

HOUSE BILL No. 6208

September 24, 1998, Introduced by Rep. Rhead and referred to the Committee on Public Retirement.

A bill to amend 1957 PA 261, entitled "Michigan legislative retirement system act," by amending sections 21, 22, 22c, 26, and 50a (MCL 38.1021, 38.1022, 38.1022c, 38.1026, and 38.1050a), sections 21, 22, and 26 as amended by 1994 PA 359, section 22c as amended by 1996 PA 486, and section 50a as amended by 1998 PA 80, and by adding section 36a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 21. (1) The members' savings fund is created in the
2 retirement system. The retirement system shall accumulate in the
3 members' savings fund the contributions made by members toward
4 the financing of their retirement allowances, shall make trans-
5 fers of those contributions from the members' savings fund to the
6 members' retirement fund, and shall make refunds of contributions
7 from the members' savings fund as provided in this act. ~~A~~

1 EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, A member who
2 first becomes a member on or before December 1, 1994, shall make
3 contributions to the members' savings fund of 7% of each payment
4 of salary received by the member for service as a member, but not
5 for a period exceeding 20 years. ~~—A—~~ EXCEPT AS OTHERWISE PRO-
6 VIDED IN THIS SUBSECTION, A member who first becomes a member
7 after December 1, 1994, shall make contributions to the members'
8 savings fund of 5% of each payment of salary received by the
9 member for services as a member. BEGINNING ON THE EFFECTIVE DATE
10 OF SECTION 36A, MEMBER CONTRIBUTIONS REQUIRED UNDER THIS SUBSEC-
11 TION ARE SUSPENDED UNLESS REINSTATED BY THE BOARD UNDER SECTION
12 36A.

13 (2) The member contributions required by this section shall
14 be made by payroll deductions. Each member is considered to con-
15 sent and agree to the payroll deductions as a condition of mem-
16 bership in the retirement system.

17 (3) Upon the retirement of a member, his or her accumulated
18 contributions shall be transferred to the members' retirement
19 fund. Upon the death of a member, if a survivor's retirement
20 allowance becomes payable on account of the member's death, his
21 or her accumulated contributions shall be transferred to the
22 survivors' retirement fund.

23 Sec. 22. (1) The survivors' retirement fund is created in
24 the retirement system. The retirement system shall accumulate in
25 the survivors' retirement fund reserves for the payment of
26 retirement allowances to survivors. The retirement system shall
27 pay the survivor retirement allowances from the survivors'

1 retirement fund. ~~Each~~ EXCEPT AS OTHERWISE PROVIDED IN THIS
2 SUBSECTION, EACH member shall make contributions to the
3 survivors' retirement fund of 0.5% of each payment of salary
4 received that is attributable to service performed on and after
5 January 1, 1995. A member shall not make contributions to the
6 survivors' retirement fund for more than 20 years. The contribu-
7 tions shall be made by payroll deductions and each member is con-
8 sidered to consent and agree to the deductions as a condition of
9 membership in the retirement system. BEGINNING ON THE EFFECTIVE
10 DATE OF SECTION 36A, MEMBER CONTRIBUTIONS REQUIRED UNDER THIS
11 SUBSECTION ARE SUSPENDED UNLESS REINSTATED BY THE BOARD UNDER
12 SECTION 36A.

13 (2) The board shall adopt mortality and other experience
14 tables and the prescribed rate of interest. Upon the basis of
15 those tables and the interest rate, the actuary shall compute
16 annually the retirement reserves for retirement allowances being
17 paid survivors, and to be paid survivors upon the deaths of mem-
18 bers, deferred vested members, and retirants, as provided in this
19 act. It is the intention of this act that the retirement
20 reserves shall be financed by appropriations made by this state,
21 determined pursuant to subsections (3), (4), and (5).

22 (3) The state's appropriation for survivors' retirement
23 allowances to be paid upon the death of members, deferred vested
24 members, and retirants shall be an amount that will provide the
25 net reserves, after allowing for members' contributions to the
26 survivors' retirement fund and transfers to be made to the fund
27 from the members' savings fund, or other available funds for

1 retirement allowances to be paid to survivors of members,
2 deferred vested members, and retirants who will probably die
3 during the next ensuing fiscal year.

4 (4) The state's appropriation for survivors' retirement
5 allowances to be paid upon the death of retirants shall be an
6 amount determined pursuant to the financing methods provided for
7 in section 20(2) and (3).

8 (5) The state's appropriation for survivors' retirement
9 allowances being paid from the survivors' retirement fund shall
10 be an amount that if paid annually over a period of years to be
11 determined by the board, but not to exceed 50 years, will amor-
12 tize at the prescribed rate of interest the unfunded reserves for
13 the retirement allowances.

14 Sec. 22c. (1) The health insurance fund is created in the
15 retirement system. The retirement system shall deposit into the
16 health insurance fund the member contributions for health bene-
17 fits required by this section, subscriber co-payments, payments
18 under section 79, and state appropriations. The retirement
19 system shall disburse from the health insurance fund the premiums
20 or portion of the premiums for dental, hospital, and medical cov-
21 erage insurance as required by sections 50b and 79.

22 (2) ~~A~~ EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, A
23 member shall make contributions to the health insurance fund of
24 1% of each payment of salary received that is attributable to
25 service performed on and after January 1, 1995. BEGINNING ON THE
26 EFFECTIVE DATE OF SECTION 36A, A MEMBER WHO FIRST BECAME A MEMBER
27 OF TIER 1 ON OR BEFORE DECEMBER 1, 1994 SHALL MAKE CONTRIBUTIONS

1 TO THE HEALTH INSURANCE FUND OF 9% OF EACH PAYMENT OF SALARY
2 RECEIVED BY THE MEMBER FOR SERVICE AS A MEMBER. BEGINNING ON THE
3 EFFECTIVE DATE OF SECTION 36A, A MEMBER WHO FIRST BECAME A MEMBER
4 OF TIER 1 AFTER DECEMBER 1, 1994 SHALL MAKE CONTRIBUTIONS TO THE
5 HEALTH INSURANCE FUND OF 7% OF EACH PAYMENT OF SALARY RECEIVED BY
6 THE MEMBER FOR SERVICE AS A MEMBER. THE INCREASED CONTRIBUTIONS
7 REQUIRED UNDER THIS SUBSECTION BY THE AMENDATORY ACT THAT ADDED
8 SECTION 36A WILL CONTINUE UNLESS SUSPENDED BY THE BOARD UNDER
9 SECTION 36A. The contributions shall be made by payroll deduc-
10 tions and each member is considered to consent to the deductions
11 as a condition of membership in the retirement system.

12 Sec. 26. (1) ~~The~~ BEGINNING JANUARY 1, 1999, THE retire-
13 ment system shall be administered by a board of trustees, con-
14 sisting of ~~11~~ 10 persons as follows:

15 (a) ~~Three~~ TWO members of the house of representatives
16 appointed by the speaker.

17 (b) ~~Three~~ TWO members of the senate, appointed in the same
18 manner as members of standing committees of the senate are
19 appointed.

20 (c) ~~Two~~ THREE retirants appointed by the board.

21 (d) ~~One~~ TWO deferred vested ~~member~~ MEMBERS appointed by
22 the board.

23 (e) ~~The senate majority leader or a member of the senate~~
24 ~~designated by the senate majority leader.~~ ONE PARTICIPANT OF
25 TIER 2 WHO WAS A FORMER MEMBER OF TIER 1 APPOINTED BY THE BOARD.
26 HOWEVER, IF THERE IS NO PARTICIPANT OF TIER 2 WHO MEETS THE

1 FORMER MEMBER REQUIREMENT OF THIS SUBDIVISION, THEN 1 ADDITIONAL
2 DEFERRED VESTED MEMBER APPOINTED BY THE BOARD.

3 ~~-(f) The speaker of the house or a member of the house of~~
4 ~~representatives designated by the speaker of the house.~~

5 (2) Only members of the retirement system are eligible to
6 serve as members on the board of trustees except for the retir-
7 ants AND TIER 2 PARTICIPANT AUTHORIZED UNDER SUBSECTION (1).

8 Board members shall be appointed for 2-year terms. ~~Two or more~~
9 AT LEAST 1 of the members appointed to the board under subsection
10 (1)(a) and ~~2 or more~~ 1 of the members appointed to the board
11 under subsection (1)(b) shall be vested members of the retirement
12 system on the date of appointment or, for house members, shall
13 have been elected, qualified, and seated in the house of repre-
14 sentatives not less than 3 times for full or partial terms on the
15 date of appointment or, for senate members, shall have been
16 elected, qualified, and seated in the senate not less than 2
17 times for full or partial terms on the date of the appointment.

18 (3) Each person, whether appointed as a trustee or becoming
19 a trustee ex officio, shall take an oath of office before the
20 secretary of state and, upon taking the oath, qualifies as a
21 trustee. The oath of office shall be as prescribed under section
22 1 of article XI of the state constitution of 1963.

23 SEC. 36A. IF THE ACTUARY DETERMINES IN HIS OR HER ANNUAL
24 VALUATION OF THE SYSTEM THAT THE SYSTEM IS LESS THAN 100% FUNDED,
25 THE RETIREMENT BOARD MAY REINSTATE THE MEMBER CONTRIBUTIONS THAT
26 WERE SUSPENDED IN SECTIONS 21, 22, AND 50A AND REDUCE THE MEMBER
27 CONTRIBUTIONS THAT WERE INCREASED IN SECTION 22C.

1 Sec. 50a. (1) The grants and insurance revolving fund is
2 created in the state treasury as a separate fund, into which
3 shall be paid legislative grants, earnings from the fund, pay-
4 ments by or on behalf of members, and revenue from other sources
5 accepted by the board. Money appropriated to the grants and
6 insurance revolving fund shall not revert to the general fund at
7 the close of the fiscal year but shall remain in the grants and
8 insurance revolving fund. The legislative grants in the grants
9 and insurance revolving fund shall not be expended except upon
10 express direction of the legislature; but all other money in the
11 grants and insurance revolving fund may be expended for the pur-
12 poses and in the manner provided in this section.

13 (2) ~~Beginning~~ EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSEC-
14 TION, BEGINNING with salary received that is attributable to
15 service performed on and after January 1, 1995, each legislator
16 or member shall pay a sum equal to 0.5% of salary common to all
17 members to the grants and insurance revolving fund to be eligible
18 for the benefits provided in this section. The sum shall be col-
19 lected by payroll deductions in the manner prescribed in this
20 act. BEGINNING ON THE EFFECTIVE DATE OF SECTION 36A, MEMBER CON-
21 TRIBUTIONS REQUIRED UNDER THIS SUBSECTION ARE SUSPENDED UNLESS
22 REINSTATED BY THE BOARD UNDER SECTION 36A.

23 (3) The board shall self-insure or shall purchase and pay
24 the premiums on a life insurance policy or policies to provide
25 life insurance death or other benefits for retirants, deferred
26 vested members, and the spouses, eligible children, or eligible
27 beneficiaries of retirants and deferred vested members from the

1 amounts paid pursuant to subsection (2) for this purpose to the
2 grants and insurance revolving fund. Life insurance benefits
3 provided on June 23, 1987 shall not be diminished due to the
4 amendments to this section by 1987 PA 58.