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REQUIRE EVALUATION OF PENSION BENEFIT CHANGES

House Bill 5728
Sponsor: Rep. Jerry Vander Roest
Committee: Senior Health, Security and Retirement

Complete to 3-4-02

A SUMMARY OF HOUSE BILL 5728 AS INTRODUCED 2-21-02

The bill would amend the Public Employee Retirement System Investment Act to require state and local government retirement systems to provide a supplemental actuarial evaluation prior to adopting or implementing pension benefit changes. The bill would require that such an evaluation be conducted by the retirement system's actuary, and that it include an analysis of the long term costs associated with any proposed benefit change. The supplemental actuarial evaluation would have to be provided to the retirement system's board or to the decision making body charged with approving or implementing the proposed pension benefit change at least 30 days before the change goes into effect. (A "proposed pension benefit change" would be defined as a proposal to change the amount of pension benefits received by a person entitled to benefits, and would not include a proposed change in health care plans or health benefits.)

Further, the bill would require that a retirement system board (or other decision making body) confirm in both its annual actuarial valuation and the summary annual report required by the act that the retirement plan provides for the payment of required employer contributions. The bill would specify that the annual required employer contribution in a public employee retirement plan would consist of a current service cost payment and a payment of at least the annual accrued amortized interest on any unfunded actuarial liability and the payment of the annual accrued amortized portion of the unfunded principal liability. For fiscal years beginning before January 1, 2006, the required employer contribution would have to be determined using an amortization period of no greater than 40 years. After that time, the amortization period could be no greater than 30 years.

In a plan year, any current service cost payment could be offset be a credit for amortization of accrued assets, if any, in excess of actuarial accrued liability. A required employer contribution would have to allocate the actuarial present value of future plan benefits between the current service costs to be paid in the future and the actuarial accrued liability.

The bill would require the board (or other decision making body) to act upon the recommendation of an actuary, and the board and the actuary would be required to take into account the standards of practice of the actuarial standards board of the American Academy of Actuaries in determining the required employer contribution.

MCL38.1140h and 38.1140m

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■This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.