

SENATE BILL No. 1352

September 8, 2004, Introduced by Senators BERNERO, CLARKE, PRUSI, CLARK-COLEMAN, JACOBS, OLSHOVE and BRATER and referred to the Committee on Appropriations.

A bill to amend 1943 PA 240, entitled
"State employees' retirement act,"
by amending section 20g (MCL 38.20g), as amended by 1987 PA 241.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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

6 (2) At the end of each state fiscal year, the retirement
7 system's actuary shall determine the present value of retirement
8 allowances to be paid after the end of the fiscal year to
9 retirants and retirement allowance beneficiaries in receipt of
10 retirement allowances at the end of the fiscal period. The
11 assumed interest rate used in the determination shall be 8% per

1 year, compounded annually.

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

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

22 (5) The distribution amount for an individual retirant or
23 retirement allowance beneficiary shall be equal to the product of
24 the distribution income determined in subsection (3) times the
25 individual's number of distribution units determined in
26 subsection (4) divided by the total number of distribution units
27 for all eligible retirants and retirement allowance beneficiaries

1 in receipt of retirement allowances at the end of the fiscal
2 year. The distribution amount for an individual retirant or
3 retirement allowance beneficiary of a retirant whose retirement
4 allowance effective date is on or after October 1, 1987 is zero.

5 (6) The distribution amount for each retirant or retirement
6 allowance beneficiary shall be payable in the form of a
7 supplemental payment prior to the seventh month after the end of
8 the state fiscal year. Except as provided in subsection (9), a
9 distribution amount shall not be payable after March 31, 1988.
10 If a retirant dies before receipt of the distribution amount, the
11 payment shall be made to the retirant's retirement allowance
12 beneficiary, if any. If both the retirant and the retirement
13 allowance beneficiary die before receipt of the distribution
14 amount, no payment shall be made.

15 (7) Each retirement allowance shall be increased each
16 October 1 beginning with the later of October 1, 1988 or the
17 first October 1 which is at least 12 months after the retirement
18 allowance effective date. The amount of the annual increase
19 shall be equal to 3% of the retirement allowance that would be
20 payable as of the date of the increase without application of
21 this subsection, except that if the member made the election
22 permitted under section 20(2), the increase shall be based on the
23 amount of retirement allowance that would have been paid without
24 application of section 20(2). The annual increase shall not
25 exceed ~~-\$300.00-~~ **\$500.00.**

26 (8) After the end of each state fiscal year, the cumulative
27 increase amount shall be computed for each retirant or retirement

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

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