

CEMETERY REGULATION ACT (EXCERPT)
Act 251 of 1968

456.536 Irrevocable endowment and perpetual care trust fund; establishment and maintenance; commingling prohibited; annual report; application for modification or waiver; expenses; bundling of funds with common ownership; pooling of trust or escrow funds for investment purposes; agreement with regulated financial institutions with trust powers; deposits; agent or seller; deposit requirements; use of interest or income; merchandise trust account; deposit for sale of burial vaults or containers; repayment; installation of vault; contents of cemetery merchandise and services contract; annual reports; deficit in amount of required deposits; penalty; hearing; additional penalty; powers and jurisdiction of attorney general and courts; disposition of fees, charges, and penalties; notice of financial transaction or investment; failure to submit reports under subsections (12) and (13); civil actions.

Sec. 16.

(1) The commissioner shall require each cemetery to establish and maintain an irrevocable endowment and perpetual care trust fund. The amounts deposited into an endowment and perpetual care trust fund pursuant to subsection (5) shall be held in perpetuity by the trustee and may only be distributed to the cemetery upon order of a court following petition by the commissioner. Interest or income shall be used only for endowment care. Except as otherwise provided in subsection (2), money in the endowment and perpetual care trust fund shall not be commingled with any other money or trust accounts. The cemetery shall report annually before July 1 of each year, on forms approved and furnished by the commissioner, endowment and perpetual care trust fund information required to be reported to the commissioner by other statutes and information regarding the funds as the commissioner considers pertinent in the public interest. A cemetery applying to the commissioner as authorized by other statutes for an endowment and perpetual care trust fund deposit modification or waiver shall be assessed the actual expenses for an examination or investigation by the commissioner.

(2) Notwithstanding subsection (1), bundling of funds held in trust or escrow, for each cemetery or among cemeteries with common ownership, is permissible only under the following circumstances:

(a) Each cemetery maintains separate trust and escrow account records pursuant to statutory and rule requirements for endowed care, merchandise, or prepaid funeral and cemetery sales.

(b) A cemetery, or cemeteries with common ownership, has all its trust or escrow accounts on deposit with 1 or more regulated financial institutions with trust powers in this state.

(c) The trustee, or the trustee's trading block nominee, holds title in the name of each individual trust or escrow account for that trust or escrow account assets and the assets are promptly settled back to the individual accounts by the trustee in the ordinary course of business.

(3) Notwithstanding subsection (2), other comparable methods of bundling or pooling of trust or escrow funds for investment purposes may be permissible upon terms and conditions approved in writing by the commissioner and only after the commissioner is reasonably satisfied that the title to, character of, and accounting for funds held in trust or escrow is preserved.

(4) Not later than January 1, 2010, the irrevocable endowment and perpetual care trust fund shall be established, or reestablished, with 1 or more regulated financial institutions with trust powers that shall be the trustee of the portion of the fund allocated to it. The cemetery shall enter into agreements of irrevocable trust agreements with each trustee. Those agreements shall provide that the investing of the assets are subject to the Michigan prudent investor rule as set forth in sections 1501 to 1512 and 7803 of the estates and protected individuals code, 1998 PA 386, MCL 700.1501 to 700.1512 and 700.7803, except that the agreement shall not be modified or amended, as allowed under sections 1502(2) and 7105 of the estates and protected individuals code, 1998 PA 386, MCL 700.1502 and 700.7105, to provide less than the standard of care in the prudent investor rule. The cemetery shall notify the commissioner, in writing, not later than 14 days before the effective date of an appointment of a trustee. The cemetery may remove and replace a trustee at any time, subject to the consent of the commissioner, and subject to the terms of the cemetery's agreement with the trustee. The fees and costs of the trustee may, in accordance with the terms of the trust agreement, be paid from the principal of the trust. A cemetery that establishes its irrevocable endowment and perpetual care trust with 1 or more regulated financial institutions with trust powers, and that does not reserve, retain, or otherwise exercise any power of direction of specific investments, is not liable for any deficiencies in the irrevocable endowment and perpetual care trust caused by performance of the investments. A cemetery may reserve the right to recommend, to a trustee, an investment advisor, registered with the securities and exchange commission under the investment advisers act of 1940, 15 USC 80b-1 to 80b-21, or under the uniform securities act (2002), 2008 PA 551, MCL 451.2101 to 451.2703, to advise the trustee in the trustee's decisions on asset allocation, investment managers, and investments, except that a trustee is not required to heed such advice. Alternatively, and notwithstanding any other provisions of this section, and at all times subject to the Michigan prudent investor rule, a cemetery may direct the trustees to make certain investments, provided

that the trust is a named beneficiary of fiduciary liability insurance covering the cemetery's or other fiduciaries' actions in an amount equal to 100% of the amount so directed. Proof of the fiduciary liability coverage shall be provided not less than annually to the commissioner, in a form to be determined by the commissioner, before any direction being given. The commissioner or the attorney general may prosecute a claim against the fiduciary liability insurance on behalf of the trust. The trustees are not liable, or otherwise punishable, for complying with the direction of investments except that the trustees shall retain custody of all the investments.

(5) Beginning January 12, 2009, an irrevocable endowment and perpetual care trust fund shall be created by the deposit of at least \$50,000.00 into the fund before any sale of burial rights, entombment rights, or columbarium rights is made.

(6) Each month, not less than 15% of all proceeds received during the previous month from the sales of burial rights, entombment rights, or columbarium rights shall be deposited with the trustee for inclusion in the endowment and perpetual care trust fund. No total deposit for a single burial right sale or assignment shall be less than \$20.00. A cemetery may apply to the commissioner for a modification of the minimum deposit requirement. The commissioner shall take testimony and investigate as he or she considers necessary and if the commissioner determines that the applicant's endowment and perpetual care trust fund will generate sufficient income to meet all current costs of keeping the applicant's cemetery in good condition, the commissioner may modify the minimum deposit requirement. A cemetery applying to the commissioner for a modification of the endowment and perpetual care trust fund deposit requirements shall be assessed the actual costs for the commissioner's examination and investigation. Excess money in the fund may be applied by a cemetery against future deposits and shall be annually reported to the commissioner in a manner prescribed by the commissioner.

(7) The commissioner shall require each person engaged as agent or seller in the selling of burial rights, entombment rights, or columbarium rights owned by a party other than a cemetery or corporation subject to the irrevocable endowment and perpetual care trust fund requirements of this act and other laws, to deposit 15% of all gross proceeds received from the sales of those rights into the irrevocable endowment and perpetual care trust fund of the cemetery in which the rights are located if an irrevocable endowment and perpetual care trust fund exists for that cemetery. A deposit required to be made by those persons shall be modified or waived if the cemetery has received an irrevocable endowment and perpetual care trust fund deposit modification or waiver approved by the commissioner. The total deposit for a single adult burial right sale or assignment shall not be less than \$20.00.

(8) Interest or income from the money in the endowment and perpetual care trust fund shall be used exclusively for endowment and perpetual care. No portion of the interest or income may be used directly or indirectly for salaries or other payments to the officers, directors, partners, members, or managers of the entity owning the cemetery. Withdrawals of accumulated interest or income from the endowment and perpetual care trust fund may be authorized by the trustee, and such withdrawals shall be documented in the manner provided by rule of the commissioner. A cemetery shall maintain records showing that interest from the endowment and perpetual care trust fund is used exclusively for endowment and perpetual care. The trustees are not responsible for ascertaining that money paid to the cemetery is expended for the limited purposes permitted by this subsection.

(9) Subject to subsection (17), a cemetery that is required to register pursuant to this act and an agent authorized by a cemetery or acting on its behalf under an agreement or sales contract to sell cemetery merchandise or cemetery services shall establish a merchandise trust account and deposit a percentage of the gross proceeds received from the sales as determined by the commissioner. The merchandise trust account shall be maintained exclusively for the deposit of the money into a regulated financial institution under the terms of a written trust agreement approved by the commissioner. All documents, reports, and records regarding the trust shall be kept in this state. It shall be the responsibility of each registrant under this act to assure that documents relating to the merchandise trust account are provided to the commissioner upon request. If a subpoena is issued to obtain these documents, the registrant shall pay all costs related to obtaining the documents. The money shall be deposited not later than the month following its receipt.

(10) Subject to subsection (17), the total deposits to a merchandise trust for the sale of cemetery burial vaults or other outside containers, other than crypts installed underground and sold as part of a cemetery lot, shall at all times be not less than the greater of \$100.00 per vault or outside container or 130% of the total costs of the containers covered by the trust. Money deposited in connection with a sale shall be repaid within 30 days upon written demand of the purchaser. A burial vault shall be installed only at need or by separate written authorization of the purchaser. The cemetery shall have the right to withdraw the amount on deposit for the delivered vault or outside container.

(11) Subject to subsection (17), a contract or agreement made with a purchaser of cemetery merchandise and cemetery services shall contain a complete description of the cemetery merchandise purchased and of the cemetery services to be rendered.

(12) The commissioner shall require the cemetery owner or operator to report annually before July 1 of each year on forms provided by the commissioner. The reports shall contain information as the commissioner considers necessary to ascertain that the requirements of this act and rules promulgated under this act are being implemented. Subject to approval of the department, the cemetery owner or operator may ask for an extension not to exceed 90 days to submit the report required by this subsection. All reports required by this subsection and subsection (13)

shall include a sworn statement by the cemetery owner or operator that includes the following:

(a) A certification that the signing cemetery owner or operator has reviewed the report.

(b) Based on the operator's or owner's knowledge, that the report does not contain any untrue statement of material fact related to the financial condition of the endowment and perpetual care trust fund or merchandise trust accounts.

(c) Based on the operator's or owner's knowledge, that the report fairly presents all material information regarding the financial condition of the endowment and perpetual care trust fund or merchandise trust accounts.

(d) That the signing operators or owners are responsible for establishing and maintaining internal controls; have designed those internal controls to ensure the accuracy of material information relating to the condition of the endowment and perpetual care trust fund or merchandise trust accounts; have evaluated the effectiveness of the internal controls within 90 days before the issuance of the report; and have included information evaluating the effectiveness of those internal controls.

(13) At a minimum, the commissioner shall require the following information concerning the endowment and perpetual care trust fund, the accuracy of which shall be certified by a certified public accountant:

- (a) Beginning and ending balances.
- (b) Receipts from the sale of burial, entombment, and columbarium rights.
- (c) Deposits to the endowment and perpetual care trust fund.
- (d) Itemized payments of interest or income.
- (e) Documentation that interest was utilized solely for endowment care.

(14) If, after an audit by the commissioner's staff, a deficit in the amount of required deposits to the trust funds is found, the commissioner may assess a penalty in the amount allowed under this act. The cemetery entity may request an administrative hearing before the commissioner or a hearing officer designated by the commissioner within 30 days after being notified of a deficit by the commissioner. If, following the administrative hearing, the commissioner determines that a deficit does exist, an additional penalty may be assessed each month on the unpaid monthly balance until the deficit is paid in full.

(15) In addition to all other remedies at law or in equity, the attorney general and the circuit court of the county in which the cemetery is located have all the powers and jurisdiction granted to the attorney general and court as to trusts covered by 1915 PA 280, MCL 554.351 to 554.353. The remedies granted include all endowment and perpetual care trust funds without regard to uncertainty or indefiniteness of beneficiaries.

(16) All fees, charges, and penalties, or other money from any source, collected under this act, other than fines prescribed in section 21, shall be paid to the commissioner. Upon receipt, the commissioner shall remit money received to the department of treasury for deposit in the general fund of this state.

(17) Any preneed contracts for cemetery merchandise or services entered into on or after January 1, 2005 are subject to the prepaid funeral and cemetery sales act, 1986 PA 255, MCL 328.211 to 328.235.

(18) Not less than 7 days before 30% of the endowment and perpetual care or perpetual care funds established under this act are moved from an account or otherwise engaged in some type of financial transaction or investment, the cemetery owner or operator shall notify the commissioner of the transaction on appropriate forms that the commissioner shall authorize. The commissioner may allow the submission of a notification up to 7 days after the transaction, for good cause shown. Failure to comply with this subsection is considered a violation of this act.

(19) The commissioner, upon finding after notice and an opportunity for a hearing pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328, that a cemetery owner or operator has failed to timely submit a report required under subsections (12) and (13), regardless of whether he or she acted alone or through an employee or agent, may impose an administrative fine, payable to the commissioner, for the enforcement of this act. If the commissioner finds that a violation occurred despite the exercise of due care, the commissioner may issue a warning instead of imposing an administrative fine.

(20) The commissioner shall advise the attorney general of the failure of a person to pay an administrative fine imposed under this section. The attorney general may bring an action in a court of competent jurisdiction for the failure to pay an administrative fine imposed under this section.

(21) Applicable provisions of the revised judicature act of 1961, 1961 PA 236, MCL 600.101 to 600.9947, apply to civil actions filed pursuant to this section.

History: 1968, Act 251, Eff. Sept. 15, 1968 ;-- Am. 1972, Act 290, Imd. Eff. Oct. 30, 1972 ;-- Am. 1978, Act 102, Imd. Eff. Apr. 6, 1978 ;-- Am. 1982, Act 132, Imd. Eff. Apr. 20, 1982 ;-- Am. 2003, Act 89, Imd. Eff. July 24, 2003 ;-- Am. 2004, Act 22, Eff. Jan. 1, 2005 ;-- Am. 2008, Act 478, Imd. Eff. Jan. 12, 2009 ;-- Am. 2010, Act 326, Imd. Eff. Dec. 21, 2010

Compiler's Notes: For transfer of powers and duties of certain occupational functions, boards, and commissions from the Department of Licensing and Regulation to the Department of Commerce, see E.R.O. No. 1991-9, compiled at MCL 338.3501 of the Michigan Compiled Laws.