

HOUSE BILL No. 6482

November 7, 2018, Introduced by Rep. VerHeulen and referred to the Committee on Appropriations.

A bill to amend 1992 PA 234, entitled "The judges retirement act of 1992," by amending sections 301 and 604 (MCL 38.2301 and 38.2604), section 604 as amended by 2008 PA 514, and by adding sections 509a and 714a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 301. (1) The retirement system shall direct the actuary
2 to do all of the following:

3 (a) Determine the annual level percent of payroll contribution
4 rate to finance the benefits provided under this act by actuarial
5 valuation ~~pursuant to~~ **UNDER** subsections (2) and (3), and ~~upon~~ **ON**
6 the basis of the risk assumptions that the retirement board and the
7 department adopt after consultation with the state treasurer and
8 the actuary.

9 (b) Make an annual actuarial valuation of the retirement

1 system ~~in order~~ to determine the actuarial condition of the
2 retirement system and the required contribution to the retirement
3 system.

4 (c) Make an annual actuarial gain-loss experience study of the
5 retirement system ~~in order~~ to determine the financial effect of
6 variations of actual retirement system experience from projected
7 experience.

8 (2) The actuary shall compute the contribution rate for
9 monthly benefits payable in the event of death of a member before
10 retirement or the disability of a member using ~~a terminal funding~~
11 **AN INDIVIDUAL PROJECTED BENEFIT ENTRY AGE NORMAL COST** method of
12 ~~actuarial valuation.~~

13 (3) The actuary shall compute the contribution rate for
14 benefits other than those described in subsection (2) using an
15 individual projected benefit entry age normal actuarial cost
16 method. The contribution rate for service that may be rendered in
17 the current year, known as the normal cost contribution rate, is
18 equal to the aggregate amount of individual entry age normal costs
19 divided by 1% of the aggregate amount of active members' valuation
20 compensation. ~~The contribution rate for unfunded service rendered~~
21 ~~on or before the last day of the fiscal year, known as the unfunded~~
22 ~~actuarial accrued liability contribution rate, is equal to the~~
23 ~~aggregate amount of unfunded actuarial accrued liabilities divided~~
24 ~~by 1% of the actuarial present value over a period not to exceed 40~~
25 ~~years of projected benefit compensation, where unfunded actuarial~~
26 ~~accrued liabilities are equal to the actuarial present value of~~
27 ~~benefits reduced by the actuarial present value of future normal~~

1 ~~costs and the actuarial value of assets on the last day of the~~
2 ~~fiscal year.~~BEGINNING WITH THE SEPTEMBER 30, 2017 VALUATION, THE
3 CONTRIBUTION RATE FOR HEALTH BENEFITS PROVIDED UNDER SECTIONS 509
4 AND 719 MUST BE COMPUTED USING AN INDIVIDUAL PROJECTED BENEFIT
5 ENTRY AGE NORMAL COST METHOD OF VALUATION. THE UNFUNDED ACTUARIAL
6 ACCRUED LIABILITY MUST BE EQUAL TO THE ACTUARIAL PRESENT VALUE OF
7 BENEFITS REDUCED BY THE ACTUARIAL PRESENT VALUE OF FUTURE NORMAL
8 COST CONTRIBUTIONS AND THE ACTUARIAL VALUE OF ASSETS ON THE
9 VALUATION DATE. EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION,
10 THE UNFUNDED ACTUARIAL ACCRUED LIABILITY MUST BE AMORTIZED IN
11 ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL ACCOUNTING
12 STANDARDS OVER A PERIOD EQUAL TO OR LESS THAN 25 YEARS, WITH THE
13 PAYMENT SCHEDULE FOR THE EMPLOYER BEING BASED ON AND APPLIED TO THE
14 COMBINED PAYROLLS OF THE EMPLOYEES WHO ARE PLAN 1 MEMBERS AND PLAN
15 2 MEMBERS.

16 SEC. 509A. (1) FOR A MEMBER OR QUALIFIED PARTICIPANT WHO IS
17 NOT A PLAN 1 MEMBER OR PLAN 2 MEMBER AND IS NOT ELIGIBLE FOR ANY
18 FUTURE HEALTH INSURANCE COVERAGE PREMIUM FROM THE RETIREMENT
19 SYSTEM, A MEMBER'S OR QUALIFIED PARTICIPANT'S EMPLOYER SHALL MAKE A
20 MATCHING CONTRIBUTION UP TO 2% OF THE MEMBER'S OR QUALIFIED
21 PARTICIPANT'S COMPENSATION TO TIER 2. A MATCHING CONTRIBUTION UNDER
22 THIS SUBSECTION MAY NOT BE USED AS THE BASIS FOR A LOAN FROM THAT
23 MEMBER OR QUALIFIED PARTICIPANT'S TIER 2 ACCOUNT.

24 (2) A MEMBER OR QUALIFIED PARTICIPANT AS DESCRIBED IN
25 SUBSECTION (1) MAY MAKE A CONTRIBUTION UP TO 2% OF THE MEMBER'S OR
26 QUALIFIED PARTICIPANT'S COMPENSATION TO A TIER 2 ACCOUNT. A MEMBER
27 OR QUALIFIED PARTICIPANT WHO MAKES A CONTRIBUTION UNDER THIS

1 SUBSECTION MAY MAKE ADDITIONAL CONTRIBUTIONS TO HIS OR HER TIER 2
2 ACCOUNT AS PERMITTED BY THE DEPARTMENT AND THE INTERNAL REVENUE
3 CODE.

4 (3) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, A MEMBER
5 OR QUALIFIED PARTICIPANT IS VESTED IN CONTRIBUTIONS MADE TO HIS OR
6 HER TIER 2 ACCOUNT UNDER SUBSECTIONS (1) AND (2) ACCORDING TO THE
7 VESTING PROVISIONS UNDER SECTION 715.

8 (4) THE CONTRIBUTIONS DESCRIBED IN THIS SECTION MUST BEGIN
9 WITH THE FIRST PAYROLL DATE AFTER THE MEMBER OR QUALIFIED
10 PARTICIPANT IS EMPLOYED OR AFTER OCTOBER 1, 2019, WHICHEVER IS
11 LATER, AND END ON HIS OR HER TERMINATION OF EMPLOYMENT.

12 (5) AS USED IN THIS SECTION, "EMPLOYER" MEANS THAT TERM AS
13 DEFINED IN SECTION 705.

14 Sec. 604. (1) This section is enacted ~~pursuant to~~ **UNDER**
15 section 401(a) of the internal revenue code, 26 USC 401, that
16 imposes certain administrative requirements and benefit limitations
17 for qualified governmental plans. This state intends that the
18 retirement system be a qualified pension plan created in trust
19 under section 401 of the internal revenue code, **26 USC 401**, and
20 that the trust be an exempt organization under section 501 of the
21 internal revenue code, **26 USC 501**. The department shall administer
22 the retirement system to fulfill this intent.

23 (2) The retirement system shall be administered in compliance
24 with the provisions of section 415 of the internal revenue code, 26
25 USC 415, and regulations under that section that are applicable to
26 governmental plans and beginning January 1, 2010, applicable
27 provisions of the final regulations issued by the ~~internal revenue~~

1 ~~service~~ **INTERNAL REVENUE SERVICE** on April 5, 2007. Employer-
2 financed benefits provided by the retirement system under this act
3 ~~shall~~ **MUST** not exceed the applicable limitations set forth in
4 section 415 of the internal revenue code, 26 USC 415, as adjusted
5 by the commissioner of internal revenue under section 415(d) of the
6 internal revenue code, 26 USC 415, to reflect cost-of-living
7 increases, and the retirement system shall adjust the benefits,
8 including benefits payable to retirants and retirement allowance
9 beneficiaries, subject to the limitation each calendar year to
10 conform with the adjusted limitation. For purposes of section
11 415(b) of the internal revenue code, 26 USC 415, the applicable
12 limitation ~~shall apply~~ **APPLIES** to aggregated benefits received from
13 all qualified pension plans for which the office of retirement
14 services coordinates administration of that limitation. If there is
15 a conflict between this section and another section of this act,
16 this section prevails.

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

25 (4) The retirement system shall return post-tax member
26 contributions made by a member and received by the retirement
27 system to a member ~~upon~~ **ON** retirement, ~~pursuant to internal revenue~~

1 ~~service~~ **UNDER INTERNAL REVENUE SERVICE** regulations and approved
2 ~~internal revenue service~~ **UNDER INTERNAL REVENUE SERVICE** exclusion
3 ratio tables.

4 (5) The required beginning date for retirement allowances and
5 other distributions ~~shall~~ **MUST** not be later than April 1 of the
6 calendar year following the calendar year in which the employee
7 attains age 70-1/2 or April 1 of the calendar year following the
8 calendar year in which the employee retires. The required minimum
9 distribution requirements imposed by section 401(a)(9) of the
10 internal revenue code, 26 USC 401, ~~shall~~ apply to this act and **MUST**
11 be administered in accordance with a reasonable and good faith
12 interpretation of the required minimum distribution requirements
13 for all years in which the required minimum distribution
14 requirements apply to this act.

15 (6) If the retirement system is terminated, the interest of
16 the members, vested former members, retirants, and retirement
17 allowance beneficiaries in the retirement system is nonforfeitable
18 to the extent funded as described in section 411(d)(3) of the
19 internal revenue code, 26 USC 411, and related internal revenue
20 service regulations applicable to governmental plans.

21 (7) Notwithstanding any other provision of this act to the
22 contrary that would limit a distributee's election under this act,
23 a distributee may elect, at the time and in the manner prescribed
24 by the retirement board, to have any portion of an eligible
25 rollover distribution paid directly to an eligible retirement plan
26 specified by the distributee in a direct rollover. This subsection
27 applies to distributions made ~~on or after January 1, 1993.~~ **DECEMBER**

1 31, 1992. BEGINNING OCTOBER 1, 2010, A NONSPOUSE BENEFICIARY MAY
2 ELECT TO HAVE ANY PORTION OF AN AMOUNT PAYABLE UNDER THIS ACT THAT
3 IS AN ELIGIBLE ROLLOVER DISTRIBUTION TREATED AS A DIRECT ROLLOVER
4 THAT WILL BE PAID IN A DIRECT TRUSTEE-TO-TRUSTEE TRANSFER TO AN
5 INDIVIDUAL RETIREMENT ACCOUNT OR INDIVIDUAL RETIREMENT ANNUITY
6 DESCRIBED IN SECTION 408(A) OR (B) OF THE INTERNAL REVENUE CODE, 26
7 USC 408, THAT IS ESTABLISHED FOR THE PURPOSE OF RECEIVING A
8 DISTRIBUTION ON BEHALF OF THE BENEFICIARY AND THAT WILL BE TREATED
9 AS AN INHERITED INDIVIDUAL RETIREMENT ACCOUNT OR INDIVIDUAL
10 RETIREMENT ANNUITY PURSUANT TO SECTION 402(C) (11) OF THE INTERNAL
11 REVENUE CODE, 26 USC 402.

12 (8) For purposes of determining actuarial equivalent
13 retirement allowances under sections 506(1)(a) and (b) and 602, the
14 actuarially assumed interest rate ~~shall be~~ **IS** 8% with utilization
15 of the 1983 group annuity and mortality table.

16 (9) Notwithstanding any other provision of this act, the
17 compensation of a member of the retirement system ~~shall~~ **MUST** be
18 taken into account for any year under the retirement system only to
19 the extent that it does not exceed the compensation limit
20 established in section 401(a)(17) of the internal revenue code, 26
21 USC 401, as adjusted by the commissioner of internal revenue. This
22 subsection applies to ~~any person~~ **AN INDIVIDUAL** who first becomes a
23 member of the retirement system ~~on or after October 1,~~ **SEPTEMBER**
24 **30, 1996.**

25 (10) Notwithstanding any other provision of this act,
26 contributions, benefits, and service credit with respect to
27 qualified military service will be provided under the retirement

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

9 **SEC. 714A. TIER 2 AND TAX-DEFERRED ACCOUNTS ARE SUBJECT TO THE**
10 **FOLLOWING TERMS AND CONDITIONS:**

11 (A) BEFORE APRIL 2, 2019, THE RETIREMENT SYSTEM SHALL DESIGN
12 AN AUTOMATIC ENROLLMENT FEATURE THAT PROVIDES THAT UNLESS A
13 QUALIFIED PARTICIPANT WHO MAKES CONTRIBUTIONS UNDER SECTION 714(3)
14 OR WHO MAKES A CONTRIBUTION UNDER SECTION 509A(2) ELECTS TO
15 CONTRIBUTE A LESSER AMOUNT, THE QUALIFIED PARTICIPANT SHALL
16 CONTRIBUTE THE AMOUNT REQUIRED TO QUALIFY FOR ALL ELIGIBLE MATCHING
17 CONTRIBUTIONS UNDER THIS ACT. THE RETIREMENT SYSTEM SHALL IMPLEMENT
18 THIS AUTOMATIC ENROLLMENT FEATURE AS SOON AS ADMINISTRATIVELY
19 FEASIBLE, BUT NO LATER THAN 12 MONTHS AFTER THE ENACTMENT OF THE
20 AMENDATORY ACT THAT ADDED THIS SECTION.

21 (B) IN ADDITION TO ELECTIVE EMPLOYEE CONTRIBUTIONS TO TIER 2
22 OR A TAX-DEFERRED ACCOUNT, THIS STATE MAY USE ELECTIVE EMPLOYEE
23 CONTRIBUTIONS TO THE STATE 457 DEFERRED COMPENSATION PLAN AS A
24 BASIS FOR MAKING EMPLOYER MATCHING CONTRIBUTIONS TO TIER 2 OR A
25 TAX-DEFERRED ACCOUNT.

26 (C) EMPLOYER MATCHING CONTRIBUTIONS DO NOT HAVE TO BE MADE TO
27 THE SAME PLAN OR ACCOUNT TO WHICH THE ELECTIVE EMPLOYEE

1 CONTRIBUTIONS WERE CONTRIBUTED AS THE BASIS FOR THE MATCHING
2 CONTRIBUTIONS.

3 (D) ELECTIVE EMPLOYEE CONTRIBUTIONS MAY NOT BE USED AS THE
4 BASIS FOR MORE THAN AN EQUIVALENT AMOUNT OF EMPLOYER MATCHING
5 CONTRIBUTIONS.

6 (E) THE RETIREMENT SYSTEM SHALL DESIGN AND IMPLEMENT A METHOD
7 TO DETERMINE THE PROPER ALLOCATION OF EMPLOYER MATCHING
8 CONTRIBUTIONS BASED ON ELECTIVE EMPLOYEE CONTRIBUTIONS AS PROVIDED
9 IN THIS SECTION.