

Act No. 359  
Public Acts of 1994  
Approved by the Governor  
December 22, 1994  
Filed with the Secretary of State  
December 22, 1994

**STATE OF MICHIGAN**  
**87TH LEGISLATURE**  
**REGULAR SESSION OF 1994**

Introduced by Senator Geake

# ENROLLED SENATE BILL No. 1326

AN ACT to amend sections 9 21 22 22a 23 23c 23d 25 26 30 50a 50b 51 and 54 of Act No 261 of the Public Acts of 1957 entitled as amended An act for the creation maintenance and administration of a legislative members and presiding officers retirement system within the legislature to provide retirement allowances to the participants thereof and survivors allowances and other benefits to their beneficiaries upon death to exempt those allowances and benefits from certain taxes and legal processes and to authorize and make appropriations therefor sections 9 and 23 as amended by Act No 512 of the Public Acts of 1988 sections 21 22a 23c 50a and 50b as amended by Act No 58 of the Public Acts of 1987 and sections 22 25 and 26 as amended and section 23d as added by Act No 123 of the Public Acts of 1981 being sections 38 1009 38 1021 38 1022 38 1022a 38 1023 38 1023c 38 1023d 38 1025 38 1026 38 1030 38 1050a 38 1050b 38 1051 and 38 1054 of the Michigan Compiled Laws and to add section 22c

*The People of the State of Michigan enact*

Section 1 Sections 9 21 22 22a 23 23c 23d 25 26 30 50a 50b 51 and 54 of Act No 261 of the Public Acts of 1957 sections 9 and 23 as amended by Act No 512 of the Public Acts of 1988 sections 21 22a 23c 50a and 50b as amended by Act No 58 of the Public Acts of 1987 and sections 22 25 and 26 as amended and section 23d as added by Act No 123 of the Public Acts of 1981 being sections 38 1009 38 1021 38 1022 38 1022a 38 1023 38 1023c 38 1023d 38 1025 38 1026 38 1030 38 1050a 38 1050b 38 1051 and 38 1054 of the Michigan Compiled Laws are amended and section 22c is added to read as follows

Sec 9 (1) Salary means the compensation common to all legislators exclusive of travel allowance paid by the state for 1 year of service as a legislator A member shall contribute to the retirement system based on the percentage applied to that salary

(2) For purposes of section 23 salary also includes an additional 2% through December 30 1986 and 4% beginning December 31 1986 compounded annually and added for each year or major portion of a year that expires after the member terminates service and before the member retires of the member's greatest salary determined pursuant to subsection (1) received in 1 calendar year This subsection only applies to a member who first becomes a member on or before December 1 1994 and whose service terminates on or after December 1 1978

(3) For purposes of section 23 for a member who left service before December 1 1978 salary also includes an additional 2% for each year beginning January 1 1979 through December 30 1986 and 4% beginning December 31 1986 compounded annually and added for each year or major portion of a year that expires after the member terminates service and before the member retires of the member's greatest salary determined pursuant to subsection (1) received in 1 calendar year

(4) For purposes of section 23 salary also includes an amount equal to the greatest amount of additional compensation received in 1 calendar year as a result of being in a leadership position divided by 5 and then multiplied

by the number of years or major portion of a year not to exceed 8 in which the member was in a leadership position and received additional compensation. Before a member who first becomes a member on or before December 1, 1994 may have the additional compensation included in salary under this subsection, the member shall pay to the retirement system a sum equal to 9% of the total additional compensation received. Before a member who first becomes a member after December 1, 1994 may have the additional compensation included in salary under this subsection, the member shall pay to the retirement system a sum equal to 7% of the total additional compensation received.

Sec 21 (1) The members' savings fund is created in the retirement system. The retirement system shall accumulate in the members' savings fund the contributions made by members toward the financing of their retirement allowances, shall make transfers of those contributions from the members' savings fund to the members' retirement fund, and shall make refunds of contributions from the members' savings fund as provided in this act. A member who first becomes a member on or before December 1, 1994 shall make contributions to the members' savings fund of 7% of each payment of salary received by the member for service as a member, but not for a period exceeding 20 years. A member who first becomes a member after December 1, 1994 shall make contributions to the members' savings fund of 5% of each payment of salary received by the member for services as a member.

(2) The member contributions required by this section shall be made by payroll deductions. Each member is considered to consent and agree to the payroll deductions as a condition of membership in the retirement system.

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

Sec 22 (1) The survivors' retirement fund is created in the retirement system. The retirement system shall accumulate in the survivors' retirement fund reserves for the payment of retirement allowances to survivors. The retirement system shall pay the survivor retirement allowances from the survivors' retirement fund. Each member shall make contributions to the survivors' retirement fund of 0.5% of each payment of salary received that is attributable to service performed on and after January 1, 1995. A member shall not make contributions to the survivors' retirement fund for more than 20 years. The contributions shall be made by payroll deductions, and each member is considered to consent and agree to the deductions as a condition of membership in the retirement system.

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

(3) The state's appropriation for survivors' retirement allowances to be paid upon the death of members, deferred vested members, and retirants shall be an amount that will provide the net reserves, after allowing for members' contributions to the survivors' retirement fund and transfers to be made to the fund from the members' savings fund or other available funds for retirement allowances to be paid to survivors of members, deferred vested members, and retirants who will probably die during the next ensuing fiscal year.

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

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

Sec 22a (1) An income fund is created in the retirement system. The retirement system shall credit to the income fund all interest, dividends, and other income from the investment of retirement system assets and all other money for which there is no specific disposition provided in this act.

(2) The retirement board annually shall credit regular interest on the preceding year balances in the members' retirement fund, members' savings fund, survivors' retirement fund, and grants and insurance revolving fund. The retirement board shall charge to the income fund the interest credited to the funds under this subsection.

(3) The retirement system shall pay the expenses for the administration of the retirement system, exclusive of amounts payable as retirement allowances and other benefits provided in this act, from the income fund.

Sec 22c (1) The health insurance fund is created in the retirement system. The retirement system shall deposit into the health insurance fund the member contributions for health benefits required by this section and state appropriations. The retirement system shall disburse from the health insurance fund the premiums or portion of the premiums for dental, hospital, and medical coverage insurance as required by section 50b.

(2) A member shall make contributions to the health insurance fund of 1% of each payment of salary received that is attributable to service performed on and after January 1 1995 The contributions shall be made by payroll deductions and each member is considered to consent to the deductions as a condition of membership in the retirement system

Sec 23 (1) A member or deferred vested member who meets the following requirements shall be entitled to a retirement allowance

(a) The member or deferred vested member qualifies under 1 of the following

(i) Has not less than 8 years of service

(ii) Has not less than 6 years of service and has been elected qualified and seated not less than 4 times for full or partial terms if a member of the house or not less than 2 times if a member of the senate elected after November 7 1966 or has not less than 6 years of service and has been elected qualified and seated not less than 2 times for full or partial terms as a member of the house and not less than 1 time as a member of the senate elected after November 7 1966

(iii) Effective January 1 1987 has not less than 5 years of service and has been elected qualified and seated for a full or partial term not less than 3 times if a member of the house or not less than 2 times if a member of the senate or not less than 1 time as a member of the house and not less than 1 time as a member of the senate

(b) The member or deferred vested member has attained 55 years of age

(c) The member or deferred vested member has filed with the board a written application for a retirement allowance that states the years of service the highest salary received during the member s or deferred vested member s service before application and the date the member or deferred vested member desires to be retired which date shall be not more than 90 days after the execution and filing of the application

(2) A member shall not be entitled to receive a retirement allowance provided for in this section or section 23d while serving as a legislator or lieutenant governor Each person receiving benefits under this act consents and agrees as a condition of receiving the benefits that benefits of any nature shall not be paid while the person is a legislator or lieutenant governor

(3) A deferred vested member who left service after December 31 1974 and before January 1 1979 and who becomes a retirant shall be entitled to an annual retirement allowance of 30% of the salary stated in the application for the first 8 years of service plus 3 75% for each of the next 8 years of service A fraction of a year of service in excess of 8 years shall be prorated If the retirant has less than 8 years of service but qualifies by the election method the retirement allowance shall be that proportion of 30% that his or her years of service and fraction of a year of service bears to 8 years Years of service listed in the application need not be consecutive but shall have been rendered before payment of the retirement allowance Except as provided in section 23c a retirement allowance shall not exceed 60% of the salary stated in the application

(4) A member who retired after December 31 1978 and before January 1 1987 or a deferred vested member who left service after December 31 1978 and before January 1 1987 and becomes a retirant shall be entitled to an annual retirement allowance of 32% of the salary stated in his or her application for the first 8 years of service plus 4% for each of the next 8 years of service A fraction of a year of service in excess of 8 years shall be prorated If the member or deferred vested member has less than 8 years of service but qualifies by the election method the retirement allowance shall be that proportion of 32% that his or her years of service and fraction of a year of service bears to 8 years Years of service listed in the application need not be consecutive but shall have been rendered before payment of the retirement allowance Except as provided in section 23c a retirement allowance shall not exceed 64% of the salary stated in the application

(5) A member who first becomes a member on or before December 1 1994 and who retires after December 31 1986 or a deferred vested member who first becomes a member on or before December 1 1994 who leaves service after December 31 1986 and who becomes a retirant shall be entitled to an annual retirement allowance of 20% of the salary stated in his or her application for the first 5 years of service plus 4% for each of the next 11 years of service A fraction of a year of service in excess of 5 years shall be prorated Years of service listed in the application need not be consecutive but shall have been rendered before payment of the retirement allowance Except as provided in this subsection and section 23c a retirement allowance shall not exceed 64% of the salary stated in the application Effective January 1 1987 however a member who first becomes a member on or before December 1 1994 and who has 16 or more years of service shall also be entitled to a longevity allowance of 1 0% of the member s salary for each year of service beyond 16 years but except as otherwise provided in this subsection not to exceed 20 years Except as provided in this subsection and section 23c the retirement allowance of a member entitled to a longevity allowance under this subsection shall not exceed 68% of the salary stated in the application Beginning January 1 1989 a member who first becomes a member on or before December 1 1994 who has 20 or more years of service and who meets the age and service requirements or service requirements to be eligible to receive a retirement allowance under this act shall be entitled to a longevity allowance of 1 0% of the member s salary for each year of service beyond 20 years

(6) A member who first becomes a member on or after December 2 1994 and who becomes a retirant under this act is entitled to an annual retirement allowance equal to the product of the following

- (a) The salary stated in his or her application
- (b) Years and fraction of a year of service
- (c) Three percent

(7) A retirant who elects to purchase military service credit pursuant to section 11(2) shall have his or her retirement allowance recalculated to include the military service credit purchased pursuant to that section The first payment of the recalculated retirement allowance shall be made effective with the first check after the recalculation is made

(8) The retirement allowance of a retirant who on January 1 1987 satisfied the conditions required by section 9(3) shall have his or her retirement allowance recalculated to reflect the increase in salary for those years permitted by section 9(3) before the member became a retirant

(9) Within 30 days after becoming 55 years of age a deferred vested member may elect to defer receipt of the retirement allowance to which the member is entitled under this act to a date certain not to exceed 70 1/2 years of age Except as otherwise provided in this subsection at the date the member designates to begin receipt of his or her retirement allowance the member's retirement allowance shall be actuarially recomputed to reflect the member's age and life expectancy at initial receipt of the deferred retirement allowance Upon request of the deferred vested member who elects to begin receiving his or her retirement allowance the retirement board may pay to the member a lump sum payment of an amount equal to the sum of the retirement allowance that was deferred pursuant to this subsection The retirement board shall not actuarially recompute the member's retirement allowance upon payment of a lump sum under this subsection

(10) Notwithstanding subsection (1) a member or deferred vested member may retire with a retirement allowance computed according to the applicable provisions of this section if all of the following apply

(a) The member or deferred vested member files a written application with the retirement board stating a date not less than 30 nor more than 90 days after the execution and filing of the application on which the member or deferred vested member desires to retire

(b) On the last day of the month immediately preceding the retirement allowance effective date stated in the application the member's or deferred vested member's combined age and length of credited service is equal to or greater than 70 years and the member or deferred vested member is 50 years of age or older

(11) A member who retires before January 1 1987 or a deferred vested member who leaves service before January 1 1987 and becomes a retirant shall in addition to the retirement allowance calculated under subsection (3) or (4) be entitled to a longevity allowance if the retirant or deferred vested member has more than 16 years of service The longevity allowance is 1 0% of the former member's salary stated in the application for each year of service beyond 16 years but except as otherwise provided in this subsection not to exceed 20 A member who retires before January 1 1987 or a deferred vested member who leaves service before January 1 1987 and becomes a retirant shall in addition to the retirement allowance calculated under subsection (3) or (4) be entitled to a longevity allowance of 1 0% of the former member's salary stated in the application for each year of service beyond 20 years that was served after the member met the age and service requirements or service requirements to be eligible to receive a retirement allowance under this act The retirement allowance of a retirant who satisfies the conditions under this subsection shall have his or her retirement allowance recalculated to reflect the longevity allowance for those years permitted by this subsection effective January 1 1987 or the date of retirement whichever is later The application of the longevity allowance to the retirant's retirement allowance under this subsection shall be applied before the provisions of section 23c are applied to that retirement allowance Except as provided in this subsection and section 23c a retirement allowance shall not exceed 68% of the salary stated in the application

Sec 23c (1) After December 31 1986 on January 1 of each year a retirement allowance attributable to a member who first becomes a member on or before December 1 1994 shall be increased 4% compounded annually

(2) Beginning January 1 1995 each retirement allowance attributable to a member who first becomes a member after December 1 1994 shall be increased each January 1 The amount of the annual increase shall be equal to 4% of the retirement allowance payable as of the retirement allowance effective date

(3) A retirement allowance that begins after January 1 of the immediately preceding calendar year shall be increased under this section on a pro rata basis by the applicable percentage amount from the time the retirement allowance begins to the date of the increase

Sec 23d (1) A member who is not entitled to a retirement allowance under section 23 or a deferred vested member shall be entitled to a retirement allowance if the board has received a certification by not less than 2 licensed physicians appointed by the board stating that the member or deferred vested member is disabled from engaging in any

substantial gainful activity by reason of a medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of 12 months or more

(2) A member or deferred vested member entitled to a retirement allowance under subsection (1) shall receive the retirement allowance applicable to that member or deferred vested member provided for in section 24(4) (5) or (6)

(3) A member who is currently receiving compensation as a legislator or lieutenant governor shall not be entitled to a retirement allowance under this section

(4) The board may provide for the examination by 1 or more licensed physicians designated by the board at least once a year of a person who is receiving a retirement allowance under this section during the continuance of the disability. The board shall not provide for an examination after the member attains 55 years of age

Sec 25 (1) The retirement system shall be construed to be a trust separate from all other entities maintained for the purpose of securing payment of benefits to the members deferred vested members retirants and their survivors and beneficiaries as provided in this act

(2) The board is the fiduciary of the retirement system with the authority to control and manage the operation and administration of the retirement system in the manner provided by this act

Sec 26 (1) The retirement system shall be administered by a board of trustees consisting of 11 persons as follows

(a) Three members of the house of representatives appointed by the speaker

(b) Three members of the senate appointed in the same manner as members of standing committees of the senate are appointed

(c) Two retirants appointed by the board

(d) One deferred vested member appointed by the board

(e) The senate majority leader or a member of the senate designated by the senate majority leader

(f) The speaker of the house or a member of the house of representatives designated by the speaker of the house

(2) Only members of the retirement system are eligible to serve as members on the board of trustees except for the retirants. Board members shall be appointed for 2 year terms. Two or more of the members appointed to the board under subsection (1)(a) and 2 or more of the members appointed to the board under subsection (1)(b) shall be vested members of the retirement system on the date of appointment or for house members shall have been elected qualified and seated in the house of representatives not less than 3 times for full or partial terms on the date of appointment or for senate members shall have been elected qualified and seated in the senate not less than 2 times for full or partial terms on the date of the appointment

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

Sec 30 Each trustee is entitled to 1 vote on any action of the board and at least 5 concurring votes are necessary for any action by the board at a meeting. A decision or action shall not become effective unless presented and so approved by the action of the board. A trustee shall not vote by proxy but shall be present at the meeting in order to have his or her vote recorded

Sec 50a (1) The grants and insurance revolving fund is created in the state treasury as a separate fund into which shall be paid legislative grants earnings from the fund payments by or on behalf of members and revenue from other sources accepted by the board. Money appropriated to the grants and insurance revolving fund shall not revert to the general fund at the close of the fiscal year but shall remain in the grants and insurance revolving fund. The legislative grants in the grants and insurance revolving fund shall not be expended except upon express direction of the legislature but all other money in the grants and insurance revolving fund may be expended for the purposes and in the manner provided in this section

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

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

(4) A member or deferred vested member upon application to retire under this act shall elect to have the board provide life insurance benefits under this section or to have the actuarial present value of the life insurance benefits as of the date of retirement used to purchase an additional monthly life annuity for the member or deferred vested member. The election under this section made by the member or deferred vested member is irrevocable. If the member or deferred vested member elects an annuity under this section, the person's spouse and any person previously designated as a beneficiary of a life insurance policy by a member or a deferred vested member under this section shall sign a statement prepared by the retirement board acknowledging the election of the member. The additional monthly life annuity shall be paid from the grants and insurance revolving fund.

Sec 50b For a retirant or a survivor or beneficiary of a deceased retirant or for a deferred vested member who first became a member on or before December 1 1994 the retirement system shall purchase and pay the premium for hospitalization and medical insurance coverage and dental and vision coverage for the retirant deferred vested member and the spouses eligible children and survivors of those retirants and deferred vested members. Except as otherwise provided in this section the retirement system shall provide hospitalization and medical insurance coverage and dental and vision insurance coverage under this section at a level that is equal to or greater than the level of insurance coverage under this section in effect on December 1 1992. The retirement board may increase the amounts each person who is enrolled in insurance coverage under this section is required to pay for co pays or deductibles under that insurance coverage.

Sec 51 The retirement board shall clearly mark all investments to indicate ownership by the system and to the extent possible shall register all investments in the name of the system. The retirement board shall record all investments pursuant to generally accepted accounting principles promulgated by the governmental accounting standards board upon adoption of those principles by the retirement board.

Sec 54 (1) It is the intention of the legislature that the payment of the required state contributions all benefits granted under this system and all expenses in connection with the administration and operation of the retirement system are made obligations of the state.

(2) All revenue derived from deposits and investments authorized by this act shall be credited to the account of this system in the state treasury and shall be used to pay benefits and costs of administration as provided in this act.

Section 2 This amendatory act shall take effect December 31 1994.

This act is ordered to take immediate effect.

Secretary of the Senate

Co Clerk of the House of Representatives

Approved

Governor

