



# SENATE BILL No. 171

January 31, 1995, Introduced by Senators SHUGARS and BENNETT and referred to the Committee on Financial Services.

A bill to amend section 6 of Act No. 261 of the Public Acts of 1957, entitled as amended "Michigan legislative retirement system act," as amended by Act No. 185 of the Public Acts of 1981, being section 38.1006 of the Michigan Compiled Laws; and to add section 61.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 6 of Act No. 261 of the Public Acts of  
2 1957, as amended by Act No. 185 of the Public Acts of 1981, being  
3 section 38.1006 of the Michigan Compiled Laws, is amended and  
4 section 61 is added to read as follows:

5 Sec. 6. (1) ~~"Member"~~ EXCEPT AS PROVIDED IN SUBSECTION  
6 (2), "MEMBER" means any of the following:

1 (a) A legislator of this state, except a legislator who has  
2 elected not to participate in the retirement system under section  
3 18.

4 (b) The secretary of the senate who served not less than 6  
5 months before January 1, 1979, and for not less than 3 months  
6 after January 1, 1979.

7 (c) The clerk of the house who served not less than 6 months  
8 before January 1, 1979, and for not less than 3 months after  
9 January 1, 1979.

10 (d) The lieutenant governor.

11 (2) MEMBER DOES NOT INCLUDE ANY OF THE FOLLOWING:

12 (A) A PERSON WHO BECOMES A LEGISLATOR OF THIS STATE ON OR  
13 AFTER JANUARY 1, 1996, UNLESS THE PERSON IS A DEFERRED VESTED  
14 MEMBER.

15 (B) A PERSON WHO IS A MEMBER ON DECEMBER 31, 1996 AND WHO  
16 ELECTS TO TERMINATE MEMBERSHIP IN THE MANNER PROVIDED IN SECTION  
17 61.

18 SEC. 61. (1) THE RETIREMENT SYSTEM SHALL PROVIDE AN OPPOR-  
19 TUNITY FOR EACH MEMBER WHO IS A MEMBER ON DECEMBER 31, 1995 TO  
20 ELECT TO TERMINATE MEMBERSHIP IN THIS RETIREMENT SYSTEM AND ELECT  
21 TO PARTICIPATE IN THE MICHIGAN PUBLIC EMPLOYEE DEFINED CONTRIBU-  
22 TION PLAN CREATED BY THE MICHIGAN PUBLIC EMPLOYEE DEFINED CONTRI-  
23 BUTION PLAN ACT. THE RETIREMENT SYSTEM SHALL OFFER 1 OPPORTUNITY  
24 FOR A MEMBER TO ELECT TO TERMINATE MEMBERSHIP IN THE RETIREMENT  
25 SYSTEM AND ELECT TO PARTICIPATE IN THE MICHIGAN PUBLIC EMPLOYEE  
26 DEFINED CONTRIBUTION PLAN AND ONCE MADE, THE ELECTION IS  
27 IRREVOCABLE BY THE MEMBER. THE MEMBER SHALL MAKE THE ELECTION

1 UNDER THIS SUBSECTION IN WRITING. OTHERWISE, THE METHOD OF  
2 ELECTION SHALL BE DETERMINED BY THE RETIREMENT BOARD. THE  
3 RETIREMENT SYSTEM SHALL BEGIN ACCEPTING WRITTEN ELECTIONS FROM  
4 MEMBERS ON AND AFTER THE EFFECTIVE DATE OF THIS SECTION. THE  
5 RETIREMENT SYSTEM SHALL NOT ACCEPT WRITTEN ELECTIONS FROM MEMBERS  
6 AFTER NOVEMBER 1, 1996. IF THE MEMBER IS MARRIED AT THE TIME OF  
7 THE ELECTION, THE ELECTION IS NOT EFFECTIVE UNLESS THE ELECTION  
8 IS SIGNED BY THE MEMBER'S SPOUSE, EXCEPT THAT THIS REQUIREMENT  
9 MAY BE WAIVED BY THE RETIREMENT BOARD IF THE SIGNATURE OF THE  
10 MEMBER'S SPOUSE CANNOT BE OBTAINED BECAUSE OF EXTENUATING  
11 CIRCUMSTANCES. A MEMBER WHO MAKES A WRITTEN ELECTION UNDER THIS  
12 SUBSECTION SHALL ELECT TO DO ALL OF THE FOLLOWING:

13 (A) CEASE TO BE A MEMBER OF THIS RETIREMENT SYSTEM EFFECTIVE  
14 12 MIDNIGHT DECEMBER 31, 1996.

15 (B) BECOME A PARTICIPANT IN THE MICHIGAN PUBLIC EMPLOYEE  
16 DEFINED CONTRIBUTION PLAN CREATED BY THE MICHIGAN PUBLIC EMPLOYEE  
17 DEFINED CONTRIBUTION PLAN ACT EFFECTIVE 12:01 A.M. ON JANUARY 1,  
18 1997.

19 (C) EXCEPT AS PROVIDED IN SUBSECTION (2), WAIVE ALL OF HIS  
20 OR HER RIGHTS TO A PENSION, AN ANNUITY, A RETIREMENT ALLOWANCE,  
21 AN INSURANCE BENEFIT, OR ANY OTHER BENEFIT UNDER THIS ACT EFFEC-  
22 TIVE 12 MIDNIGHT DECEMBER 31, 1996.

23 (2) THE RETIREMENT SYSTEM SHALL TRANSFER TO THE MICHIGAN  
24 PUBLIC EMPLOYEE DEFINED CONTRIBUTION PLAN FOR EACH MEMBER WHO  
25 ELECTS TO TERMINATE MEMBERSHIP IN THIS RETIREMENT SYSTEM UNDER  
26 SUBSECTION (1) A LUMP SUM AMOUNT FROM THE RETIREMENT SYSTEM EQUAL  
27 TO THE SUM OF THE FOLLOWING:

1 (A) THE MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY, AS OF 12  
2 MIDNIGHT DECEMBER 31, 1996 FROM THE MEMBERS' SAVINGS FUND.

3 (B) THE EXCESS, IF ANY, OF THE ACTUARIAL PRESENT VALUE OF  
4 THE MEMBER'S ACCRUED RETIREMENT ALLOWANCE, OVER THE AMOUNT SPECI-  
5 FIED IN SUBDIVISION (A), FROM THE MEMBERS' RETIREMENT FUND. FOR  
6 PURPOSES OF THIS SUBDIVISION, THE MEMBER'S ACCRUED RETIREMENT  
7 ALLOWANCE IS EQUAL TO THE RETIREMENT ALLOWANCE COMPUTED BASED  
8 UPON THE MEMBER'S ESTIMATED CREDITED SERVICE AND ESTIMATED FINAL  
9 AVERAGE COMPENSATION AS OF 12 MIDNIGHT DECEMBER 31, 1996. THE  
10 ACTUARIAL PRESENT VALUE SHALL BE COMPUTED AS OF 12 MIDNIGHT  
11 DECEMBER 31, 1996 AND SHALL BE BASED UPON ALL OF THE FOLLOWING:

12 (i) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
13 ANNUALLY.

14 (ii) A 50% MALE AND 50% FEMALE GENDER NEUTRAL BLEND OF THE  
15 MORTALITY TABLES USED TO PROJECT RETIRANT LONGEVITY IN THE  
16 SEPTEMBER 30, 1995 ANNUAL ACTUARIAL VALUATION REPORT.

17 (iii) A BENEFIT COMMENCEMENT AGE, BASED UPON THE MEMBER'S  
18 ESTIMATED CREDITED SERVICE AS OF 12 MIDNIGHT DECEMBER 31, 1996.  
19 THE BENEFIT COMMENCEMENT AGE SHALL BE THE YOUNGER OF THE FOLLOW-  
20 ING, BUT SHALL NOT BE YOUNGER THAN THE MEMBER'S AGE AS OF 12 MID-  
21 NIGHT DECEMBER 31, 1996:

22 (A) AGE 55.

23 (B) AGE 50, IF THE MEMBER'S ESTIMATED CREDITED SERVICE  
24 EQUALS OR EXCEEDS 20 YEARS.

25 (3) FOR PURPOSES OF SUBSECTION (2), THE MEMBER'S ESTIMATED  
26 CREDITED SERVICE AND ESTIMATED FINAL AVERAGE COMPENSATION SHALL  
27 BE ESTIMATED BASED UPON METHODS ADOPTED BY THE RETIREMENT BOARD.

1 FOR EACH MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP IN THE  
2 RETIREMENT SYSTEM UNDER SUBSECTION (1), THE RETIREMENT SYSTEM  
3 SHALL RECOMPUTE THE AMOUNT TRANSFERRED UNDER SUBSECTION (2) NOT  
4 LATER THAN DECEMBER 31, 1997 BASED UPON THE MEMBER'S ACTUAL CRED-  
5 ITED SERVICE AND ACTUAL FINAL AVERAGE COMPENSATION AS OF 12 MID-  
6 NIGHT DECEMBER 31, 1996. THE RETIREMENT SYSTEM SHALL TRANSFER  
7 FROM THE MEMBERS' RETIREMENT FUND TO THE MICHIGAN PUBLIC EMPLOYEE  
8 DEFINED CONTRIBUTION PLAN THE EXCESS, IF ANY, OF THE RECOMPUTED  
9 AMOUNT OVER THE PREVIOUSLY TRANSFERRED AMOUNT TOGETHER WITH  
10 INTEREST FROM 12 MIDNIGHT DECEMBER 31, 1996 TO THE DATE OF THE  
11 TRANSFER UNDER THIS SUBSECTION, BASED UPON 8% EFFECTIVE ANNUAL  
12 INTEREST, COMPOUNDED ANNUALLY.

13 Section 2. This amendatory act shall not take effect unless  
14 Senate Bill No. \_\_\_\_\_ or House Bill No. \_\_\_\_\_ (request  
15 no. 02435'95) of the 88th Legislature is enacted into law.