

**SENATE BILL NO. 1048**

April 14, 1998, Introduced by Senator YOUNG and referred to the  
Committee on Appropriations.

A bill to amend 1957 PA 261, entitled  
"Michigan legislative retirement system act,"  
by amending sections 50a, 61, and 62 (MCL 38.1050a, 38.1061, and  
38.1062), section 50a as amended by 1994 PA 359 and sections 61  
and 62 as added by 1996 PA 486.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

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

1 express direction of the legislature; but all other money in the  
2 grants and insurance revolving fund may be expended for the pur-  
3 poses and in the manner provided in this section.

4 (2) Beginning with salary received that is attributable to  
5 service performed on and after January 1, 1995, each legislator  
6 or member shall pay a sum equal to 0.5% of salary common to all  
7 members to the grants and insurance revolving fund to be eligible  
8 for the benefits provided in this section. The sum shall be col-  
9 lected by payroll deductions in the manner prescribed in this  
10 act.

11 (3) The board shall self-insure or shall purchase and pay  
12 the premiums on a life insurance policy or policies to provide  
13 life insurance death or other benefits for retirants, deferred  
14 vested members, and the spouses, eligible children, or eligible  
15 beneficiaries of retirants and deferred vested members from the  
16 amounts paid pursuant to subsection (2) for this purpose to the  
17 grants and insurance revolving fund. Life insurance benefits  
18 provided on June 23, 1987 shall not be diminished due to the  
19 amendments to this section by ~~Act No. 58 of the Public Acts of~~  
20 ~~1987~~ 1987 PA 58.

21 ~~(4) A member or deferred vested member, upon application to~~  
22 ~~retire under this act, shall elect to have the board provide life~~  
23 ~~insurance benefits under this section or to have the actuarial~~  
24 ~~present value of the life insurance benefits as of the date of~~  
25 ~~retirement used to purchase an additional monthly life annuity~~  
26 ~~for the member or deferred vested member. The election under~~  
27 ~~this section made by the member or deferred vested member is~~

~~1 irrevocable. If the member or deferred vested member elects an  
2 annuity under this section, the person's spouse and any person  
3 previously designated as a beneficiary of a life insurance policy  
4 by a member or a deferred vested member under this section shall  
5 sign a statement prepared by the retirement board acknowledging  
6 the election of the member. The additional monthly life annuity  
7 shall be paid from the grants and insurance revolving fund.~~

8       Sec. 61. (1) The retirement system shall provide an oppor-  
9 tunity for each member who is a member on March 30, 1997, to  
10 elect in writing to terminate membership in Tier 1 and elect to  
11 become a qualified participant in Tier 2. An election made by a  
12 member under this subsection is irrevocable. The retirement  
13 system shall accept written elections under this subsection from  
14 members during the period beginning on January 2, 1998 and ending  
15 on ~~April~~ NOVEMBER 30, 1998. A member who does not make a writ-  
16 ten election or who does not file the election during the period  
17 specified in this subsection continues to be a member of Tier 1.  
18 A member who makes and files a written election under this sub-  
19 section elects to do all of the following:

20       (a) Cease to be a member of Tier 1 effective 12 midnight May  
21 31, 1998.

22       (b) Become a qualified participant in Tier 2 effective 12:01  
23 a.m., June 1, 1998.

24       (c) Except as otherwise provided in this subdivision, waive  
25 all of his or her rights to a pension, an annuity, a retirement  
26 allowance, an insurance benefit, or any other benefit under ~~this~~  
27 ~~act~~ TIER 1 effective 12 midnight May 31, 1998. This subdivision

1 does not affect a person's right to health benefits provided  
2 under this act pursuant to section 79.

3       (2) If an individual who was a deferred vested member on  
4 March 30, 1997, or an individual who was a former nonvested  
5 member on March 30, 1997 becomes a legislator or lieutenant gov-  
6 ernor and is again eligible for membership in Tier 1, the indi-  
7 vidual shall elect in writing to remain a member of Tier 1 or to  
8 terminate membership in Tier 1 and become a qualified participant  
9 in Tier 2. An election made by a deferred vested member or a  
10 former nonvested member under this subsection is irrevocable.  
11 The retirement system shall accept written elections under this  
12 subsection from a deferred vested member or a former nonvested  
13 member during the period beginning on the date of the  
14 individual's eligibility for membership and ending upon the expi-  
15 ration of 60 days after the date of that eligibility. A deferred  
16 vested member or former nonvested member who makes and files a  
17 written election to remain a member of Tier 1 retains all rights  
18 and is subject to all conditions as a member of Tier 1 under this  
19 act. A deferred vested member or former nonvested member who  
20 does not make a written election or who does not file the elec-  
21 tion during the period specified in this subsection continues to  
22 be a member of Tier 1. A deferred vested member or former non-  
23 vested member who makes and files a written election to terminate  
24 membership in Tier 1 elects to do all of the following:

25       (a) Cease to be a member of Tier 1 effective 12 midnight on  
26 the last day of the payroll period that includes the date of the  
27 election.

1 (b) Become a qualified participant in Tier 2 effective 12:01  
2 a.m. on the first day of the payroll period immediately following  
3 the date of the election.

4 (c) Except as otherwise provided in this subdivision, waive  
5 all of his or her rights to a pension, an annuity, a retirement  
6 allowance, an insurance benefit, or any other benefit under Tier  
7 1 effective 12 midnight on the last day of the payroll period  
8 that includes the date of the election. This subdivision does  
9 not affect an individual's right to health benefits provided  
10 under this act pursuant to section 79.

11 (3) After consultation with the retirement system's actuary  
12 and the retirement board, the department of management and budget  
13 shall determine the method by which a member, deferred vested  
14 member, or former nonvested member shall make a written election  
15 under this section. If the member, deferred vested member, or  
16 former nonvested member is married at the time of the election,  
17 the election is not effective unless the election is signed by  
18 the individual's spouse. However, the retirement board may waive  
19 this requirement if the spouse's signature cannot be obtained  
20 because of extenuating circumstances.

21 (4) An election under this section is subject to the eligi-  
22 ble domestic relations order act, ~~Act No. 46 of the Public Acts~~  
23 ~~of 1991, being sections 38.1701 to 38.1711 of the Michigan~~  
24 ~~Compiled Laws~~ 1991 PA 46, MCL 38.1701 TO 38.1711.

25 (5) If the department of management and budget receives  
26 notification from the United States internal revenue service that  
27 this section or any portion of this section will cause the

1 retirement system to be disqualified for tax purposes under the  
2 internal revenue code, then the portion that will cause the dis-  
3 qualification does not apply.

4       Sec. 62. (1) For a member who elects to terminate member-  
5 ship in Tier 1 under section 61(1), the retirement system shall  
6 direct the state treasurer to transfer a lump sum amount from the  
7 appropriate fund created under this act to the qualified  
8 participant's account in Tier 2 on or before ~~September 30, 1998~~  
9 APRIL 30, 1999. The retirement system shall calculate the amount  
10 to be transferred, which shall be equal to the sum of the  
11 following:

12       (a) The member's accumulated contributions, if any, from the  
13 member's savings fund as of 12 midnight May 31, 1998.

14       (b) For a member who is vested under section 23(1)(a) as of  
15 12 midnight on May 31, 1998, the excess, if any, of the actuarial  
16 present value of the member's accumulated benefit obligation,  
17 over the amount specified in subdivision (a), from the member's  
18 retirement fund. Except as provided in subsection (5), for the  
19 purposes of this subsection, the present value of the member's  
20 accumulated benefit obligation is based upon the member's esti-  
21 mated credited service and estimated final salary as of 12 mid-  
22 night on May 31, 1998. The actuarial present value shall be com-  
23 puted as of 12 midnight May 31, 1998 and shall be based on the  
24 following:

25       (i) Eight percent effective annual interest, compounded  
26 annually.

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

4       (iii) A benefit commencement age, based upon the member's  
5 estimated credited service as of 12 midnight May 31, 1998. The  
6 benefit commencement age shall be the younger of the following,  
7 but shall not be younger than the member's age as of 12 midnight  
8 May 31, 1998:

9       (A) Age 55.

10       (B) Age 50, if the member's estimated credited service  
11 equals or exceeds 20 years.

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

15       (2) For each member who elects to terminate membership in  
16 the retirement system under section 61(1), the retirement system  
17 shall recompute the amount transferred under subsection (1) not  
18 later than ~~November 30, 1998~~ JUNE 30, 1999 based upon the  
19 member's actual credited service and actual final salary as of 12  
20 midnight May 31, 1998. If the recomputed amount differs from the  
21 amount transferred under subsection (1) by \$10.00 or more, not  
22 later than ~~December 15, 1998~~ JULY 15, 1999, the retirement  
23 system shall do all of the following:

24       (a) Direct the state treasurer to transfer from the members'  
25 retirement fund to the qualified participant's account in Tier 2  
26 the excess, if any, of the recomputed amount over the previously  
27 transferred amount together with interest from 12 midnight May

1 31, 1998 to the date of the transfer under this subsection, based  
2 upon 8% effective annual interest, compounded annually.

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

9 (3) For a deferred vested member who elects to terminate  
10 membership in this retirement system under section 61(2), the  
11 retirement system shall direct the state treasurer to transfer a  
12 lump sum amount from the appropriate fund created under this act  
13 to the qualified participant's account in Tier 2 on or before the  
14 expiration of 60 days after the date of the individual's termina-  
15 tion of employment. The retirement system shall calculate the  
16 amount to be transferred, which shall be equal to the sum of the  
17 following:

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

22 (b) The excess, if any, of the actuarial present value of  
23 the deferred vested member's accumulated benefit obligation, over  
24 the amount specified in subdivision (a), from the members'  
25 retirement fund. Except as provided in subsection (5), for the  
26 purposes of this subsection, the present value of the deferred  
27 vested member's accumulated benefit obligation is based upon the

1 deferred vested member's estimated credited service and estimated  
2 final salary as of 12 midnight on the last day of the payroll  
3 period that includes the date of the election. The actuarial  
4 present value shall be computed as of 12 midnight on that date  
5 and shall be based on the following:

6 (i) Eight percent effective annual interest, compounded  
7 annually.

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

11 (iii) A benefit commencement age, based upon the member's  
12 estimated credited service as of 12 midnight on the last day of  
13 the payroll period that includes the date of the election. The  
14 benefit commencement age shall be the younger of the following,  
15 but shall not be younger than the member's age as of 12 midnight  
16 on the last day of the payroll period that includes the date of  
17 the election:

18 (A) Age 55.

19 (B) Age 50, if the deferred member's estimated credited  
20 service equals or exceeds 20 years.

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

25 (4) For each deferred vested member who elects to terminate  
26 membership in Tier 1 under section 61(2), the retirement system  
27 shall recompute the amount transferred under subsection (3) not

1 later than the expiration of 90 days after the transfer occurs  
2 under subsection (3) based upon the deferred vested member's  
3 actual credited service and actual final salary as of 12 midnight  
4 on the last day of the payroll period that includes the date of  
5 the election. If the recomputed amount differs from the amount  
6 transferred under subsection (3) by \$10.00 or more, the retire-  
7 ment system shall do all of the following:

8       (a) Direct the state treasurer to transfer from the member's  
9 retirement fund to the qualified participant's account in Tier 2  
10 the excess, if any, of the recomputed amount over the previously  
11 transferred amount together with interest from 12 midnight on the  
12 last day of the payroll period that includes the date of the  
13 election to the date of the transfer under this subsection, based  
14 upon 8% effective annual interest, compounded annually.

15       (b) Direct the state treasurer to transfer from the quali-  
16 fied participant's account in Tier 2 to the members' retirement  
17 fund the excess, if any, of the previously transferred amount  
18 over the recomputed amount, together with interest, from the date  
19 of the transfer made under subsection (4), based upon 8% effec-  
20 tive annual interest, compounded annually.

21       (5) For the purposes of subsections (1) to (4), the calcula-  
22 tion of estimated and actual present value of the member's or  
23 deferred vested member's accumulated benefit obligation shall be  
24 based upon methods adopted by the department of management and  
25 budget and the retirement system's actuary in consultation with  
26 the retirement board. The retirement system shall utilize the  
27 same actuarial valuation report used to calculate the amount

1 transferred under subsection (1) or (3) when making the  
2 recomputation required under subsection (2) or (4). Estimated  
3 and actual final salary shall be determined as provided in sec-  
4 tion 9 as of 12 midnight on the date the member or deferred  
5 member ceases to be a member of Tier 1 under section 61.

6 (6) For a former nonvested member who elects to terminate  
7 membership in Tier 1 under section 61(2) and who has accumulated  
8 contributions standing to his or her credit in the members' sav-  
9 ings fund, the retirement system shall direct the state treasurer  
10 to transfer a lump sum amount from the members' savings fund cre-  
11 ated under section 21 to the qualified participant's account in  
12 Tier 2 on or before the expiration of 60 days after the date of  
13 the individual's election to terminate membership. The retire-  
14 ment system shall calculate the amount to be transferred, which  
15 shall be equal to the sum of the following:

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

20 (b) Interest on any amounts determined in subdivision (a),  
21 from the first day of the payroll period immediately following  
22 the date of the election to the date of the transfer, based upon  
23 8% effective annual interest, compounded annually.

24 (7) If the department of management and budget receives  
25 notification from the United States internal revenue service that  
26 this section or any portion of this section will cause the  
27 retirement system to be disqualified for tax purposes under the

1 internal revenue code, then the portion that will cause the  
2 disqualification does not apply.