

HOUSE BILL No. 5728

February 21, 2002, Introduced by Reps. Vander Roest, Birkholz, Richardville, Meyer, Vander Veen, Hart and Lemmons and referred to the Committee on Senior Health, Security and Retirement.

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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MRM

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 EVALU-
21 ATION PRIOR TO ADOPTION OR IMPLEMENTATION OF PENSION BENEFIT
22 CHANGES. THE SUPPLEMENTAL ACTUARIAL EVALUATION SHALL BE PROVIDED
23 BY THE SYSTEM'S ACTUARY AND SHALL INCLUDE AN ANALYSIS OF THE
24 LONG-TERM COSTS ASSOCIATED WITH ANY PROPOSED PENSION BENEFIT
25 CHANGE. THE SUPPLEMENTAL ACTUARIAL EVALUATION SHALL BE PROVIDED
26 TO THE BOARD OF THE PARTICULAR SYSTEM OR TO THE DECISION-MAKING
27 BODY THAT WILL APPROVE OR IMPLEMENT THE PROPOSED PENSION BENEFIT

1 CHANGE AT LEAST 30 DAYS BEFORE THE PROPOSED PENSION BENEFIT
2 CHANGE GOES INTO EFFECT. FOR PURPOSES OF THIS SUBSECTION,
3 "PROPOSED PENSION BENEFIT CHANGE" MEANS A PROPOSAL TO CHANGE THE
4 AMOUNT OF PENSION BENEFITS RECEIVED BY A PERSON ENTITLED TO PEN-
5 SION BENEFITS UNDER A SYSTEM. PROPOSED PENSION BENEFIT CHANGE
6 DOES NOT INCLUDE A PROPOSED CHANGE TO A HEALTH CARE PLAN OR
7 HEALTH BENEFITS.

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

11 SEC. 20M. THE BOARD OR OTHER DECISION-MAKING BODY THAT IS
12 RESPONSIBLE FOR IMPLEMENTATION AND SUPERVISION OF ANY SYSTEM
13 SHALL CONFIRM IN BOTH THE ANNUAL ACTUARIAL VALUATION AND THE SUM-
14 MARY ANNUAL REPORT REQUIRED UNDER SECTION 20H(2) THAT EACH PLAN
15 UNDER THIS ACT PROVIDES FOR THE PAYMENT OF THE REQUIRED EMPLOYER
16 CONTRIBUTION AS PROVIDED IN THIS SECTION. THE REQUIRED EMPLOYER
17 CONTRIBUTION IS THE ACTUARIALLY DETERMINED CONTRIBUTION AMOUNT.
18 AN ANNUAL REQUIRED EMPLOYER CONTRIBUTION IN A PLAN UNDER THIS ACT
19 SHALL CONSIST OF A CURRENT SERVICE COST PAYMENT AND A PAYMENT OF
20 AT LEAST THE ANNUAL ACCRUED AMORTIZED INTEREST ON ANY UNFUNDED
21 ACTUARIAL LIABILITY AND THE PAYMENT OF THE ANNUAL ACCRUED AMOR-
22 TIZED PORTION OF THE UNFUNDED PRINCIPAL LIABILITY. FOR FISCAL
23 YEARS THAT BEGIN BEFORE JANUARY 1, 2006, THE REQUIRED EMPLOYER
24 CONTRIBUTION SHALL NOT BE DETERMINED USING AN AMORTIZATION PERIOD
25 GREATER THAN 40 YEARS. FOR YEARS THAT BEGIN AFTER DECEMBER 31,
26 2005, THE REQUIRED EMPLOYER CONTRIBUTION SHALL NOT BE DETERMINED
27 USING AN AMORTIZATION PERIOD GREATER THAN 30 YEARS. IN A PLAN

1 YEAR, ANY CURRENT SERVICE COST PAYMENT MAY BE OFFSET BY A CREDIT
2 FOR AMORTIZATION OF ACCRUED ASSETS, IF ANY, IN EXCESS OF ACTUAR-
3 IAL ACCRUED LIABILITY. A REQUIRED EMPLOYER CONTRIBUTION FOR A
4 PLAN ADMINISTERED UNDER THIS ACT SHALL ALLOCATE THE ACTUARIAL
5 PRESENT VALUE OF FUTURE PLAN BENEFITS BETWEEN THE CURRENT SERVICE
6 COSTS TO BE PAID IN THE FUTURE AND THE ACTUARIAL ACCRUED
7 LIABILITY. THE BOARD OR OTHER DECISION-MAKING BODY OF A SYSTEM
8 SHALL ACT UPON THE RECOMMENDATION OF AN ACTUARY AND THE BOARD AND
9 THE ACTUARY SHALL TAKE INTO ACCOUNT THE STANDARDS OF PRACTICE OF
10 THE ACTUARIAL STANDARDS BOARD OF THE AMERICAN ACADEMY OF ACTU-
11 ARIES IN MAKING THE DETERMINATION OF THE REQUIRED EMPLOYER
12 CONTRIBUTION.