

# HOUSE BILL No. 5652

February 27, 2018, Introduced by Reps. Reilly, Albert, Runestad and VerHeulen and referred to the Committee on Financial Liability Reform.

A bill to amend 1992 PA 234, entitled "The judges retirement act of 1992," by amending section 604 (MCL 38.2604), as amended by 2008 PA 514.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 604. (1) This section is enacted ~~pursuant to~~ **UNDER**  
2 section 401(a) of the internal revenue code, 26 USC 401, ~~that~~ **WHICH**  
3 imposes certain administrative requirements and benefit limitations  
4 for qualified governmental plans. This state intends that the  
5 retirement system be a qualified pension plan created in trust  
6 under section 401 of the internal revenue code, **26 USC 401**, and  
7 that the trust be an ~~exempt~~ organization **EXEMPT FROM TAXATION** under  
8 section 501 of the internal revenue code, **26 USC 501**. The  
9 department shall administer the retirement system to fulfill ~~this~~

1 **THE intent OF THIS SUBSECTION.**

2 (2) The retirement system shall be administered in compliance  
3 with the provisions of section 415 of the internal revenue code, 26  
4 USC 415, and regulations under that section that are applicable to  
5 governmental plans and, beginning January 1, 2010, applicable  
6 provisions of the final regulations issued by the ~~internal revenue~~  
7 ~~service~~**INTERNAL REVENUE SERVICE** on April 5, 2007. Employer-  
8 financed benefits provided by the retirement system under this act  
9 ~~shall~~**MUST** not exceed the applicable limitations set forth in  
10 section 415 of the internal revenue code, 26 USC 415, as adjusted  
11 by the commissioner of internal revenue under section 415(d) of the  
12 internal revenue code, 26 USC 415, to reflect cost-of-living  
13 increases, and the retirement system shall adjust the benefits,  
14 including benefits payable to retirants and retirement allowance  
15 beneficiaries, subject to the limitation each calendar year to  
16 conform with the adjusted limitation. For purposes of section  
17 415(b) of the internal revenue code, 26 USC 415, the applicable  
18 limitation ~~shall apply~~**APPLIES** to aggregated benefits received from  
19 all qualified pension plans for which the office of retirement  
20 services coordinates administration of that limitation. If there is  
21 a conflict between this section and another section of this act,  
22 this section prevails.

23 (3) The assets of the retirement system ~~shall~~**MUST** be held in  
24 trust and invested for the sole purpose of meeting the legitimate  
25 obligations of the retirement system and ~~shall~~**MUST** not be used for  
26 any other purpose. The assets ~~shall~~**MUST** not be used for or  
27 diverted to a purpose other than for the exclusive benefit of the

1 members, vested former members, retirants, and retirement allowance  
2 beneficiaries before satisfaction of all retirement system  
3 liabilities.

4 (4) The retirement system shall return post-tax member  
5 contributions made by a member and received by the retirement  
6 system to a member ~~upon~~**ON** retirement, ~~pursuant to internal revenue~~  
7 ~~service~~**UNDER INTERNAL REVENUE SERVICE** regulations and approved  
8 ~~internal revenue service~~**INTERNAL REVENUE SERVICE** exclusion ratio  
9 tables.

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

21 (6) If the retirement system is terminated, the interest of  
22 the members, vested former members, retirants, and retirement  
23 allowance beneficiaries in the retirement system is nonforfeitable  
24 to the extent funded as described in section 411(d)(3) of the  
25 internal revenue code, 26 USC 411, and related ~~internal revenue~~  
26 ~~service~~**INTERNAL REVENUE SERVICE** regulations applicable to  
27 governmental plans.

1           (7) Notwithstanding any other provision of this act to the  
2 contrary that would limit a distributee's election under this act,  
3 a distributee may elect, at the time and in the manner prescribed  
4 by the retirement board, to have any portion of an eligible  
5 rollover distribution paid directly to an eligible retirement plan  
6 specified by the distributee in a direct rollover. This subsection  
7 applies to distributions made ~~on or after January 1, 1993.~~**DECEMBER**  
8 **31, 1992.**

9           (8) For purposes of determining actuarial equivalent  
10 retirement allowances under sections 506(1)(a) and (b) and 602, the  
11 actuarially assumed interest rate ~~shall~~**MUST** be ~~8% with utilization~~  
12 ~~of the 1983 group annuity and mortality table.~~**DETERMINED BY THE**  
13 **DIRECTOR OF THE DEPARTMENT AND THE RETIREMENT BOARD IN CONSULTATION**  
14 **WITH THE ACTUARY USING THE MORTALITY TABLES ADOPTED BY THE**  
15 **DEPARTMENT AND THE RETIREMENT BOARD.**

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.