (1)(b), (c), or (d) and to designate his or her
 24 spouse as the retirement allowance beneficiary, not earlier than
 25 180 days and not later than 1 year after the retirant's marriage
 26 except that a retirant ~~who marries~~ **WHOSE DATE OF MARRIAGE IS** after
 27 the retirement allowance effective date and before ~~the effective~~

1 ~~date of the amendatory act that added this subsection shall have~~
2 **JANUARY 1, 2009 HAS** 180 days ~~from the effective date of the~~
3 ~~amendatory act that added this subsection~~ **AFTER JANUARY 1, 2009** to
4 file a written request with the retirement system.

5 (10) The retirement allowance of the retirant who makes an
6 election under subsection (8) or (9) ~~shall~~ **MUST** not be greater than
7 the actuarial equivalent of the retirement allowance as determined
8 by the retirement board that the retirant would otherwise be
9 entitled to under subsection (1)(a) and ~~shall~~ **MUST** become effective
10 the first day of the month ~~following~~ **AFTER** the filing of the
11 written request with the retirement system.

12 (11) If the retirant dies no later than 12 months after the
13 effective date of his or her election under subsection (8) or (9),
14 the retirement allowance for the surviving spouse established under
15 subsection (8) or (9) ~~shall~~ **MUST** terminate 12 months after the
16 death of the retirant.

17 (12) **AS USED IN THIS SECTION, "DATE OF MARRIAGE" MEANS THE**
18 **DATE THAT A MARRIAGE IS RECOGNIZED BY THIS STATE.**

19 Sec. 91. (1) Except as otherwise provided in this section, the
20 retirement system shall pay the entire monthly premium or
21 membership or subscription fee for hospital, medical-surgical, and
22 sick care benefits for the benefit of a retirant or retirement
23 allowance beneficiary who elects coverage in the plan authorized by
24 the retirement board and the department. Except as otherwise
25 provided in this section, beginning January 1, 2013, the retirement
26 system shall pay 80% of the entire monthly premium or membership or
27 subscription fee for hospital, medical-surgical, and sick care

1 benefits for the benefit of a retirant or retirement allowance
2 beneficiary who elects coverage in the plan authorized by the
3 retirement board and the department. Except as otherwise provided
4 in subsections (7) to (15), for a retirant or retirement allowance
5 beneficiary who is enrolled in the hospital, medical-surgical, and
6 sick care benefits plan on January 1, 2013 and who is eligible for
7 ~~medicare~~**MEDICARE** on that date, the retirement system shall pay 90%
8 of the entire monthly premium or membership or subscription fee for
9 hospital, medical-surgical, and sick care benefits for the benefit
10 of a retirant or retirement allowance beneficiary who elects
11 coverage in the plan authorized by the retirement board and the
12 department. Except as otherwise provided in subsection (8), this
13 subsection does not apply to a retirant who first becomes a member
14 after June 30, 2008.

15 (2) The retirement system may pay up to the maximum of the
16 amount payable under subsection (1) toward the monthly premium for
17 hospital, medical-surgical, and sick care benefits for the benefit
18 of a retirant or retirement allowance beneficiary enrolled in a
19 group health insurance or prepaid service plan not authorized by
20 the retirement board and the department, if enrolled before June 1,
21 1975, for whom the retirement system on July 18, 1983 was making a
22 payment towards his or her monthly premium.

23 (3) A retirant or retirement allowance beneficiary receiving
24 hospital, medical-surgical, and sick care benefits coverage under
25 subsection (1) or (2), until eligible for ~~medicare~~, shall **MEDICARE**,
26 **MUST** have an amount equal to the cost chargeable to a ~~medicare~~
27 **MEDICARE** recipient for part B of ~~medicare~~**MEDICARE** deducted from

1 his or her retirement allowance.

2 (4) Until December 31, 2012, the retirement system shall pay
3 90% of the monthly premium or membership or subscription fee for
4 dental and vision benefits for the benefit of a retirant or
5 retirement allowance beneficiary who elects coverage in the plan
6 authorized by the retirement board and the department. Except as
7 otherwise provided in this section, beginning January 1, 2013, the
8 retirement system shall pay 80% of the monthly premium or
9 membership or subscription fee for dental and vision benefits for
10 the benefit of a retirant or retirement allowance beneficiary who
11 elects coverage in the plan authorized by the retirement board and
12 the department. Except as otherwise provided in subsections (7) to
13 (15), for a retirant or retirement allowance beneficiary who is
14 enrolled in the dental and vision plan on January 1, 2013 and who
15 is 65 years of age or older on that date, the retirement system
16 shall pay 90% of the entire monthly premium or membership or
17 subscription fee for dental and vision benefits for the benefit of
18 a retirant or retirement allowance beneficiary who elects coverage
19 in the plan authorized by the retirement board and the department.
20 Payments ~~shall~~**MUST** begin under this subsection ~~upon~~**ON** approval by
21 the retirement board and the department of plan coverage and a plan
22 provider. Except as otherwise provided in subsection (8), this
23 subsection does not apply to a retirant who first becomes a member
24 after June 30, 2008.

25 (5) Until December 31, 2012, the retirement system shall pay
26 up to 90% of the maximum of the amount payable under subsection (1)
27 toward the monthly premium or membership or subscription fee for

1 hospital, medical-surgical, and sick care benefits coverage
2 described in subsections (1) and (2) for each health insurance
3 dependent of a retirant receiving benefits under subsection (1) or
4 (2). Until December 31, 2012, payment ~~shall~~**MUST** not exceed 90% of
5 the actual monthly premium or membership or subscription fee.
6 Except as otherwise provided in subsections (7) ~~through~~**TO** (15),
7 for a health insurance dependent who is enrolled in the hospital,
8 medical-surgical, and sick care benefit plan on January 1, 2013 and
9 who is eligible for medicare on that date, the retirement system
10 shall pay 90% of the entire monthly premium or membership or
11 subscription fee for hospital, medical-surgical, and sick care
12 benefits for the benefit of each health insurance dependent of a
13 retirant receiving benefits under subsection (1) or (2). Until
14 December 31, 2012, the retirement system shall pay 90% of the
15 monthly premium or membership or subscription fee for dental and
16 vision benefits described in subsection (4) for the benefit of each
17 health insurance dependent of a retirant receiving benefits under
18 subsection (4). Beginning January 1, 2013, any payment described in
19 this subsection ~~shall~~**MUST** not exceed 80% of the actual monthly
20 premium or membership or subscription fee. Except as otherwise
21 provided in subsections (7) to (15), for a health insurance
22 dependent of a retirant who is enrolled in the dental and vision
23 plan on January 1, 2013 and who is 65 years of age or older on that
24 date, the retirement system shall pay 90% of the entire monthly
25 premium or membership or subscription fee for dental and vision
26 benefits for the benefit of each health insurance dependent of the
27 retirant receiving benefits under subsection (4). Payment for

1 health benefits coverage for a health insurance dependent of a
2 retirant ~~shall~~**MUST** not be made after the retirant's death, unless
3 the retirant designated a retirement allowance beneficiary as
4 provided in section 85 and the dependent was covered or eligible
5 for coverage as a health insurance dependent of the retirant on the
6 retirant's date of death. Payment for health benefits coverage
7 ~~shall~~**MUST** not be made for a health insurance dependent after the
8 later of the retirant's death or the retirement allowance
9 beneficiary's death. Payment under this subsection and subsection
10 (6) began October 1, 1985 for health insurance dependents who on
11 July 10, 1985 were covered by the hospital, medical-surgical, and
12 sick care benefits plan authorized by the retirement board and the
13 department. Payment under this subsection and subsection (6) for
14 other health insurance dependents ~~shall~~**MUST** not begin before
15 January 1, 1986. Except as otherwise provided in subsection (8),
16 this subsection does not apply to a retirant who first becomes a
17 member after June 30, 2008.

18 (6) The payment described in subsection (5) ~~shall~~**MUST** also be
19 made 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. Payment for health benefits coverage for
24 a health insurance dependent ~~shall~~**MUST** not be made after the
25 retirement allowance beneficiary's death.

26 (7) The payments provided by this section ~~shall~~**MUST** not be
27 made on behalf of a retiring section 82 deferred member or health

1 insurance dependent of a deferred member having less than 21 full
2 years of attained credited service or the retiring deferred
3 member's retirement allowance beneficiary, and ~~shall~~**MUST** not be
4 made on behalf of a retirement allowance beneficiary of a deferred
5 member who dies before retiring. The retirement system shall pay,
6 on behalf of a retiring section 82 deferred member or health
7 insurance dependent of a deferred member or a retirement allowance
8 beneficiary of a deceased deferred member, either of whose
9 allowance is based ~~upon~~**ON** not less than 21 years of attained
10 credited service, 10% of the payments provided by this section,
11 increased by 10% for each attained full year of credited service
12 beyond 21 years, not to exceed 100% of the payments provided by
13 this section. This subsection applies to any member who first
14 became a member ~~on or before June 30,~~**JULY 1,** 2008 and 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 after June 30, 2008 and before September 4, 2012, the retirement
18 system shall pay up to 80% of the monthly premium or membership or
19 subscription fee for the hospital, medical-surgical, and sick care
20 benefits plan, the dental plan, and vision plan, or any combination
21 of the plans for the benefit of the retirant and his or her
22 retirement allowance beneficiary and health insurance dependents,
23 or for the benefit of the deceased member's retirement allowance
24 beneficiary if the retirant or deceased member has 25 years or more
25 of service credit under this act, and the retirant, deceased
26 retirant, or deceased member was at least 60 years of age at the
27 time of application for benefits under this section. If the

1 retirant or deceased member is less than 60 years of age at the
2 time of application for benefits under this section, the retirement
3 system shall pay 80% of the monthly premium or membership or
4 subscription fee for the hospital, medical-surgical, and sick care
5 benefits plan, the dental plan, and vision plan, or any combination
6 of the plans for the benefit of the retirant and his or her
7 retirement allowance beneficiary and the retirant's health
8 insurance dependents, or for the benefit of the deceased member's
9 retirement allowance beneficiary if the retirant or deceased member
10 has 25 or more years of service credit granted under section 68. If
11 a retirant, deceased retirant, or deceased member described in this
12 subsection has 10 or more but less than 25 years of service credit
13 under this act and the retirant was at least 60 years of age at the
14 time of application for benefits under this section, the retirement
15 system shall pay a portion of the monthly premium or membership or
16 subscription fee for the plans or combination of plans equal to the
17 product of 3% and the retirant's, deceased retirant's, or deceased
18 member's years of service for the first 10 years and 4% for each
19 year after the first 10 years, up to 80%. This subsection does not
20 apply to a member who receives a disability retirement allowance
21 under section 86 or 87 or to a deceased member's retirement
22 allowance beneficiary under section 90.

23 (9) The retirement system shall not pay the premiums or
24 membership or subscription fees under subsection (8) until the
25 retirant or retirement allowance beneficiary requests enrollment in
26 the plans or combination of plans in writing in the manner
27 prescribed by the retirement system. Not more than 1 year of

1 service credit shall be counted for purposes of this subsection and
2 subsection (8) in any school fiscal year.

3 (10) A member who retires under section 43b or 81 and who
4 elects to purchase service credit ~~on or after July 1,~~ **JUNE 30, 2008**
5 is not eligible for payments under this section for the hospital,
6 medical-surgical, and sick care benefits plan, the dental plan, or
7 vision plan, or any combination of the plans described in this
8 section until the first date that the member would have been
9 eligible to retire under section 43b or 81 if he or she had not
10 purchased the service credit and had accrued a sufficient amount of
11 service credit under section 68. A member who first becomes a
12 member ~~on or after July 1,~~ **JUNE 30, 2008 shall** ~~IS~~ not be eligible
13 for health benefits under this subsection until at least the time
14 of application under subsection (8). The retirement system shall
15 apply a method that enables it to make the determination under this
16 subsection.

17 (11) Except for a member who retires under section 86 or 87 or
18 a member who meets the requirements under subsection (7) or (8),
19 the retirement system shall not pay the benefits provided in
20 subsection (1) or (4) unless the member was employed and has
21 received a minimum total of 1/2 of a year of service credit granted
22 ~~pursuant to~~ **UNDER** section 68 during the 2 school fiscal years
23 immediately preceding the member's retirement allowance effective
24 date or the member has received a minimum of 1/10 of a year of
25 service credit granted ~~pursuant to~~ **UNDER** section 68 during each of
26 the 5 school fiscal years immediately preceding the member's
27 retirement allowance effective date. This subsection does not apply

1 to a member who is unable to meet the service credit requirements
 2 of this subsection because of 1 or more periods of unpaid leaves of
 3 absence approved by the reporting unit during the period of leave
 4 of absence, as a result of a mental or physical disability
 5 supported by the member's doctor during the period of leave of
 6 absence.

7 (12) Any retirant or retirement allowance beneficiary excluded
 8 from payments under this section may participate in the hospital,
 9 medical-surgical, and sick care benefits plan, the dental plan, or
 10 vision plan, or any combination of the plans described in this
 11 section in the manner prescribed by the retirement system at his or
 12 her own cost.

13 (13) The hospital, medical-surgical, and sick care benefits
 14 plan, dental plan, and vision plan that covers retirants,
 15 retirement allowance beneficiaries, and health insurance dependents
 16 ~~pursuant to~~ **UNDER** this section ~~shall~~ **MUST** contain a coordination of
 17 benefits provision that provides all of the following:

18 (a) If the person covered under the hospital, medical-
 19 surgical, and sick care benefits plan is also eligible for ~~medicare~~
 20 **MEDICARE** or ~~medicaid~~, **MEDICAID**, or both, ~~then~~ the benefits under
 21 ~~medicare~~ **MEDICARE** or ~~medicaid~~, **MEDICAID**, or both, ~~shall~~ **MUST** be
 22 determined before the benefits of the hospital, medical-surgical,
 23 and sick care benefits plan provided ~~pursuant to~~ **UNDER** this
 24 section.

25 (b) If the person covered under any of the plans provided by
 26 this section is also covered under another plan that contains a
 27 coordination of benefits provision, the benefits ~~shall~~ **MUST** be

1 coordinated as provided by the coordination of benefits act, 1984
2 PA 64, MCL 550.251 to 550.255.

3 (c) If the person covered under any of the plans provided by
4 this section is also covered under another plan that does not
5 contain a coordination of benefits provision, the benefits under
6 the other plan ~~shall~~**MUST** be determined before the benefits of the
7 plan provided ~~pursuant to~~**UNDER** this section.

8 (14) Beginning January 1, 2009, ~~upon~~**ON** the death of the
9 retirant, a retirement allowance beneficiary who became a
10 retirement allowance beneficiary under section ~~85(8)~~**85(8) (A) OR**
11 **(C)** or (9) is not a health insurance dependent and is not entitled
12 to health benefits under this section except as provided in this
13 subsection. Beginning January 1, 2009, a surviving spouse selected
14 as a retirement allowance beneficiary under section 85(8) or (9)
15 may elect the insurance coverages provided in this section if
16 payment for the elected coverages is the responsibility of the
17 surviving spouse and is paid in a manner prescribed by the
18 retirement system.

19 (15) This section does not apply to a retirant or a health
20 insurance dependent of that retirant under either of the following
21 circumstances:

22 (a) The individual first became a member or qualified
23 participant ~~on or~~ after September ~~4,~~**3**, 2012.

24 (b) The member made the election to opt out of health
25 insurance coverage or receives a separate retirement allowance
26 under section 91a.

27 (16) For purposes of this section:

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

2 (i) Except as provided in subsection (14), the spouse of the
3 retirant or the surviving spouse to whom the retirant or deceased
4 member was married at the time of the retirant's or deceased
5 member's death.

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

9 (iii) An unmarried child, by birth or adoption, of the
10 retirant or deceased member, until December 31 of the calendar year
11 in which the child becomes 25 years of age, who is enrolled as a
12 full-time student, and who is or was at the time of the retirant's
13 or deceased member's death a dependent of the retirant or deceased
14 member as defined in section 152 of the internal revenue code, 26
15 USC 152.

16 (iv) An unmarried child, by birth or adoption, of the retirant
17 or deceased member who is incapable of self-sustaining employment
18 because of mental or physical disability, and who is or was at the
19 time of the retirant's or deceased member's death a dependent of
20 the retirant or deceased member as defined in section 152 of the
21 internal revenue code, 26 USC 152.

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

25 (vi) An unmarried child who is not the child by birth or
26 adoption of the retirant or deceased member but who otherwise
27 qualifies to be a health insurance dependent under subparagraph

(ii), (iii), or (iv), if the retirant or deceased member is the legal guardian of the unmarried child.

(b) "Medicaid" means benefits under the federal ~~medicaid~~ **MEDICAID** program established under title XIX of the social security act, 42 USC 1396 to 1396w-5.

(c) "Medicare" means benefits under the federal ~~medicare~~ **MEDICARE** program established under title XVIII of the social security act, 42 USC 1395 to ~~1395kkk-1395lll~~ **1395lll**.

Sec. 108. (1) This section is enacted ~~pursuant to~~ **UNDER** federal law that imposes certain administrative requirements and benefit limitations for qualified governmental plans. This state intends that the retirement system be a qualified pension plan created in trust under section 401 of the internal revenue code, 26 USC 401, and that the trust be an ~~exempt~~ organization **EXEMPT FROM TAXATION** under section 501 of the internal revenue code, 26 USC 501. The department shall administer the retirement system to fulfill ~~this~~ **THE** intent **UNDER THIS SUBSECTION**.

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

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

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

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 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~~ **AFTER** the calendar year in which the

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

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

15 (7) Notwithstanding any other provision of this act to the
16 contrary that would limit a distributee's election under this act,
17 a distributee may elect, at the time and in the manner prescribed
18 by the retirement board, to have any portion of an eligible
19 rollover distribution paid directly to an eligible retirement plan
20 specified by the distributee in a direct rollover. This subsection
21 applies to distributions made ~~on or after January 1, 1993.~~ **DECEMBER**
22 **31, 1992.** Beginning October 1, 2010, a nonspouse beneficiary may
23 elect to have any portion of an amount payable under this act that
24 is an eligible rollover distribution treated as a direct rollover
25 that will be paid in a direct trustee-to-trustee transfer to an
26 individual retirement account or individual retirement annuity
27 described in section 408(a) or (b) of the internal revenue code, 26

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

6 (8) For purposes of determining actuarial equivalent
 7 retirement allowances under sections 45 and ~~85(1)(b), (1)(c),~~
 8 ~~(1)(d),~~ **85(1)(B), (C), AND (D)** and (2), the actuarially assumed
 9 interest rate ~~shall~~ **MUST** be ~~8% with utilization of the 1983 group~~
 10 ~~annuity and mortality table.~~ **DETERMINED BY THE DIRECTOR OF THE**
 11 **DEPARTMENT AND THE RETIREMENT BOARD IN CONSULTATION WITH THE**
 12 **ACTUARY USING THE MORTALITY TABLES RECOMMENDED BY THE ACTUARY.**

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

22 (10) Notwithstanding any other provision of this act,
 23 contributions, benefits, and service credit with respect to
 24 qualified military service will be provided under the retirement
 25 system in accordance with section 414(u) of the internal revenue
 26 code, 26 USC 414. This subsection applies to all qualified military
 27 service ~~on or after December 12,~~ **11, 1994.** Effective January 1,

1 2007, in accordance with section 401(a)(37) of the internal revenue
2 code, 26 USC 401, if a member dies while performing qualified
3 military service, for purposes of determining any death benefits
4 payable under this act, the member ~~shall be~~ **IS** treated as having
5 resumed and then terminated employment on account of death.