

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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House Bill 5728 (Substitute H-2 as reported without amendment)
Sponsor: Representative Jerry Vander Roest
House Committee: Senior Health, Security and Retirement
Senate Committee: Appropriations

CONTENT

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 before adopting or implementing pension benefit changes. A supplemental actuarial evaluation would have to be conducted by the system's actuary and include an analysis of the long-term costs associated with the proposed benefit change. The supplemental actuarial evaluation would have to be provided to the board of the particular pension system and to the decision-making body that would approve the proposed benefit change at least seven days before the proposed benefit change was adopted. For the purposes of this bill, pension benefit change would not include a proposed change to a health care plan or health benefits.

Further, the bill would require that a retirement system board confirm in both its annual actuarial valuation and the summary annual report that the retirement system provided for the payment of required employer contributions. The bill specifies that the annual required employer contributions would consist of current service cost payments, payment of at least the accrued amortized interest on any unfunded actuarial liability, and the payment of the accrued amortized portion of the unfunded principal liability. In addition, the bill provides that for fiscal years beginning before January 1, 2006, the required employer contributions would have to be determined using an amortization period of not more than 40 years. Beginning on or after January 1, 2006, the amortization period could not exceed 30 years.

Finally, the bill would require the board to act upon the recommendation of an actuary, and would require the board and the actuary 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.

MCL 38.1140h & 38.1140m

FISCAL IMPACT

The bill would have no fiscal impact on State government.

Local pension plans would incur an indeterminate cost if supplemental actuarial evaluations are not current practice. Lowering the amortization period would be consistent with the requirement by the Governmental Accounting Standards Board (GASB) that all public pension systems amortize their employer contributions over not more than 30 years beginning on or after January 1, 2006.

Date Completed: 11-14-02

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