

HOUSE BILL No. 5842

May 13, 1992, Introduced by Rep. Barns and referred to the Committee on Senior Citizens and Retirement.

A bill to amend section 20g of Act No. 240 of the Public Acts of 1943, entitled as amended "State employees' retirement act," as amended by Act No. 241 of the Public Acts of 1987, being section 38.20g of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 20g of Act No. 240 of the Public Acts of
2 1943, as amended by Act No. 241 of the Public Acts of 1987, being
3 section 38.20g of the Michigan Compiled Laws, is amended to read
4 as follows:

5 Sec. 20g. (1) After the end of each state fiscal year, the
6 department of management and budget shall determine the rate of
7 investment return earned on retirement system assets during the
8 fiscal year, based upon methods established by the retirement
9 board.

1 (2) At the end of each state fiscal year, the retirement
2 system's actuary shall determine the present value of retirement
3 allowances to be paid after the end of the fiscal year to retir-
4 ants and retirement allowance beneficiaries in receipt of retire-
5 ment allowances at the end of the fiscal period. The assumed
6 interest rate used in the determination shall be 8% per year,
7 compounded annually.

8 (3) The distribution income at the end of each state fiscal
9 year shall be equal to the product of the present value of
10 retirement allowances determined in subsection (2) at the end of
11 the previous fiscal year times the positive excess, if any, of
12 the rate of investment return determined in subsection (1)
13 exceeding 8%. The distribution income calculated pursuant to
14 this subsection at the end of the fiscal years 1984-85 and
15 1985-86 shall be reduced by the costs of postretirement adjust-
16 ments paid during the fiscal year pursuant to sections 20b, 20c,
17 20e, and 20f.

18 (4) After the end of each state fiscal year, each retirant
19 and retirement allowance beneficiary in receipt of a retirement
20 allowance at the end of the fiscal year, and whose effective date
21 of retirement allowance preceded the beginning of that fiscal
22 year, shall be credited with 1 distribution unit for each full
23 year between the effective date of retirement and the end of the
24 fiscal year and 1 distribution unit for each full year of service
25 credit in force on the effective date of retirement.
26 Distribution units shall not accumulate from 1 year to the next
27 year.

1 (5) The distribution amount for an individual retirant or
2 retirement allowance beneficiary ~~shall be~~ IS equal to the prod-
3 uct of the distribution income determined in subsection (3) times
4 the individual's number of distribution units determined in sub-
5 section (4) divided by the total number of distribution units for
6 all eligible retirants and retirement allowance beneficiaries in
7 receipt of retirement allowances at the end of the fiscal year.
8 The distribution amount for an individual retirant or retirement
9 allowance beneficiary of a retirant whose retirement allowance
10 effective date is on or after October 1, 1987 is zero.

11 (6) The distribution amount for each retirant or retirement
12 allowance beneficiary shall be payable in the form of a supple-
13 mental payment ~~prior to~~ BEFORE the seventh month after the end
14 of the state fiscal year. Except as provided in subsection ~~(9)~~
15 (10), a distribution amount shall not be payable after March 31,
16 1988. If a retirant dies before receipt of the distribution
17 amount, the payment shall be made to the retirant's retirement
18 allowance beneficiary, if any. If both the retirant and the
19 retirement allowance beneficiary die before receipt of the dis-
20 tribution amount, no payment shall be made.

21 (7) Each retirement allowance shall be increased each
22 October 1 beginning with the later of October 1, 1988 or the
23 first October 1 ~~which~~ THAT is at least 12 months after the
24 retirement allowance effective date AND THROUGH OCTOBER 1, 1990.
25 The amount of the annual increase UNDER THIS SUBSECTION shall be
26 equal to 3% of the retirement allowance that would be payable as
27 of the date of the increase without application of this

1 subsection, except that if the member made the election permitted
2 under section 20(2), the increase shall be based on the amount of
3 retirement allowance that would have been paid without applica-
4 tion of section 20(2). The annual increase UNDER THIS SUBSECTION
5 shall not exceed \$300.00.

6 (8) EACH RETIREMENT ALLOWANCE SHALL BE INCREASED EACH
7 OCTOBER 1 BEGINNING WITH THE LATER OF OCTOBER 1, 1991 OR THE
8 FIRST OCTOBER 1 THAT IS AT LEAST 12 MONTHS AFTER THE RETIREMENT
9 ALLOWANCE EFFECTIVE DATE. THE ANNUAL INCREASE UNDER THIS SUBSEC-
10 TION SHALL NOT BE LESS THAN \$200.00 OR MORE THAN \$475.00. THE
11 RETIREMENT ALLOWANCE USED IN THE CALCULATION OF THE ANNUAL
12 INCREASE SHALL BE THE RETIREMENT ALLOWANCE THAT WOULD BE PAYABLE
13 AS OF THE DATE OF THE INCREASE WITHOUT APPLICATION OF THIS SUB-
14 SECTION, EXCEPT THAT IF THE MEMBER MADE THE ELECTION PERMITTED
15 UNDER SECTION 20(2), THE INCREASE SHALL BE BASED ON THE AMOUNT OF
16 THE RETIREMENT ALLOWANCE THAT WOULD HAVE BEEN PAID WITHOUT APPLI-
17 CATION OF SECTION 20(2). EXCEPT AS OTHERWISE PROVIDED IN THIS
18 SUBSECTION, THE ANNUAL INCREASE SHALL BE DETERMINED BY THE
19 FOLLOWING:

20 (A) FOR A RETIREMENT ALLOWANCE OF \$10,000.00 OR LESS, THE
21 RETIREMENT ALLOWANCE MULTIPLIED BY 4%.

22 (B) FOR A RETIREMENT ALLOWANCE OF MORE THAN \$10,000.00 BUT
23 \$20,000.00 OR LESS, \$400.00 PLUS THE AMOUNT OF THE RETIREMENT
24 ALLOWANCE THAT IS MORE THAN \$10,000.00 MULTIPLIED BY 0.5%.

25 (C) FOR A RETIREMENT ALLOWANCE OF MORE THAN \$20,000.00,
26 \$450.00 PLUS THE AMOUNT OF THE RETIREMENT ALLOWANCE THAT IS MORE
27 THAN \$20,000.00 BUT \$30,000.00 OR LESS MULTIPLIED BY 0.25%.

1 (9) ~~-(8)-~~ After the end of each state fiscal year, the
2 cumulative increase amount shall be computed for each retirant or
3 retirement allowance beneficiary. The cumulative increase amount
4 shall be equal to the difference between the total retirement
5 allowance paid during the state fiscal year and the retirement
6 allowance that would have been payable without application of
7 subsection (7) OR (8) and section 20h. The cumulative increase
8 amount for any retirant or retirement allowance beneficiary whose
9 retirement allowance effective date is on or after October 1,
10 1987 is zero.

11 (10) ~~-(9)-~~ In March of each year, beginning in March, 1989,
12 each retirant or retirement allowance beneficiary shall be paid,
13 in a single supplemental payment, the excess, if any, of the dis-
14 tribution amount over the cumulative increase amount for the pre-
15 vious state fiscal year. If a retirant dies before receipt of a
16 supplemental payment, the supplemental payment shall be made to
17 the retirant's retirement allowance beneficiary, if any. If both
18 the retirant and the retirement allowance beneficiary die before
19 receipt of a supplemental payment, no payment shall be made.