



# HOUSE BILL No. 5525

January 23, 1996, Introduced by Reps. Rhead, Llewellyn, Hill, Hammerstrom, Brackenridge, Dalman and McNutt and referred to the Committee on Appropriations.

A bill to amend sections 2a, 2b, 2c, 36, 37, 45, and 45a of Act No. 427 of the Public Acts of 1984, entitled as amended "Municipal employees retirement act of 1984," section 2a as amended by Act No. 191 of the Public Acts of 1995, section 2b as amended by Act No. 63 of the Public Acts of 1992, sections 2c and 37 as amended by Act No. 51 of the Public Acts of 1989, and sections 36, 45, and 45a as amended by Act No. 500 of the Public Acts of 1988, being sections 38.1502a, 38.1502b, 38.1502c, 38.1536, 38.1537, 38.1545, and 38.1545a of the Michigan Compiled Laws; and to repeal acts and parts of acts.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 2a, 2b, 2c, 36, 37, 45, and 45a of Act  
2 No. 427 of the Public Acts of 1984, section 2a as amended by Act  
3 No. 191 of the Public Acts of 1995, section 2b as amended by Act  
4 No. 63 of the Public Acts of 1992, sections 2c and 37 as amended

1 by Act No. 51 of the Public Acts of 1989, and sections 36, 45,  
2 and 45a as amended by Act No. 500 of the Public Acts of 1988,  
3 being sections 38.1502a, 38.1502b, 38.1502c, 38.1536, 38.1537,  
4 38.1545, and 38.1545a of the Michigan Compiled Laws, are amended  
5 to read as follows:

6       Sec. 2a. (1) ~~"Accumulated contributions" means the sum of~~  
7 ~~all amounts credited to a member's individual account in the~~  
8 ~~reserve for employee contributions.~~ "CERTIFICATION DATE" MEANS  
9 THE DATE CERTIFIED IN THE ELECTION RESULTS FILED WITH THE SECRE-  
10 TARY OF STATE PURSUANT TO ENACTING SECTION 4 OF THE AMENDATORY  
11 ACT THAT ADDED THIS SENTENCE.

12       ~~(2) "Beneficiary" means an individual who is being paid or~~  
13 ~~who has entitlement to the future payment of a retirement allow-~~  
14 ~~ance or a return of contributions on account of a reason other~~  
15 ~~than the individual's membership in the retirement system.~~

16       (2) ~~(3)~~ "Chief judge" means the chief judge of a judicial  
17 circuit court, a judicial district court, or a judicial probate  
18 court as provided in the revised judicature act of 1961, Act  
19 No. 236 of the Public Acts of 1961, being sections 600.101 to  
20 600.9947 of the Michigan Compiled Laws.

21       ~~(4) "Compensation" means the salary or wages paid a member~~  
22 ~~for personal services rendered the member's participating munici-~~  
23 ~~palty or participating court while a member of the retirement~~  
24 ~~system. Salary and wages shall include longevity pay; overtime~~  
25 ~~pay; shift differentials; pay for periods of absence from work by~~  
26 ~~reason of vacation, holiday, and sickness; deferred compensation~~  
27 ~~amounts under deferred compensation programs recognized by the~~

~~1 retirement board, including premiums for annuities and permanent  
2 life insurance policies that are transferred to the ownership of  
3 the member upon retirement, and items of a similar nature that  
4 are recognized as compensation by the retirement board.~~

~~5 Compensation does not include any remuneration or reimbursement  
6 not specifically described in this subsection or recognized by  
7 the retirement board, such as allowances for clothing, equipment,  
8 cleaning, and travel; reimbursement of expenses; bonuses; termi-  
9 nation pay; severance pay; payments in consideration of unused  
10 sick leave; the value of fringe benefits; and items of remunera-  
11 tion that are the basis of a potential or actual benefit from  
12 another retirement program.~~

~~13 (5) "Direct rollover" means a payment by the retirement  
14 system to the eligible retirement plan specified by the  
15 distributee.~~

~~16 (6) "Distributee" includes a member or vested former  
17 member. Distributee also includes the member's or vested former  
18 member's surviving spouse or the member's or vested former  
19 member's spouse or former spouse under an eligible domestic rela-  
20 tions order, with regard to the interest of the spouse or former  
21 spouse.~~

~~22 (7) Except as otherwise provided in this subsection,  
23 "eligible retirement plan" means an individual retirement account  
24 described in section 408(a) of the internal revenue code, an  
25 individual retirement annuity described in section 408(b) of the  
26 internal revenue code, an annuity plan described in section  
27 403(a) of the internal revenue code, or a qualified trust~~

1 ~~described in section 401(a) of the internal revenue code, that~~  
2 ~~accepts the distributee's eligible rollover distribution.~~  
3 ~~However, in the case of an eligible rollover distribution to a~~  
4 ~~surviving spouse, an eligible retirement plan means an individual~~  
5 ~~retirement account or an individual retirement annuity described~~  
6 ~~above.~~

7 ~~(8) "Eligible rollover distribution" means a distribution of~~  
8 ~~all or any portion of the balance to the credit of the~~  
9 ~~distributee. Eligible rollover distribution does not include any~~  
10 ~~of the following:~~

11 ~~(a) A distribution made for the life or life expectancy of~~  
12 ~~the distributee or the joint lives or joint life expectancies of~~  
13 ~~the distributee and the distributee's designated beneficiary.~~

14 ~~(b) A distribution for a specified period of 10 years or~~  
15 ~~more.~~

16 ~~(c) A distribution to the extent that the distribution is~~  
17 ~~required under section 401(a)(9) of the internal revenue code.~~

18 ~~(d) The portion of any distribution that is not includable~~  
19 ~~in federal gross income, determined without regard to the exclu-~~  
20 ~~sion for net unrealized appreciation with respect to employer~~  
21 ~~securities.~~

22 ~~(9) "Final average compensation" means any of the~~  
23 ~~following:~~

24 ~~(a) One fifth of the aggregate amount of compensation paid a~~  
25 ~~member during the period of 5 consecutive years of the member's~~  
26 ~~credited service in which the aggregate amount of compensation~~  
27 ~~paid is highest, known as FAC 5. If the member has less than~~

~~1 5 years of credited service, final average compensation means the~~  
~~2 aggregate amount of compensation paid the member divided by the~~  
~~3 member's credited service. A member who has credited service in~~  
~~4 force with more than 1 participating municipality or participat-~~  
~~5 ing court shall have a separate final average compensation com-~~  
~~6 puted based on the member's compensation record with each partic-~~  
~~7 ipating municipality and participating court.~~

~~8 (b) If the participating municipality or participating court~~  
~~9 has adopted benefit program FAC 3, 1/3 of the aggregate amount of~~  
~~10 compensation paid a member during the period of 3 consecutive~~  
~~11 years of the member's credited service in which the aggregate~~  
~~12 amount of compensation paid is highest. If the member has less~~  
~~13 than 3 years of credited service, final average compensation~~  
~~14 means the aggregate amount of compensation paid the member~~  
~~15 divided by the member's credited service. A member who has cred-~~  
~~16 ited service in force with more than 1 participating municipality~~  
~~17 or participating court shall have a separate final average com-~~  
~~18 pensation computed based on the member's compensation record with~~  
~~19 each participating municipality or participating court.~~

~~20 (c) For a member who is a judge of the district court, the~~  
~~21 recorder's court of the city of Detroit, or the circuit court,~~  
~~22 and has converted a portion or all of his or her state salary~~  
~~23 standardization payment as provided for in section 504 of the~~  
~~24 judges retirement act of 1992, Act No. 234 of the Public Acts of~~  
~~25 1992, being section 38.2504 of the Michigan Compiled Laws, as an~~  
~~26 addition to his or her state base salary under Act No. 234 of~~  
~~27 the Public Acts of 1992, being sections 38.2101 to 38.2608 of the~~

~~1 Michigan Compiled Laws, the difference between the figure that~~  
~~2 would otherwise be used under subdivision (a) to compute the~~  
~~3 member's retirement benefits, and the amount of the state salary~~  
~~4 standardization payment converted.~~

5       (3) ~~(+10)~~ "Governing body" means the representative legis-  
6 lative body of a municipality, or the administrative board or  
7 commission of a public corporation or instrumentality that does  
8 not have a representative legislative body.

9       ~~(+11) "Internal revenue code" means the United States inter-~~  
10 ~~nal revenue code of 1986.~~

11       (4) ~~(+12)~~ "Judicial circuit court" means a judicial circuit  
12 of the circuit court as provided in section 11 of article VI of  
13 the state constitution of 1963.

14       (5) ~~(+13)~~ "Judicial district court" means a judicial dis-  
15 trict of the district court as provided in section 8101 of the  
16 revised judicature act of 1961, Act No. 236 of the Public Acts of  
17 1961, being section 600.8101 of the Michigan Compiled Laws.

18       ~~(+14) "Judicial employee" means an individual who is paid~~  
19 ~~compensation for personal service rendered for a participating~~  
20 ~~court. Judicial employee does not include anyone who is a munic-~~  
21 ~~ipal employee under section 2b(3) or anyone who is specifically~~  
22 ~~excluded as a municipal employee under section 2b(3).~~

23       (6) ~~(+15)~~ "Judicial probate court" means a county probate  
24 court or probate court district as provided in section 15 of  
25 article VI of the state constitution of 1963.

26       Sec. 2b. (1) "Member" means ~~a municipal employee or~~  
27 ~~judicial employee~~ AN INDIVIDUAL who is included in the

1 membership of the retirement system, AS DETERMINED BY THE  
2 RETIREMENT BOARD.

3 ~~(2) "Membership service" means personal service rendered a~~  
4 ~~participating municipality or participating court while a member~~  
5 ~~of the retirement system.~~

6 ~~(3) "Municipal employee" means an individual who is paid~~  
7 ~~compensation for personal services rendered for a participating~~  
8 ~~municipality. Payment of compensation by a hospital, board, com-~~  
9 ~~mission, public corporation, or instrumentality created by a~~  
10 ~~municipality is considered payment by the municipality.~~

11 ~~Municipal employee does not include any of the following:~~

12 ~~(a) The mayor, village president, or a member of the govern-~~  
13 ~~ing body of a participating municipality, unless the individual~~  
14 ~~files a written application for membership with the retirement~~  
15 ~~system.~~

16 ~~(b) An individual who is employed on a basis that exempts~~  
17 ~~the participating municipality from the withholding provisions of~~  
18 ~~the internal revenue code.~~

19 ~~(c) An individual, except a county elected official, who is~~  
20 ~~wholly paid on a fee basis.~~

21 ~~(d) An individual who is an active member of the state of~~  
22 ~~Michigan probate judges retirement system created by the probate~~  
23 ~~judges retirement act, Act No. 165 of the Public Acts of 1954,~~  
24 ~~being sections 38.901 to 38.933 of the Michigan Compiled Laws.~~

25 ~~(e) A person, not regularly employed by the participating~~  
26 ~~municipality, who is employed by the municipality through~~  
27 ~~participation in a program established pursuant to the job~~

1 ~~training partnership act, Public Law 97-300, 96 Stat. 1322. In~~  
2 ~~addition, a person described in this subdivision shall not~~  
3 ~~receive service credit for the employment described in this sub-~~  
4 ~~division even though the person subsequently becomes or has been~~  
5 ~~a member of the retirement system.~~

6       ~~(f) A person, not regularly employed by the participating~~  
7 ~~municipality, who is employed by the municipality through partic-~~  
8 ~~ipation in a program established pursuant to the Michigan oppor-~~  
9 ~~tunity and skills training program first provided for under sec-~~  
10 ~~tions 12 to 23 of Act No. 259 of the Public Acts of 1983. In~~  
11 ~~addition, a person described in this subdivision shall not~~  
12 ~~receive service credit for the employment described in this sub-~~  
13 ~~division even though the person subsequently becomes or has been~~  
14 ~~a member of this retirement system.~~

15       ~~(g) A person, not regularly employed by the participating~~  
16 ~~municipality, who is employed by the municipality through partic-~~  
17 ~~ipation in a program established pursuant to the Michigan commu-~~  
18 ~~nity service corps program first provided for under sections 25~~  
19 ~~to 35 of Act No. 259 of the Public Acts of 1983 and sections 148~~  
20 ~~to 160 of Act No. 246 of the Public Acts of 1984. In addition, a~~  
21 ~~person described in this subdivision shall not receive service~~  
22 ~~credit for the employment described in this subdivision even~~  
23 ~~though the person subsequently becomes or has been a member of~~  
24 ~~this retirement system.~~

25       ~~(h) A person, not regularly employed by the participating~~  
26 ~~municipality, who is employed by the municipality to administer a~~



1 ~~program described in subdivision (e), (f), or (g) shall not be a~~  
2 ~~member of this retirement system.~~

3 ~~(i) An individual who is, on the effective date of the~~  
4 ~~municipality's or court's participation under this act, a member~~  
5 ~~of another retirement system that is sponsored by the participat-~~  
6 ~~ing municipality or participating court if that individual~~  
7 ~~remains as a member of the other retirement system.~~

8 (2) ~~(4)~~ "Municipality" means a county, county road commis-  
9 sion, city, village, township, or a combination of these units; a  
10 lawful public corporation or instrumentality established by 1 or  
11 more counties, cities, villages, townships, or a combination of  
12 these units; or a public corporation or instrumentality charged  
13 by law with the performance of a governmental function and whose  
14 jurisdiction is coextensive with 1 or more counties, cities, vil-  
15 lages, townships, or a combination of these units.

16 Sec. 2c. (1) "Participating court" means a judicial circuit  
17 court, a judicial district court, or a judicial probate court  
18 that has elected to be governed by the provisions of this act.

19 (2) "Participating municipality" means a municipality that  
20 has elected to be governed by the provisions of this act. Two or  
21 more municipalities may enter into an agreement with each other  
22 and the retirement system to participate as a combined unit.

23 ~~(3) "Prior service" means certified personal service~~  
24 ~~rendered a municipality or a judicial circuit court, judicial~~  
25 ~~district court, or judicial probate court by a member prior to~~  
26 ~~the date the municipality or judicial circuit court, judicial~~  
27 ~~district court, or judicial probate court became a participating~~

~~1 municipality or participating court. The participating  
2 municipality or participating court shall certify to the retire-  
3 ment system, in writing, the amount of prior service to be cred-  
4 ited each member in its employ. The participating municipality  
5 or participating court may limit the period of certified prior  
6 service to either a percentage of the member's total period of  
7 prior service or a stated number of years. Certification of  
8 prior service shall be made prior to the retirement of a member,  
9 in the form and at the time prescribed by the retirement board.~~

10       ~~(4) "Retirant" means an individual who is being paid a  
11 retirement allowance on account of the individual's membership in  
12 the retirement system.~~

13       ~~(5) "Retirement allowance" means an annual amount payable in  
14 monthly installments by the retirement system, whether payable  
15 for a temporary period or throughout the future life of a retir-  
16 ant or beneficiary.~~

17       (3) "PUBLIC CORPORATION" MEANS THE RETIREMENT SYSTEM ON AND  
18 AFTER THE CERTIFICATION DATE, WHICH CORPORATION IS AN INSTRUMEN-  
19 TALITY OF THE PARTICIPATING MUNICIPALITIES AND PARTICIPATING  
20 COURTS.

21       (4) ~~-(6)-~~ "Retirement board" means the retirement board pro-  
22 vided for in section 36 to administer the retirement system.

23       (5) ~~-(7)-~~ "Retirement system" or "system" means the munici-  
24 pal employees retirement system established by former Act No. 135  
25 of the Public Acts of 1945 and continued and restated by this  
26 act.

1       ~~(8) "Vested former member" means a person who meets the~~  
2 ~~requirements of section 12.~~

3       Sec. 36. (1) ~~The~~ A retirement board is created ~~within~~  
4 ~~the department of management and budget~~ TO ADMINISTER THIS ACT.  
5 ~~The retirement board shall manage, administer, and operate the~~  
6 ~~retirement system, except as otherwise provided by the executive~~  
7 ~~organization act of 1965, Act No. 380 of the Public Acts of 1965,~~  
8 ~~being sections 16.101 to 16.608 of the Michigan Compiled Laws,~~  
9 ~~and the management and budget act, Act No. 431 of the Public Acts~~  
10 ~~of 1984, being sections 18.1101 to 18.1594 of the Michigan~~  
11 ~~Compiled Laws.~~ BEFORE THE CERTIFICATION DATE, THE RETIREMENT  
12 BOARD SHALL OPERATE WITHIN THE DEPARTMENT OF MANAGEMENT AND  
13 BUDGET. ON AND AFTER THE CERTIFICATION DATE, THE RETIREMENT  
14 SYSTEM SHALL BECOME A PUBLIC CORPORATION AND SHALL NO LONGER  
15 OPERATE WITHIN THE EXECUTIVE BRANCH OF THIS STATE.

16       (2) ON AND AFTER THE CERTIFICATION DATE, THE RETIREMENT  
17 BOARD HAS ALL OF THE FOLLOWING POWERS AND DUTIES:

18       (A) THE RETIREMENT BOARD SHALL DETERMINE ALL OF THE PROVI-  
19 SIONS OF THE RETIREMENT SYSTEM AFFECTING BENEFIT ELIGIBILITY,  
20 BENEFIT PROGRAMS, CONTRIBUTION AMOUNTS, AND THE ELECTION OF  
21 MUNICIPALITIES, JUDICIAL CIRCUIT COURTS, JUDICIAL DISTRICT  
22 COURTS, AND JUDICIAL PROBATE COURTS TO BE GOVERNED BY THE PROVI-  
23 SIONS OF THE RETIREMENT SYSTEM. THE RETIREMENT BOARD SHALL  
24 ESTABLISH ALL RETIREMENT SYSTEM PROVISIONS. AS OF 12:01 A.M. ON  
25 THE CERTIFICATION DATE, THE RETIREMENT SYSTEM PROVISIONS SHALL  
26 NOT DIFFER MATERIALLY FROM THE DEFINED BENEFIT PROVISIONS THAT  
27 ARE IN EFFECT UNDER THIS ACT AT 11:59 P.M. ON THE DAY IMMEDIATELY

1 PRECEDING THE CERTIFICATION DATE. THIS SUBDIVISION DOES NOT  
2 LIMIT THE RETIREMENT BOARD'S AUTHORITY AFTER THE CERTIFICATION  
3 DATE TO ESTABLISH ADDITIONAL PROGRAMS INCLUDING BUT NOT LIMITED  
4 TO DEFINED BENEFIT AND DEFINED CONTRIBUTION PROGRAMS. THE  
5 RETIREMENT BOARD MAY ADOPT THE PROVISIONS OF THE RECIPROCAL  
6 RETIREMENT ACT, ACT NO. 88 OF THE PUBLIC ACTS OF 1961, BEING SEC-  
7 TIONS 38.1101 TO 38.1106 OF THE MICHIGAN COMPILED LAWS, ON BEHALF  
8 OF THE EMPLOYEES OF THE RETIREMENT BOARD IN THE MANNER PRESCRIBED  
9 IN ACT NO. 88 OF THE PUBLIC ACTS OF 1961.

10 (B) THE RETIREMENT BOARD HAS THE FULL AND EXCLUSIVE AUTHOR-  
11 ITY AND FULL RESPONSIBILITY TO EMPLOY AND PAY FOR ALL PROFES-  
12 SIONAL SERVICES INCLUDING BUT NOT LIMITED TO ACTUARIAL, INVEST-  
13 MENT, LEGAL, ACCOUNTING, AND ANY OTHER SERVICES THAT THE RETIRE-  
14 MENT BOARD CONSIDERS NECESSARY FOR THE PROPER OPERATION OF THE  
15 RETIREMENT SYSTEM. THE POWER GRANTED TO THE RETIREMENT BOARD IN  
16 THIS SUBDIVISION INCLUDES COMPLETE CONTROL OF THE PROCUREMENT  
17 PROCESS.

18 (C) THE RETIREMENT BOARD SHALL APPOINT AN EXECUTIVE DIRECTOR  
19 AND ANY OTHER EMPLOYEES FOR WHICH THE RETIREMENT BOARD ESTAB-  
20 LISHES POSITIONS. THE RETIREMENT BOARD SHALL ESTABLISH THE COM-  
21 PENSATION OF ALL PERSONS APPOINTED BY THE BOARD. BEFORE THE CER-  
22 TIFICATION DATE, THE RETIREMENT BOARD SHALL OFFER ALL EMPLOYEES  
23 OF THE RETIREMENT SYSTEM A POSITION WITH THE PUBLIC CORPORATION  
24 FOR A GUARANTEED PERIOD OF AT LEAST 1 YEAR. AN EMPLOYEE WHO  
25 ACCEPTS A POSITION WITH THE NEWLY FORMED PUBLIC CORPORATION SHALL  
26 BECOME AN EMPLOYEE OF THE PUBLIC CORPORATION ON THE CERTIFICATION  
27 DATE. ON AND AFTER THE CERTIFICATION DATE, A PERSON EMPLOYED BY

1 THE PUBLIC CORPORATION IS NOT AN EMPLOYEE OF THIS STATE FOR ANY  
2 PURPOSE.

3 (D) THE RETIREMENT BOARD SHALL ARRANGE FOR AN ANNUAL ACTUAR-  
4 IAL VALUATION AND REPORT OF THE ACTUARIAL SOUNDNESS OF EACH PAR-  
5 TICIPATING MUNICIPALITY TO BE PREPARED BY AN INDEPENDENT ACTUARY  
6 BASED UPON DATA COMPILED AND SUPPLIED BY EMPLOYEES OF THE RETIRE-  
7 MENT SYSTEM. THE RETIREMENT BOARD SHALL ADOPT ACTUARIAL TABLES,  
8 ASSUMPTIONS, AND FORMULAS AFTER CONSULTATION WITH THE ACTUARY.

9 (E) THE RETIREMENT BOARD SHALL ARRANGE FOR ANNUAL AUDITS OF  
10 THE RECORDS AND ACCOUNTS OF THE RETIREMENT SYSTEM BY A CERTIFIED  
11 PUBLIC ACCOUNTANT OR BY A FIRM OF CERTIFIED PUBLIC ACCOUNTANTS  
12 PURSUANT TO GENERALLY ACCEPTED AUDITING STANDARDS AND THE UNIFORM  
13 BUDGETING AND ACCOUNTING ACT, ACT NO. 2 OF THE PUBLIC ACTS OF  
14 1968, BEING SECTIONS 141.421 TO 141.440A OF THE MICHIGAN COMPILED  
15 LAWS.

16 (F) THE RETIREMENT BOARD SHALL PREPARE AN ANNUAL REPORT FOR  
17 EACH FISCAL YEAR IN COMPLIANCE WITH GENERALLY ACCEPTED ACCOUNTING  
18 PRINCIPLES. THE REPORT SHALL CONTAIN INFORMATION REGARDING THE  
19 FINANCIAL, ACTUARIAL, AND OTHER ACTIVITIES OF THE RETIREMENT  
20 SYSTEM DURING THE FISCAL YEAR. THE RETIREMENT BOARD SHALL FUR-  
21 NISH A COPY OF THE ANNUAL REPORT TO THE GOVERNOR, EACH MEMBER OF  
22 THE LEGISLATURE, EACH PARTICIPATING MUNICIPALITY, AND EACH PAR-  
23 TICIPATING COURT. THE RETIREMENT BOARD SHALL MAKE THE REPORT  
24 AVAILABLE TO ALL MEMBERS UPON REQUEST. THE REPORT SHALL ALSO  
25 CONTAIN A REVIEW OF THE ACTUARIAL VALUATION REQUIRED UNDER SUBDI-  
26 VISION (D), IF AVAILABLE.

1 (G) THE RETIREMENT BOARD SHALL APPOINT AN ATTORNEY TO BE THE  
2 LEGAL ADVISOR OF THE BOARD AND TO REPRESENT THE BOARD IN ALL  
3 PROCEEDINGS.

4 (H) THE RETIREMENT BOARD SHALL APPOINT OR EMPLOY CUSTODIANS  
5 OF THE ASSETS OF THE RETIREMENT SYSTEM. THE CUSTODIANS SHALL  
6 PERFORM ALL DUTIES NECESSARY AND INCIDENTAL TO THE CUSTODIAL  
7 RESPONSIBILITY AND MAKE DISBURSEMENTS OF AUTHORIZED RETIREMENT  
8 SYSTEM PAYMENTS FROM THE FUNDS OF THE RETIREMENT SYSTEM.

9 (I) THE RETIREMENT BOARD SHALL PERFORM OTHER FUNCTIONS THAT  
10 ARE REQUIRED FOR THE EXECUTION OF THE PROVISIONS OF THIS ACT.

11 (J) THE RETIREMENT BOARD SHALL ESTABLISH THE TIME AND LOCA-  
12 TION OF THE MEETINGS OF THE RETIREMENT BOARD AND THE TIME AND  
13 LOCATION OF THE ANNUAL MEETING OF THE RETIREMENT SYSTEM, CONSIS-  
14 TENT WITH THE PROVISIONS OF THE OPEN MEETINGS ACT, ACT NO. 267 OF  
15 THE PUBLIC ACTS OF 1976, BEING SECTIONS 15.261 TO 15.275 OF THE  
16 MICHIGAN COMPILED LAWS.

17 (3) BEFORE THE CERTIFICATION DATE, THE PROVISIONS OF THE  
18 EXECUTIVE ORGANIZATION ACT OF 1965, ACT NO. 380 OF THE PUBLIC  
19 ACTS OF 1965, BEING SECTIONS 16.101 TO 16.608 OF THE MICHIGAN  
20 COMPILED LAWS, AND THE MANAGEMENT AND BUDGET ACT, ACT NO. 431 OF  
21 THE PUBLIC ACTS OF 1984, BEING SECTIONS 18.1101 TO 18.1594 OF THE  
22 MICHIGAN COMPILED LAWS, SHALL GOVERN THE ADMINISTRATIVE FUNCTIONS  
23 OF THE RETIREMENT SYSTEM. HOWEVER, ANY PROVISION OF LAW IN  
24 ACTUAL CONFLICT WITH THE PROVISIONS OF THE AMENDATORY ACT THAT  
25 ADDED THIS SENTENCE SHALL NOT APPLY.

26 (4) ~~-(2) The~~ ON AND AFTER THE CERTIFICATION DATE, THE  
27 retirement board ~~shall consist~~ CONSISTS of the following ~~-7-~~ 9

1 members, each of whom, excepting the ~~state treasurer~~ RETIREE  
2 MEMBER AND THE RETIREMENT BOARD APPOINTEES, shall be from a dif-  
3 ferent county AT THE TIME OF APPOINTMENT:

4 (a) ~~The state treasurer or his or her designee certified to~~  
5 ~~the retirement board.~~ TWO MEMBERS APPOINTED BY THE RETIREMENT  
6 BOARD WHO HAVE KNOWLEDGE OR EXPERIENCE IN RETIREMENT SYSTEMS,  
7 ADMINISTRATION OF RETIREMENT SYSTEMS, OR INVESTMENT MANAGEMENT OR  
8 ADVISORY SERVICES.

9 (B) ONE MEMBER WHO IS A RETIREE OF THE SYSTEM, NOMINATED BY  
10 THE BOARD AND ELECTED BY THE DELEGATES TO AN ANNUAL MEETING OF  
11 THE RETIREMENT SYSTEM.

12 (C) ~~(b)~~ Three members of the retirement system who are  
13 officers of participating municipalities or of participating  
14 courts, who shall be designated as officer board members.

15 (D) ~~(c)~~ Three employee members of the retirement system  
16 who are not officers of a participating municipality or of a par-  
17 ticipating court, who shall be designated as employee board  
18 members.

19 (5) ON THE CERTIFICATION DATE, ALL OFFICER AND EMPLOYEE  
20 BOARD MEMBERS SHALL CONTINUE AS BOARD MEMBERS UNTIL THEIR TERM OF  
21 OFFICE EXPIRES. THE STATE TREASURER SHALL NO LONGER BE A BOARD  
22 MEMBER ON AND AFTER THE CERTIFICATION DATE. THE INITIAL TERMS OF  
23 THE 3 NEWLY ESTABLISHED BOARD POSITIONS WILL BE SET BY THE  
24 RETIREMENT BOARD TO COINCIDE WITH THE TERMS OF THE EXISTING  
25 ELECTED BOARD MEMBERS. FOLLOWING EXPIRATION OF THE TERM OF  
26 OFFICE OF THE EXISTING ELECTED BOARD MEMBERS, SUBSECTIONS (7)  
27 THROUGH (10) SHALL GOVERN.

1       (6) ~~-(3)-~~ The retirement board shall adopt its own rules of  
2 procedure and shall keep a record of its proceedings. ~~-Four-~~  
3 FIVE members of the retirement board shall constitute a quorum at  
4 any meeting of the retirement board and at least ~~-4-~~ 5 concurring  
5 votes shall be necessary for any decision by the retirement  
6 board. Each member of the retirement board shall be entitled to  
7 1 vote on each question before the retirement board.

8       (7) ~~-(4)-~~ The regular term of office of members of the  
9 retirement board ~~-, except the state treasurer, shall be-~~ IS 3  
10 years. Each member of the retirement board shall take an oath of  
11 office before assuming the duties of the position. The oath of  
12 office shall be filed with the secretary of state. Members of  
13 the retirement board shall serve without compensation with  
14 respect to their duties, but shall be reimbursed by the retire-  
15 ment system for their actual and necessary expenses incurred in  
16 the performance of their duties. A participating municipality or  
17 participating court employing a member of the retirement board  
18 shall treat absences from work on account of retirement board  
19 business in such a manner that the individual does not suffer  
20 loss of pay or benefits.

21       (8) ~~-(5)-~~ A vacancy shall occur on the retirement board upon  
22 the occurrence of any of the following events:

23       (a) An officer board member ceases to be eligible for nomi-  
24 nation as an officer board member.

25       (b) An employee board member ceases to be eligible for nomi-  
26 nation as an employee board member.



1 (c) Failure to attend 3 consecutive scheduled meetings of  
2 the retirement board, unless excused for cause by majority vote  
3 of the board members attending the meeting.

4 (9) ~~(6)~~ A vacancy occurring on the retirement board at  
5 least 120 days ~~prior to~~ BEFORE the expiration of a term of  
6 office shall be filled by ~~appointment of the governor of + of~~  
7 ~~the 2 qualifying persons whose names are submitted to the gover-~~  
8 ~~nor by~~ the retirement board. ~~The appointment~~ BOARD APPOINT-  
9 MENTS UNDER THIS SUBSECTION shall be for the period ending on the  
10 December 31 next following the date of the vacancy. ~~A~~ FOR THE  
11 OFFICER BOARD MEMBERS AND EMPLOYEE BOARD MEMBERS, A replacement  
12 for any further portion of the unexpired term shall be filled ~~in~~  
13 ~~accordance with~~ PURSUANT TO section 45. FOR THE 2 APPOINTED  
14 BOARD MEMBERS AND THE RETIREE BOARD MEMBER, A REPLACEMENT FOR ANY  
15 FURTHER PORTION OF THE UNEXPIRED TERM SHALL BE FILLED PURSUANT TO  
16 SUBSECTION (4).

17 (10) ~~(7)~~ The retirement board shall select from its mem-  
18 bers a chairperson and a chairperson pro-tem.

19 ~~(8) The director of the bureau of retirement systems,~~  
20 ~~department of management and budget, shall be the executive sec-~~  
21 ~~retary of the retirement system.~~

22 ~~(9) The attorney general shall be the legal adviser to the~~  
23 ~~retirement board.~~

24 ~~(10) The state treasurer shall be the treasurer of the~~  
25 ~~retirement system. The state treasurer shall be the custodian of~~  
26 ~~the assets of the retirement system, shall perform all duties~~  
27 ~~necessary and incident to the custodial responsibility, and shall~~

~~1 make disbursements of authorized retirement system payments from  
2 the funds of the retirement system.~~

3 (11) THE RETIREMENT BOARD SHALL EMPLOY AN EXECUTIVE  
4 DIRECTOR. THE EXECUTIVE DIRECTOR SHALL DO ALL OF THE FOLLOWING:

5 (A) MANAGE AND ADMINISTER THE RETIREMENT SYSTEM UNDER THE  
6 SUPERVISION AND DIRECTION OF THE RETIREMENT BOARD.

7 (B) INVEST THE ASSETS OF THE RETIREMENT SYSTEM, AS DIRECTED  
8 BY THE RETIREMENT BOARD, CONSISTENT WITH ACT NO. 314 OF THE  
9 PUBLIC ACTS OF 1965, BEING SECTIONS 38.1132 TO 38.1140I OF THE  
10 MICHIGAN COMPILED LAWS, WHICH ACT GOVERNS THE INVESTMENT OF  
11 ASSETS OF PUBLIC EMPLOYEE RETIREMENT SYSTEMS.

12 (C) ANNUALLY PREPARE AND SUBMIT TO THE RETIREMENT BOARD FOR  
13 REVIEW, AMENDMENT, AND ADOPTION AN ITEMIZED BUDGET SHOWING THE  
14 AMOUNT REQUIRED TO PAY THE RETIREMENT SYSTEM'S EXPENSES FOR THE  
15 FOLLOWING FISCAL YEAR.

16 (D) PERFORM OTHER DUTIES AS THE RETIREMENT BOARD, IN ITS  
17 DISCRETION, SHALL DELEGATE TO THE EXECUTIVE DIRECTOR.

18 Sec. 37. ~~(1) The retirement system shall prepare an annual  
19 report for each fiscal year. The report shall contain informa-  
20 tion regarding the financial, actuarial, and other activities of  
21 the retirement system during the fiscal year. A copy of the  
22 report shall be furnished to each participating municipality,  
23 participating court, and to any other individual or organization  
24 requesting a copy.~~

25 ~~(2) The auditor general, or a certified public accountant  
26 appointed by the auditor general, shall at least biennially  
27 conduct financial and compliance audits of the books and~~

~~1 financial records of the retirement system. The auditor general~~  
~~2 or certified public accountant shall submit copies of each audit~~  
~~3 report to the governor, the retirement board, and the bureau of~~  
~~4 retirement systems not later than the February 28 that follows~~  
~~5 the fiscal year end of the period audited.~~

6       (3) Each member or vested former member who applies for  
7 retirement shall be given a written explanation, ~~prior to~~  
8 BEFORE retirement, of the optional forms of payment provided in  
9 section 23. The explanation shall be written in simple  
10 language.

11       Sec. 45. (1) The retirement board shall call an annual  
12 meeting of the retirement system for the purpose of selecting  
13 ~~nominees to~~ MEMBERS OF the retirement board and the transaction  
14 of such other business as the retirement board determines.  
15 Notice of the annual meeting shall be sent to each participating  
16 municipality and participating court, by registered mail, at  
17 least 30 days before the date of the meeting. NOTICE OF THE  
18 ANNUAL MEETING SHALL BE SENT TO EACH RETIREE AT LEAST 30 DAYS  
19 BEFORE THE DATE OF THE MEETING.

20       (2) The governing body of each participating municipality  
21 shall certify the names of 2 delegates to the annual meeting.  
22 One delegate shall be a member who is an officer of the partici-  
23 pating municipality, selected by the governing body of the par-  
24 ticipating municipality. The other delegate shall be a member  
25 who is not an officer of the participating municipality, elected  
26 by the member employees of the participating municipality. The  
27 election shall be by secret ballot and shall be conducted by an

1 officer of the participating municipality. The election shall be  
2 conducted in a manner that affords each member employee an oppor-  
3 tunity to vote.

4 (3) The chief judge of each participating court shall cer-  
5 tify the names of 2 delegates to the annual meeting. One dele-  
6 gate shall be a member who is an officer of the participating  
7 court, selected by the chief judge of the participating court.  
8 The other delegate shall be a member who is not an officer of the  
9 participating court, elected by the member employees of the par-  
10 ticipating court. The election shall be by secret ballot and  
11 shall be conducted by an officer of the participating court. The  
12 election shall be conducted in a manner that affords each member  
13 employee an opportunity to vote.

14 (4) The nomination of ~~nominees~~ CANDIDATES for  
15 ~~appointment~~ ELECTION to the retirement board shall be made ~~in~~  
16 ~~accordance with~~ PURSUANT TO procedures established by the  
17 retirement board and adopted by the delegates to an annual meet-  
18 ing of the retirement system. A nomination for the position of  
19 officer board member shall be made by a member who is an officer  
20 of a participating municipality or of a participating court. A  
21 nomination for the position of employee board member shall be  
22 made by a member who is not an officer of a participating munici-  
23 pality or of a participating court.

24 (5) The retirement board shall hold a referendum of the  
25 assembled delegates ~~as to their preference for appointment~~ to  
26 ELECT MEMBERS OF the retirement board. The referendum shall be  
27 conducted ~~in accordance with~~ PURSUANT TO procedures established

1 by the retirement board and adopted by the delegates to an annual  
2 meeting of the retirement system. AN INDIVIDUAL ELECTED TO THE  
3 RETIREMENT BOARD SHALL BECOME A MEMBER OF THE RETIREMENT BOARD ON  
4 THE JANUARY 1 IMMEDIATELY FOLLOWING THE REFERENDUM.

5 ~~-(6) The retirement board shall certify to the governor,~~  
6 ~~within 5 days after the annual meeting, the names of the 2 nomi-~~  
7 ~~nees for each vacancy who received the highest number of votes in~~  
8 ~~the referendum. The governor shall appoint, prior to the January~~  
9 ~~1 next following the referendum, 1 of the 2 certified nominees to~~  
10 ~~each vacancy.~~

11 Sec. 45a. (1) The funding objective of the retirement  
12 system is to establish and receive contributions during each  
13 fiscal year that are sufficient to fully cover the actuarial cost  
14 of benefits likely to be paid on account of service rendered by  
15 members during the fiscal year, the normal cost requirements of  
16 the retirement system, and ~~finance~~ AMORTIZE the unfunded actu-  
17 arial costs of benefits likely to be paid on account of service  
18 rendered ~~prior to~~ BEFORE the fiscal year, the unfunded actuar-  
19 ial accrued liability of the retirement system. ~~The retirement~~  
20 ~~board may establish a program of credits toward the above contri-~~  
21 ~~bution requirements for participating municipalities and partici-~~  
22 ~~pating courts that have overfunded normal costs in prior years~~  
23 ~~and have achieved the minimum funding level established by the~~  
24 ~~retirement board.~~ Distinct contribution requirements shall be  
25 established for each participating municipality and participating  
26 court.

1       (2) Contribution requirements shall be actuarially  
2 determined using experience assumptions and level percent of  
3 payroll actuarial cost methods adopted by the retirement board.

4       (3) The retirement system shall annually inform each partic-  
5 ipating municipality and participating court of its contribution  
6 obligation for the fiscal year. The contribution requirement  
7 shall be paid to the retirement system ~~in accordance with~~  
8 PURSUANT TO procedures and schedules established by the retire-  
9 ment board. The retirement system may assess an interest charge  
10 and a penalty charge on any payment not made within 15 days after  
11 its due date.

12       Section 2. Sections 3, 4, 5, 6, 7, 8, 9, 10, 10a, 12, 13,  
13 14, 15, 16, 16a, 16b, 17, 18, 19, 20, 21, 22, 23, 23a, 24, 25,  
14 26, 27, 27a, 28, 29, 30, 31, 32, 33, 34, 35, 37, 38, 41, 41a, 42,  
15 43, 43a, 44, 44a, 45a, 46, 47, 48, 49, 50, 51, 52, 53, 54, 56,  
16 and 58 of Act No. 427 of the Public Acts of 1984, being sections  
17 38.1503, 38.1504, 38.1505, 38.1506, 38.1507, 38.1508, 38.1509,  
18 38.1510, 38.1510a, 38.1512, 38.1513, 38.1514, 38.1515, 38.1516,  
19 38.1516a, 38.1516b, 38.1517, 38.1518, 38.1519, 38.1520, 38.1521,  
20 38.1522, 38.1523, 38.1523a, 38.1524, 38.1525, 38.1526, 38.1527,  
21 38.1527a, 38.1528, 38.1529, 38.1530, 38.1531, 38.1532, 38.1533,  
22 38.1534, 38.1535, 38.1537, 38.1538, 38.1541, 38.1541a, 38.1542,  
23 38.1543, 38.1543a, 38.1544, 38.1544a, 38.1545a, 38.1546, 38.1547,  
24 38.1548, 38.1549, 38.1550, 38.1551, 38.1552, 38.1553, 38.1554,  
25 38.1556, and 38.1558 of the Michigan Compiled Laws, are  
26 repealed.

1       Section 3. This amendatory act shall not take effect unless  
2 all of the following bills of the 88th Legislature are enacted  
3 into law:

4       (a) Senate Bill No. \_\_\_\_\_ or House Bill No. 5522  
5 (request no. 06483'95 a).

6       (b) Senate Bill No. \_\_\_\_\_ or House Bill No. 5523  
7 (request no. 06483'95 c).

8       (c) Senate Bill No. \_\_\_\_\_ or House Bill No. 5524  
9 (request no. 06483'95 d).

10       Section 4. (1) This amendatory act shall not take effect  
11 unless submitted to a vote of the official delegates who are cer-  
12 tified as provided for in section 45 of the municipal employees  
13 retirement act of 1984, Act No. 427 of the Public Acts of 1984,  
14 being section 38.1545 of the Michigan Compiled Laws, and ratified  
15 by a 2/3 majority of the delegates actually voting on the  
16 question. The question of adoption of this amendatory act shall  
17 be submitted by certified mail to the delegates as certified to  
18 the most recent annual meeting of the municipal employees retire-  
19 ment system or, if no such delegates were certified or if previ-  
20 ously certified delegates are no longer employed, then those del-  
21 egates as certified by the participating municipality or partici-  
22 pating court within 60 days after the enactment of this amenda-  
23 tory act. To be valid, each delegate's vote shall be received at  
24 the place designated by the retirement system no later than 75  
25 days from the date of enactment of this amendatory act. The  
26 question shall be submitted in substantially the following form:

1 "Shall Act No. \_\_\_\_\_ of the Public Acts of 1996, entitled  
2 'An act to amend the municipal employees retirement act of 1984',  
3 providing for the retirement system to become a public corpora-  
4 tion be adopted?

5 Yes \_\_\_\_\_

6 No \_\_\_\_\_".

7 (2) The retirement board of the municipal employees retire-  
8 ment system shall certify in writing the results of the voting on  
9 the question and file the certification with the secretary of  
10 state not later than the fifth business day following the tally  
11 of the votes. If a 2/3 majority of the delegates voting on the  
12 question approve the adoption of this amendatory act, the provi-  
13 sions of this amendatory act shall become effective on the date  
14 that is 10 calendar days after the filing of the certification  
15 with the secretary of state, which date shall be set forth in the  
16 filing and shall be known as the certification date.