



**Senate Fiscal Agency**  
P. O. Box 30036  
Lansing, Michigan 48909-7536

BILL



ANALYSIS

**Telephone: (517) 373-5383**  
**Fax: (517) 373-1986**

House Bill 6075 (as passed by the House)  
Sponsor: Representative Dan Lauwers  
House Committee: Local Government  
Senate Committee: Government Operations

Date Completed: 12-14-16

### **CONTENT**

**The bill would amend the Public Employee Retirement System Investment Act to:**

- **Require an investment fiduciary's summary annual report to include the actuarial assumed rate of health care inflation.**
- **Require an investment fiduciary, for a system other than a State unit, to submit a summary annual report to the Department of Treasury at least 30 days after publication.**
- **Require the Department to post an executive summary of each summary annual report, including the system's unfunded actuarial accrued liability (UAAL) for health care and pension, and submit the executive summary to the Senate and House Appropriations Committees and Fiscal Agencies.**
- **Require a system, other than a system for a State unit, to post an informational report outlining the steps the system could be taking to reduce its UAAL, if its actuarial accrued liability for health care or pension were not at least 60% funded; and to submit those steps to the Department.**

(The Act codifies the investment authority of State and local public employee retirement systems, and defines and limits the amount and type of investments that may be made by those acting as an investment fiduciary (typically, the applicable retirement board) on behalf of a retirement system.)

The Act requires an investment fiduciary to publish a summary annual report and lists the information that the report must contain. This includes specified information as provided in the retirement system's most recent annual actuarial valuation report. Under the bill, the information from that report also would have to include the actuarial assumed rate of health care inflation.

For a system other than a State unit, the bill would require the investment fiduciary to submit the summary annual report to the Department of Treasury not less than 30 days after publication. (A State unit is a system established under the State Employees' Retirement Act, the Public School Employees Retirement Act, the Judges Retirement Act, and the State Police Retirement Act.)

The Department would have to post on its website an executive summary of each summary annual report submitted to it as required by the bill. The executive summary would have to include the applicable system's unfunded actuarial accrued liability for retiree health care and pension. The Department also would have to submit each executive summary to the Senate

and House of Representatives Appropriations Committees and the Senate and House Fiscal Agencies not less than 30 days after posting.

For a system other than a State unit, if the system's actuarial accrued liability for retiree health care or pension were not at least 60% funded according to the most recent summary annual report, the system would post an informational report on its website outlining the steps, in any, the system could be taking to decrease its UAAL. If a system did not have a website, the political subdivision sponsoring the system would have to make these steps available to plan participants and beneficiaries, as well as the residents of the political subdivision.

The system also would have to submit to the Department, in a reasonable time frame and in a manner determined by the Department, the steps the system could be taking to decrease its unfunded actuarial accrued liability.

MCL 38.1133 & 38.1140h

Legislative Analyst: Suzanne Lowe

### **FISCAL IMPACT**

The bill could result in some costs to the State due to the requirement for the Department of Treasury to post on its website an executive summary of each retirement system's summary annual report, if a retirement system's annual report did not already include an executive summary. The additional departmental costs would be related to the time and personnel necessary to review the summary reports submitted by local units of government, and develop and post executive summaries of those reports, although the costs likely would not be large.

A local unit of government whose pension or retiree health system was not at least 60% funded could incur additional administrative costs related to the requirement to post a report outlining the steps the system may be taking to decrease its unfunded actuarial accrued liability. If the system did not have a website, the local government would be responsible for making the steps the system may be taking available to plan participants, beneficiaries, and the local residents. Finally, the local unit also would be required to submit to the Department of Treasury the steps the system may be taking, which also could result in some small costs to the local unit.

Fiscal Analyst: Kathryn Summers

S1516\S6075sa

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.