

REPRINT

SUBSTITUTE FOR

HOUSE BILL NO. 5728

(As passed the House, May 7, 2002)

(As passed the Senate, December 11, 2002)

A bill to amend 1965 PA 314, entitled
"Public employee retirement system investment act,"
by amending section 20h (MCL 38.1140h), as amended by 1996 PA
485, and by adding section 20m.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 20h. (1) In addition to the provisions of this act, a
2 system is subject to the applicable accounting and reporting
3 requirements contained in ~~Act No. 71 of the Public Acts of 1919,~~
4 ~~being sections 21.41 to 21.53 of the Michigan Compiled Laws; the~~
5 ~~uniform budgeting and accounting act, Act No. 2 of the Public~~
6 ~~Acts of 1968, being sections 141.421 to 141.440a of the Michigan~~
7 ~~Compiled Laws; and section 91 of the executive organization act~~
8 ~~of 1965, Act No. 380 of the Public Acts of 1965, being section~~
9 ~~16.191 of the Michigan Compiled Laws~~ THE FOLLOWING ACTS AND
10 PARTS OF ACTS:

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1 (A) 1919 PA 71, MCL 21.41 TO 21.55.

2 (B) THE UNIFORM BUDGETING AND ACCOUNTING ACT, 1968 PA 2, MCL
3 141.121 TO 141.440A.

4 (C) SECTION 91 OF THE EXECUTIVE ORGANIZATION ACT OF 1965,
5 1965 PA 380, MCL 16.191.

6 (2) Except as otherwise provided in subsection ~~-(3)-~~ (4), a
7 system shall have an annual actuarial valuation with assets
8 valued on a market-related basis. A system shall prepare and
9 issue a summary annual report. The system shall make the summary
10 annual report available to the plan participants and beneficia-
11 ries and the citizens of the political subdivision sponsoring the
12 system. The summary annual report shall include all of the fol-
13 lowing information:

14 (a) The name of the system.

15 (b) The names of the system's investment fiduciaries.

16 (c) The system's assets and liabilities.

17 (d) The system's funded ratio.

18 (e) The system's investment performance.

19 (f) The system's expenses.

20 (3) A SYSTEM SHALL PROVIDE A SUPPLEMENTAL ACTUARIAL ANALYSIS
21 BEFORE ADOPTION OF PENSION BENEFIT CHANGES. THE SUPPLEMENTAL
22 ACTUARIAL ANALYSIS SHALL BE PROVIDED BY THE SYSTEM'S ACTUARY AND
23 SHALL INCLUDE AN ANALYSIS OF THE LONG-TERM COSTS ASSOCIATED WITH
24 ANY PROPOSED PENSION BENEFIT CHANGE. THE SUPPLEMENTAL ACTUARIAL
25 ANALYSIS SHALL BE PROVIDED TO THE BOARD OF THE PARTICULAR SYSTEM
26 AND TO THE DECISION-MAKING BODY THAT WILL APPROVE THE PROPOSED
27 PENSION BENEFIT CHANGE AT LEAST 7 DAYS BEFORE THE PROPOSED

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1 PENSION BENEFIT CHANGE IS ADOPTED. FOR PURPOSES OF THIS
2 SUBSECTION, "PROPOSED PENSION BENEFIT CHANGE" MEANS A PROPOSAL TO
3 CHANGE THE AMOUNT OF PENSION BENEFITS RECEIVED BY PERSONS ENTI-
4 TLED TO PENSION BENEFITS UNDER A SYSTEM. PROPOSED PENSION BENE-
5 FIT CHANGE DOES NOT INCLUDE A PROPOSED CHANGE TO A HEALTH CARE
6 PLAN OR HEALTH BENEFITS.

7 (4) ~~—(3)—~~ A system that has assets of less than
8 \$20,000,000.00 is only required to have the actuarial valuation
9 required under subsection (2) done every other year.

10 SEC. 20M. THE GOVERNING BOARD VESTED WITH THE GENERAL
11 ADMINISTRATION, MANAGEMENT, AND OPERATION OF A SYSTEM OR OTHER
12 DECISION-MAKING BODY THAT IS RESPONSIBLE FOR IMPLEMENTATION AND
13 SUPERVISION OF ANY SYSTEM SHALL CONFIRM IN THE ANNUAL ACTUARIAL
14 VALUATION AND THE SUMMARY ANNUAL REPORT REQUIRED UNDER SECTION
15 20H(2) THAT EACH PLAN UNDER THIS ACT PROVIDES FOR THE PAYMENT OF
16 THE REQUIRED EMPLOYER CONTRIBUTION AS PROVIDED IN THIS SECTION
17 AND SHALL CONFIRM IN THE SUMMARY ANNUAL REPORT THAT THE SYSTEM
18 HAS RECEIVED THE REQUIRED EMPLOYER CONTRIBUTION FOR THE YEAR COV-
19 ERED IN THE SUMMARY ANNUAL REPORT. THE REQUIRED EMPLOYER CONTRI-
20 BUTION IS THE ACTUARIALLY DETERMINED CONTRIBUTION AMOUNT. AN
21 ANNUAL REQUIRED EMPLOYER CONTRIBUTION IN A PLAN UNDER THIS ACT
22 SHALL CONSIST OF A CURRENT SERVICE COST PAYMENT AND A PAYMENT OF
23 AT LEAST THE ANNUAL ACCRUED AMORTIZED INTEREST ON ANY UNFUNDED
24 ACTUARIAL LIABILITY AND THE PAYMENT OF THE ANNUAL ACCRUED AMOR-
25 TIZED PORTION OF THE UNFUNDED PRINCIPAL LIABILITY. FOR FISCAL
26 YEARS THAT BEGIN BEFORE JANUARY 1, 2006, THE REQUIRED EMPLOYER
27 CONTRIBUTION SHALL NOT BE DETERMINED USING AN AMORTIZATION PERIOD

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1 GREATER THAN 40 YEARS. FOR YEARS THAT BEGIN AFTER DECEMBER 31,
2 2005, THE REQUIRED EMPLOYER CONTRIBUTION SHALL NOT BE DETERMINED
3 USING AN AMORTIZATION PERIOD GREATER THAN 30 YEARS. IN A PLAN
4 YEAR, ANY CURRENT SERVICE COST PAYMENT MAY BE OFFSET BY A CREDIT
5 FOR AMORTIZATION OF ACCRUED ASSETS, IF ANY, IN EXCESS OF ACTUAR-
6 IAL ACCRUED LIABILITY. A REQUIRED EMPLOYER CONTRIBUTION FOR A
7 PLAN ADMINISTERED UNDER THIS ACT SHALL ALLOCATE THE ACTUARIAL
8 PRESENT VALUE OF FUTURE PLAN BENEFITS BETWEEN THE CURRENT SERVICE
9 COSTS TO BE PAID IN THE FUTURE AND THE ACTUARIAL ACCRUED
10 LIABILITY. THE GOVERNING BOARD VESTED WITH THE GENERAL ADMINIS-
11 TRATION, MANAGEMENT, AND OPERATION OF A SYSTEM OR OTHER
12 DECISION-MAKING BODY OF A SYSTEM SHALL ACT UPON THE RECOMMENDA-
13 TION OF AN ACTUARY AND THE BOARD AND THE ACTUARY SHALL TAKE INTO
14 ACCOUNT THE STANDARDS OF PRACTICE OF THE ACTUARIAL STANDARDS
15 BOARD OF THE AMERICAN ACADEMY OF ACTUARIES IN MAKING THE DETERMI-
16 NATION OF THE REQUIRED EMPLOYER CONTRIBUTION.