

SUBSTITUTE FOR  
SENATE BILL NO. 517

A bill to amend 1984 PA 427, entitled "Municipal employees retirement act of 1984," by amending sections 2a, 2b, and 36 (MCL 38.1502a, 38.1502b, and 38.1536), as amended by 1996 PA 220; and to repeal acts and parts of acts.

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

1       Sec. 2a. (1) "Certification date" means ~~the date certified~~  
2 ~~in the election results filed with the secretary of state~~  
3 ~~pursuant to enacting section 4 of the amendatory act that added~~  
4 ~~this sentence~~ **August 15, 1996.**

5       (2) "Chief judge" means the chief judge of a judicial circuit  
6 court, a judicial district court, or a judicial probate court as  
7 provided in the revised judicature act of 1961, ~~Act No. 236 of~~  
8 ~~the Public Acts of 1961, being sections 600.101 to 600.9947 of~~  
9 ~~the Michigan Compiled Laws~~ **1961 PA 236, MCL 600.101 to**

1 600.9948.

2 (3) "Governing body" means the representative legislative  
3 body of a municipality, or the administrative board or commission  
4 of a public corporation or instrumentality that does not have a  
5 representative legislative body.

6 (4) "Judicial circuit court" means a judicial circuit of the  
7 circuit court as provided in section 11 of article VI of the  
8 state constitution of 1963.

9 (5) "Judicial district court" means a judicial district of  
10 the district court as provided in section 8101 of the revised  
11 judicature act of 1961, ~~Act No. 236 of the Public Acts of 1961,~~  
12 ~~being section 600.8101 of the Michigan Compiled Laws 1961 PA~~  
13 **236, MCL 600.8101.**

14 (6) "Judicial probate court" means a county probate court or  
15 probate court district as provided in section 15 of article VI of  
16 the state constitution of 1963.

17 Sec. 2b. (1) "Member" means an individual who is included  
18 in the membership of the retirement system, as determined by the  
19 retirement board.

20 (2) "Municipality" ~~means a county, county road commission,~~  
21 ~~city, village, township, or a combination of these units; a~~  
22 ~~lawful public corporation or instrumentality established by 1 or~~  
23 ~~more counties, cities, villages, townships, or a combination of~~  
24 ~~these units; or a public corporation or instrumentality charged~~  
25 ~~by law with the performance of a governmental function and whose~~  
26 ~~jurisdiction is coextensive with 1 or more counties, cities,~~  
27 ~~villages, townships, or a combination of these units.~~ **means 1 or**

1 more of the following:

2 (a) A county, county road commission, city, village, or  
3 township.

4 (b) A public corporation or instrumentality established by 1  
5 or more counties, cities, villages, or townships.

6 (c) A public corporation or instrumentality charged by law  
7 with the performance of a governmental function and whose  
8 jurisdiction is coextensive with 1 or more counties, cities,  
9 villages, or townships.

10 (d) A political subdivision located in this state or located  
11 in this and another adjacent state of the United States,  
12 including, but not limited to, the entities named in subdivision  
13 (a), (b), or (c), or any combination of those units.

14 (e) A political subdivision located in this state and a  
15 metropolitan government borough, or other political subdivision  
16 of the province of Ontario, an agency of the United States, or a  
17 similar entity of adjacent states of the United States and the  
18 province of Ontario.

19 (f) A state university, community college, or junior college  
20 whose employees are not public school employees who are members  
21 under the public school employees retirement act of 1979, 1980 PA  
22 300, MCL 38.1301 to 38.1408.

23 (g) Any municipal corporation as defined in section 1(a) of  
24 1951 PA 35, MCL 124.1, or other governmental entity that is  
25 eligible to join the retirement system and participate in any  
26 program under this act, as determined by the retirement board.

27 Sec. 36. (1) A retirement board is created to administer

1 this act. Before the certification date, the retirement board  
2 shall operate within the department of management and budget. On  
3 and after the certification date, the retirement system shall  
4 become a public corporation and shall no longer operate within  
5 the executive branch of this state.

6 (2) On and after the certification date, the retirement board  
7 has all of the following powers and duties:

8 (a) The retirement board shall determine **and establish** all of  
9 the provisions of the retirement system affecting benefit  
10 eligibility, benefit programs, contribution amounts, and the  
11 election of municipalities, judicial circuit courts, judicial  
12 district courts, and judicial probate courts to be governed by  
13 the provisions of the retirement system. The retirement board  
14 shall establish all retirement system provisions. As of 12:01  
15 a.m. on the certification date, the retirement system provisions  
16 shall not differ materially from the defined benefit provisions  
17 that are in effect under this act at 11:59 p.m. on the day  
18 immediately ~~preceding~~ **before** the certification date. This  
19 subdivision does not limit the retirement board's authority after  
20 the certification date to establish additional programs including  
21 but not limited to defined benefit, ~~and~~ defined contribution,  
22 **ancillary benefits, health and welfare benefits, and other**  
23 **postemployment benefit** programs. The retirement board may adopt  
24 the provisions of the reciprocal retirement act, ~~Act No. 88 of~~  
25 ~~the Public Acts of 1961, being sections 38.1101 to 38.1106 of the~~  
26 ~~Michigan Compiled Laws~~ **1961 PA 88, MCL 38.1101 to 38.1106**, on  
27 behalf of the employees of the retirement board. ~~in the manner~~

1 ~~prescribed in Act No. 88 of the Public Acts of 1961.~~

2 (b) The retirement board has the full and exclusive authority  
3 and full responsibility to employ and pay for all professional  
4 services including but not limited to actuarial, investment,  
5 legal, accounting, and any other services that the retirement  
6 board considers necessary for the proper operation of the  
7 retirement system. The power granted to the retirement board in  
8 this subdivision includes complete control of the procurement  
9 process.

10 (c) The retirement board shall appoint ~~an~~ **a chief** executive  
11 ~~director~~ **officer** and any other employees for which the  
12 retirement board establishes positions. The retirement board  
13 shall establish the compensation of all persons appointed by the  
14 board. ~~Before the certification date, the retirement board~~  
15 ~~shall offer all employees of the retirement system a position~~  
16 ~~with the public corporation for a guaranteed period of at least 1~~  
17 ~~year. An employee who accepts a position with the newly formed~~  
18 ~~public corporation shall become an employee of the public~~  
19 ~~corporation on the certification date.~~ On and after the  
20 certification date, a person employed by the public corporation  
21 is not an employee of this state for any purpose.

22 (d) The retirement board shall arrange for an annual  
23 actuarial valuation and report of the actuarial soundness of each  
24 participating municipality **and court** to be prepared by an  
25 independent actuary based upon data compiled and supplied by  
26 employees of the retirement system. The retirement board shall  
27 adopt actuarial tables, assumptions, and formulas after

1 consultation with the actuary.

2 (e) The retirement board shall arrange for annual audits of  
3 the records and accounts of the retirement system by a certified  
4 public accountant or by a firm of certified public accountants  
5 pursuant to generally accepted auditing standards and the uniform  
6 budgeting and accounting act, ~~Act No. 2 of the Public Acts of~~  
7 ~~1968, being sections 141.421 to 141.440a of the Michigan Compiled~~  
8 ~~Laws~~ **1968 PA 2, MCL 141.421 to 141.440a.**

9 (f) The retirement board shall prepare an annual report for  
10 each fiscal year in compliance with generally accepted accounting  
11 principles. The report shall contain information regarding the  
12 financial, actuarial, and other activities of the retirement  
13 system during the fiscal year. The retirement board shall  
14 furnish a copy of the annual report to the governor ~~—~~ **and a**  
15 **copy in print or electronic format to each ~~member~~ house** of the  
16 legislature, each participating municipality, and each  
17 participating court. The retirement board shall make the report  
18 available to all members upon request. The report shall also  
19 contain a review of the actuarial valuation required under  
20 subdivision (d), if available.

21 (g) The retirement board shall appoint an attorney to be the  
22 legal advisor of the board and to represent the board in all  
23 proceedings.

24 (h) The retirement board shall appoint or employ custodians  
25 of the assets of the retirement system. The custodians shall  
26 perform all duties necessary and incidental to the custodial  
27 responsibility and make disbursements of authorized retirement

1 system payments from the funds of the retirement system.

2 (i) The retirement board shall perform other functions that  
3 are required for the execution of the provisions of this act.

4 (j) The retirement board shall establish the time and  
5 location of the meetings of the retirement board and the time and  
6 location of the annual meeting of the retirement system,  
7 consistent with the provisions of the open meetings act, ~~Act~~  
8 ~~No. 267 of the Public Acts of 1976, being sections 15.261 to~~  
9 ~~15.275 of the Michigan Compiled Laws~~ **1976 PA 267, MCL 15.261 to**  
10 **15.275.**

11 (3) Before the certification date, the provisions of the  
12 executive organization act of 1965, ~~Act No. 380 of the Public~~  
13 ~~Acts of 1965, being sections 16.101 to 16.608 of the Michigan~~  
14 ~~Compiled Laws~~ **1965 PA 380, MCL 16.101 to 16.608**, and the  
15 management and budget act, ~~Act No. 431 of the Public Acts of~~  
16 ~~1984, being sections 18.1101 to 18.1594 of the Michigan Compiled~~  
17 ~~Laws~~ **1984 PA 431, MCL 18.1101 to 18.1594**, shall govern the  
18 administrative functions of the retirement system. However, any  
19 provision of law in actual conflict with the provisions of the  
20 amendatory act that added this sentence shall not apply.

21 (4) On and after the certification date, the retirement board  
22 consists of the following 9 members, each of whom, excepting the  
23 retiree member and the retirement board appointees, shall be from  
24 a different county at the time of appointment:

25 (a) Two members appointed by the retirement board who have  
26 knowledge or experience in retirement systems, administration of  
27 retirement systems, or investment management or advisory

1 services.

2 (b) One member who is a retiree of the system ~~, nominated~~  
3 **appointed** by the board. ~~and elected by the delegates to an~~  
4 ~~annual meeting of the retirement system.~~

5 (c) Three members of the retirement system who are officers  
6 of participating municipalities or ~~of participating~~ courts, who  
7 shall be designated as officer board members.

8 (d) Three employee members of the retirement system who are  
9 not officers of a participating municipality or ~~of a~~  
10 ~~participating~~ court, who shall be designated as employee board  
11 members.

12 ~~(5) On the certification date, all officer and employee~~  
13 ~~board members shall continue as board members until their term of~~  
14 ~~office expires. The state treasurer shall no longer be a board~~  
15 ~~member on and after the certification date. The initial terms of~~  
16 ~~the 3 newly established board positions will be set by the~~  
17 ~~retirement board to coincide with the terms of the existing~~  
18 ~~elected board members. Following expiration of the term of~~  
19 ~~office of the existing elected board members, subsections (7)~~  
20 ~~through (10) shall govern.~~

21 (5) ~~(6)~~ The retirement board shall adopt its own rules of  
22 procedure and shall keep a record of its proceedings. Five  
23 members of the retirement board shall constitute a quorum at any  
24 meeting of the retirement board and at least 5 concurring votes  
25 shall be necessary for any decision by the retirement board.  
26 Each member of the retirement board shall be entitled to 1 vote  
27 on each question before the retirement board.



1           (6) ~~—(7)—~~ The regular term of office of members of the  
2 retirement board is 3 years. Each member of the retirement board  
3 shall take an oath of office before assuming the duties of the  
4 position. ~~The oath of office shall be filed with the secretary~~  
5 ~~of state.~~ Members of the retirement board shall serve without  
6 compensation with respect to their duties, but shall be  
7 reimbursed by the retirement system for their actual and  
8 necessary expenses incurred in the performance of their duties.  
9 A participating municipality or ~~participating~~ court employing a  
10 member of the retirement board shall treat absences from work on  
11 account of retirement board business in such a manner that the  
12 individual does not suffer loss of pay or benefits.

13           (7) ~~—(8)—~~ A vacancy shall occur on the retirement board upon  
14 the occurrence of any of the following events:

15           (a) An officer board member ceases to be eligible for  
16 nomination as an officer board member.

17           (b) An employee board member ceases to be eligible for  
18 nomination as an employee board member.

19           (c) Failure to attend 3 consecutive scheduled meetings of the  
20 retirement board, unless excused for cause by majority vote of  
21 the board members attending the meeting.

22           (8) ~~—(9)—~~ A vacancy occurring on the retirement board at  
23 least 120 days before the expiration of a term of office shall be  
24 filled by the retirement board. Board appointments under this  
25 subsection shall be for the period ending on the December 31 next  
26 following the date of the vacancy. For the officer board members  
27 and employee board members, a replacement for any further portion

1 of the unexpired term shall be filled pursuant to section 45.  
2 For the 2 appointed board members and the retiree board member, a  
3 replacement for any further portion of the unexpired term shall  
4 be filled pursuant to subsection (4).

5 (9) ~~(10)~~ The retirement board shall select from its members  
6 a chairperson and a chairperson pro-tem.

7 (10) ~~(11)~~ The retirement board shall employ ~~an~~ a **chief**  
8 executive ~~director~~ **officer**. The **chief** executive ~~director~~  
9 **officer** shall do all of the following:

10 (a) Manage and administer the retirement system under the  
11 supervision and direction of the retirement board.

12 (b) Invest the assets of the retirement system, as directed  
13 by the retirement board, consistent with ~~Act No. 314 of the~~  
14 ~~Public Acts of 1965, being sections 38.1132 to 38.1140i of the~~  
15 ~~Michigan Compiled Laws~~ **the public employee retirement system**  
16 **investment act, 1965 PA 314, MCL 38.1132 to 38.1140m**, which act  
17 governs the investment of assets of public employee retirement  
18 systems.

19 (c) Annually prepare and submit to the retirement board for  
20 review, amendment, and adoption an itemized budget showing the  
21 amount required to pay the retirement system's expenses for the  
22 following fiscal year.

23 (d) Perform other duties as the retirement board, in its  
24 discretion, shall delegate to the **chief** executive ~~director~~  
25 **officer**.

26 Enacting section 1. Section 36a of the municipal employees  
27 retirement act of 1984, 1984 PA 427, MCL 38.1536a, is repealed.