

Sec. 93. Optional Terms.

- (1) DB Component. A Participating Employer may elect a Defined Benefit Component. A Participating Employer which so elects shall be subject to the following provisions:
 - (a) For each Participating Employer which so elects, the Board will establish in the 401(h) Account a sub-account to be known as the DB Component. The DB Component shall be credited with the contributions made by the Participating Employer, contributions made by eligible employees (which shall be deposited in individual accounts within the DB Component), and all investments, receipts, disbursements, and other transactions thereunder; which amounts shall be used solely for the payment of benefits, expenses and other charges properly allocable to the DB Component and shall not be used for the payment of benefits, expenses or other charges properly allocable to any other purpose.
 - (b) As authorized by law, and if so elected in the Participation Agreement, the Board shall pay monthly to each retired participant who is eligible for medical insurance coverage under part B of "The Social Security Amendments of 1965," 79 Stat. 301, 42 U.S.C.A. 1395j, as amended, an amount established by Board rule that does not exceed the basic premium for such coverage.
 - (c) As authorized by law, and if so elected in the Participation Agreement, the Board shall pay monthly to each retired participant an amount determined by the Participation Agreement for Medical Care as defined by the Participation Agreement.
- (2) DC Component. A Participating Employer may elect a Defined Contribution Component. A Participating Employer which so elects shall be subject to the following provisions.
 - (a) For each Participating Employer which so elects, the Board will establish in the 401(h) Account a sub-account to be known as the DC Component.
 - (b) Within the DC Component, separate accounts shall be maintained reflecting the contributions made by each participant and all investments, receipts, disbursements, and other transactions thereunder; which amounts shall be used solely for the payment of benefits, expenses and other charges properly allocable to each participant and shall not be used for the payment of benefits, expenses or other charges properly allocable to any other purpose.

- (c) A retired participant's DC Component account balance may be used for the purpose of funding any Medical Care costs specified in the Participation Agreement for a retired participant or his or her spouse or dependents.
 - (d) The Board, in its sole discretion, may by rule permit participants participating in the DC Component to direct the investment of their DC Component Account among investment funds selected by the Board. The Board may by rule establish one or more default options for a participant that does not have a valid investment direction on file with the System. The Board may establish the default option based upon various factors, including but not limited to, market value, stability and rate of return. Any rule adopted under this section may provide for the setting and changing of administrative and investment fees.
- (3) Employee Contributions: DB Component or DC Component.
- (a) The Participation Agreement may require mandatory employee contributions and/or may establish a procedure for a one-time elective employee contribution.
 - (b) Employee Contributions shall be made by payroll deduction from the salary of the participants, unless the Participant's Employer elects to pay all or a portion of his or her contribution.
 - (c) The Participating Employer may elect to pick up all of the participant's contributions in the Participation Agreement. The contributions so picked up shall be treated as Employer contributions pursuant to IRC 414(h)(2). The Employer shall pay these picked-up contributions directly to the System, instead of paying such amounts to the participants, and such contributions shall be paid from the same funds that are used in paying salaries to the participants. Such contributions, although designated as employee contributions, shall be paid by the Employer in lieu of contributions by participants. Participants may not elect to receive such contributions directly instead of having them paid by the Participating Employer to the 401(h) Account. Employee contributions so picked up shall be treated for all purposes of the Plan Document and Michigan law, other than federal tax law, in the same manner as employee contributions made before the date picked up.
- (4) The Participation Agreement may provide for Employer Contributions.
- (5) A Participating Employer may identify Covered Groups in the Participation Agreement.

- (6) A Participating Employer may specify the types of Medical Care covered in the Participation Agreement. However, Medical Care must be payments or reimbursement for health benefits as defined by IRC 213 and excludable from income under IRC 105 and 106, as amended from time to time. Medical Care excludes health benefits provided by Social Security, Medicaid, Medicare, or any other medical and health insurance contracts covering the retired participants, their spouse and dependents, and the reimbursements may not be made for items payable by any other insurance contract.

The permissible types of Medical Care are:

- (a) To any retired participant who is eligible for medical insurance coverage under part B of "The Social Security Amendments of 1965," 79 Stat. 301, 42 U.S.C. 1395j, as amended.
- (b) Premiums paid for any group health insurance plan provided by the Participating Employer. A "health insurance plan" means an individual or group accident or health insurance policy, but does not include dental or vision coverage. The term includes, but is not limited to, a hospital policy or certificate, a medical policy or certificate, a service policy or certificate, a hospital or medical service plan contract, a health maintenance organization, and a preferred provider organization.
- (c) Premiums paid for a health insurance plan for single, two-party, or family coverage for Medical Care for a retired participant. A "health insurance plan" means an individual or group accident or health insurance policy, and may include dental or vision coverage. The term includes, but is not limited to, a hospital policy or certificate, a medical policy or certificate, a service policy or certificate, a hospital or medical service plan contract, a health maintenance organization, and a preferred provider organization.
- (d) Payment or reimbursement of amounts (i) for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body, or (ii) for transportation primarily for and essential to medical care. Medical Care must be payments or reimbursement for health benefits as defined by IRC 213 and excludable from income under IRC sections 105 and 106, as amended from time to time. Medical Care excludes health benefits provided by Social Security, Medicaid, Medicare, or any other medical and health insurance contracts covering the retired participant, his/her spouse and dependents, and the reimbursements may not be made for any item covered by any other insurance contract.