

HOUSE SUBSTITUTE FOR
SENATE BILL NO. 37

A bill to amend 1957 PA 261, entitled
"Michigan legislative retirement system act,"
by amending section 62 (MCL 38.1062), as added by 1996 PA 486.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 62. (1) For a member who elects to terminate member-
2 ship in Tier 1 under section 61(1), the retirement system shall
3 direct the state treasurer to transfer a lump sum amount from the
4 appropriate fund created under this act to the qualified
5 participant's account in Tier 2 on or before September 30, 1998.
6 The retirement system shall calculate the amount to be trans-
7 ferred, which shall be equal to the sum of the following:
8 (a) The member's accumulated contributions, if any, from the
9 member's savings fund as of 12 midnight May 31, 1998.
10 (b) For a member who is vested under section 23(1)(a) as of
11 12 midnight on May 31, 1998, the excess, if any, of the actuarial

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1 present value of the member's accumulated benefit obligation,
2 over the amount specified in subdivision (a), from the member's
3 retirement fund. Except as provided in subsection (5), for the
4 purposes of this subsection, the present value of the member's
5 accumulated benefit obligation is based upon the member's esti-
6 mated credited service and estimated final salary as of 12 mid-
7 night on May 31, 1998. The actuarial present value shall be com-
8 puted as of 12 midnight May 31, 1998 and shall be based on the
9 following:

10 (i) Eight percent effective annual interest, compounded
11 annually.

12 (ii) A 50% male and 50% female gender neutral blend of the
13 mortality tables used to project retirant longevity in the most
14 recent actuarial valuation report.

15 (iii) A benefit commencement age, based upon the member's
16 estimated credited service as of 12 midnight May 31, 1998. The
17 benefit commencement age shall be the younger of the following,
18 but shall not be younger than the member's age as of 12 midnight
19 May 31, 1998:

20 (A) Age 55.

21 (B) ~~Age 50~~ THE MEMBER'S AGE, if the ~~member's~~ MEMBER IS
22 AT LEAST 50 YEARS OLD AND THE SUM OF HIS OR HER AGE AND estimated
23 credited service equals or exceeds ~~20 years~~ 70.

24 (c) Interest on any amounts determined in subdivisions (a)
25 and (b), from June 1, 1998 to the date of the transfer, based
26 upon 8% annual interest, compounded annually.

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1 (2) For each member who elects to terminate membership in
2 the retirement system under section 61(1), the retirement system
3 shall recompute the amount transferred under subsection (1) not
4 later than November 30, 1998 based upon the member's actual cred-
5 ited service and actual final salary as of 12 midnight May 31,
6 1998. If the recomputed amount differs from the amount trans-
7 ferred under subsection (1) by \$10.00 or more, not later than
8 December 15, 1998, the retirement system shall do all of the
9 following:

10 (a) Direct the state treasurer to transfer from the members'
11 retirement fund to the qualified participant's account in Tier 2
12 the excess, if any, of the recomputed amount over the previously
13 transferred amount together with interest from 12 midnight May
14 31, 1998 to the date of the transfer under this subsection, based
15 upon 8% effective annual interest, compounded annually.

16 (b) Direct the state treasurer to transfer from the quali-
17 fied participant's account in Tier 2 to the members' retirement
18 fund the excess, if any, of the previously transferred amount
19 over the recomputed amount, together with interest, from the date
20 of the transfer made under subsection (1), based upon 8% effec-
21 tive annual interest, compounded annually.

22 (3) For a deferred vested member who elects to terminate
23 membership in this retirement system under section 61(2), the
24 retirement system shall direct the state treasurer to transfer a
25 lump sum amount from the appropriate fund created under this act
26 to the qualified participant's account in Tier 2 on or before the
27 expiration of 60 days after the date of the individual's

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1 termination of employment. The retirement system shall calculate
2 the amount to be transferred, which shall be equal to the sum of
3 the following:

4 (a) The deferred vested member's accumulated contributions,
5 if any, from the members' savings fund as of 12 midnight on the
6 last day of the payroll period that includes the date of the
7 election.

8 (b) The excess, if any, of the actuarial present value of
9 the deferred vested member's accumulated benefit obligation, over
10 the amount specified in subdivision (a), from the members'
11 retirement fund. Except as provided in subsection (5), for the
12 purposes of this subsection, the present value of the deferred
13 vested member's accumulated benefit obligation is based upon the
14 deferred vested member's estimated credited service and estimated
15 final salary as of 12 midnight on the last day of the payroll
16 period that includes the date of the election. The actuarial
17 present value shall be computed as of 12 midnight on that date
18 and shall be based on the following:

19 (i) Eight percent effective annual interest, compounded
20 annually.

21 (ii) A 50% male and 50% female gender neutral blend of the
22 mortality tables used to project retirant longevity in the most
23 recent annual actuarial valuation report.

24 (iii) A benefit commencement age, based upon the member's
25 estimated credited service as of 12 midnight on the last day of
26 the payroll period that includes the date of the election. The
27 benefit commencement age shall be the younger of the following,

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1 but shall not be younger than the member's age as of 12 midnight
2 on the last day of the payroll period that includes the date of
3 the election:

4 (A) Age 55.

5 (B) ~~Age 50~~ THE DEFERRED MEMBER'S AGE, if the deferred
6 ~~member's~~ MEMBER IS AT LEAST 50 YEARS OLD AND THE SUM OF HIS OR
7 HER AGE AND estimated credited service equals or exceeds ~~20~~
8 ~~years~~ 70.

9 (c) Interest on any amounts determined in subdivisions (a)
10 and (b), from the first day of the payroll period immediately
11 following the date of the election to the date of the transfer,
12 based upon 8% effective annual interest, compounded annually.

13 (4) For each deferred vested member who elects to terminate
14 membership in Tier 1 under section 61(2), the retirement system
15 shall recompute the amount transferred under subsection (3) not
16 later than the expiration of 90 days after the transfer occurs
17 under subsection (3) based upon the deferred vested member's
18 actual credited service and actual final salary as of 12 midnight
19 on the last day of the payroll period that includes the date of
20 the election. If the recomputed amount differs from the amount
21 transferred under subsection (3) by \$10.00 or more, the retire-
22 ment system shall do all of the following:

23 (a) Direct the state treasurer to transfer from the
24 ~~member's~~ MEMBERS' retirement fund to the qualified
25 participant's account in Tier 2 the excess, if any, of the recom-
26 puted amount over the previously transferred amount together with
27 interest from 12 midnight on the last day of the payroll period

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1 that includes the date of the election to the date of the
2 transfer under this subsection, based upon 8% effective annual
3 interest, compounded annually.

4 (b) Direct the state treasurer to transfer from the quali-
5 fied participant's account in Tier 2 to the members' retirement
6 fund the excess, if any, of the previously transferred amount
7 over the recomputed amount, together with interest, from the date
8 of the transfer made under subsection ~~(4)~~ (3), based upon 8%
9 effective annual interest, compounded annually.

10 (5) For the purposes of subsections (1) to (4), the calcula-
11 tion of estimated and actual present value of the member's or
12 deferred vested member's accumulated benefit obligation shall be
13 based upon methods adopted by the department of management and
14 budget and the retirement system's actuary in consultation with
15 the retirement board. The retirement system shall utilize the
16 same actuarial valuation report used to calculate the amount
17 transferred under subsection (1) or (3) when making the recompu-
18 tation required under subsection (2) or (4). Estimated and
19 actual final salary shall be determined as provided in section 9
20 as of 12 midnight on the date the member or deferred member
21 ceases to be a member of Tier 1 under section 61.

22 (6) For a former nonvested member who elects to terminate
23 membership in Tier 1 under section 61(2) and who has accumulated
24 contributions standing to his or her credit in the members' sav-
25 ings fund, the retirement system shall direct the state treasurer
26 to transfer a lump sum amount from the members' savings fund
27 ~~created under section 21~~ to the qualified participant's account

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1 in Tier 2 on or before the expiration of 60 days after the date
2 of the individual's election to terminate membership. The
3 retirement system shall calculate the amount to be transferred,
4 which shall be equal to the sum of the following:

5 (a) The former nonvested member's accumulated contributions,
6 if any, from the members' savings fund as of 12 midnight on the
7 last day of the payroll period that includes the date of the
8 election.

9 (b) Interest on any amounts determined in subdivision (a),
10 from the first day of the payroll period immediately following
11 the date of the election to the date of the transfer, based upon
12 8% effective annual interest, compounded annually.

13 (7) If the department of management and budget receives
14 notification from the United States internal revenue service that
15 this section or any portion of this section will cause the
16 retirement system to be disqualified for tax purposes under the
17 internal revenue code, then the portion that will cause the dis-
18 qualification does not apply.