

SENATE BILL No. 1178

November 8, 2018, Introduced by Senator HANSEN and referred to the Committee on Government Operations.

A bill to amend 2017 PA 202, entitled
"Protecting local government retirement and benefits act,"
by amending section 5 (MCL 38.2805); and to repeal acts and parts
of acts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 5. (1) For purposes of reporting under this section, the
2 state treasurer shall annually establish uniform actuarial
3 assumptions of retirement systems that include, but are not limited
4 to, investment returns, salary increase rates, mortality tables,
5 discount rates, and health care inflation. **ALL OF THE FOLLOWING**
6 **APPLY TO ASSUMPTIONS ESTABLISHED UNDER THIS SUBSECTION:**

7 (A) UNFUNDED ACTUARIAL ACCRUED LIABILITY MUST BE AMORTIZED
8 USING A CLOSED SCHEDULE.

9 (B) ANNUAL REQUIRED CONTRIBUTIONS MUST BE DETERMINED USING A
10 LEVEL DOLLAR AMORTIZATION SCHEDULE.

1 (C) ANNUAL REQUIRED CONTRIBUTIONS MUST NOT BE DETERMINED USING
2 AN AMORTIZATION PERIOD OF GREATER THAN 20 YEARS FOR RETIREMENT
3 PENSION BENEFITS.

4 (D) ANNUAL REQUIRED CONTRIBUTIONS MUST NOT BE DETERMINED USING
5 AN AMORTIZATION PERIOD OF GREATER THAN 30 YEARS FOR RETIREMENT
6 HEALTH BENEFITS.

7 (E) SALARY INCREASE ASSUMPTIONS MUST NOT EXCEED 3.5% AND MUST
8 BE BASED ON THE LOCAL UNIT OF GOVERNMENT'S ACTUAL HISTORICAL AND
9 PROJECTED SALARY INCREASE TRENDS.

10 (F) THE ACTUARIALLY ASSUMED RATE OF INVESTMENT RETURN IS NO
11 MORE THAN 200 BASIS POINTS ABOVE THE RATE OF RETURN ON 20-YEAR
12 UNITED STATES TREASURY BONDS.

13 (G) THE LOCAL UNIT OF GOVERNMENT'S LIABILITY FOR RETIREMENT
14 PENSION BENEFITS MUST BE DISCOUNTED USING A MARKET VALUE OF
15 LIABILITIES.

16 (H) THE LOCAL UNIT OF GOVERNMENT'S LIABILITY FOR RETIREMENT
17 HEALTH BENEFITS MUST BE VALUED USING THE AVERAGE RATE OF RETURN FOR
18 ALL MUNICIPAL SECURITIES ISSUED UNDER THE REVISED MUNICIPAL FINANCE
19 ACT, 2001 PA 34, MCL 141.2101 TO 141.2821, AS DETERMINED BY THE
20 STATE TREASURER.

21 (I) THE MORTALITY TABLES MUST BE BASED ON THE MOST CURRENT
22 MORTALITY TABLE ESTABLISHED BY THE SOCIETY OF ACTUARIES.

23 (J) THE HEALTH CARE INFLATION RATE MUST REFLECT THE ACTUAL AND
24 EXPECTED TRENDS FOR THIS STATE.

25 (2) The state treasurer shall create an evaluation system and
26 provide for review and oversight under this act of an underfunded
27 local unit of government beginning on the effective date of the

determination by the state treasurer that the local unit of government is in underfunded status.

(3) Each year beginning after December 31, 2017, the state treasurer shall determine the underfunded status of each local unit of government.

(4) The state treasurer shall determine that a local unit of government is in underfunded status if any of the following apply:

(a) The actuarial accrued liability of a retirement health system of the local unit of government is less than 40% funded, according to the most recent annual report, and, if the local unit of government is a city, village, township, or county, the annual required contribution for all of the retirement health systems of the local unit of government is greater than 12% of the local unit of government's annual general fund operating revenues, based on the most recent fiscal year.

(b) The actuarial accrued liability of a retirement pension system of the local unit of government is less than 60% funded, according to the most recent annual report, and, if the local unit of government is a city, village, township, or county, the annual required contribution for all of the retirement pension systems of the local unit of government is greater than 10% of the local unit of government's annual general fund operating revenues, based on the most recent fiscal year.

(c) The local unit of government has not submitted reports as required under this section.

(d) The local unit of government fails to make the payments as described under section 4(1).

1 (5) For purposes of the report under subsection (6), a local
2 unit of government shall annually calculate the funded ratios of
3 each retirement system of the local unit of government using the
4 uniform actuarial assumptions established under subsection (1).

5 (6) A local unit of government shall electronically submit a
6 report in a form prescribed by the department of treasury on an
7 annual basis to the governing body of the local unit of government
8 and the department of treasury no later than 6 months after the end
9 of the local unit of government's fiscal year. The report under
10 this subsection must include at least all of the following:

11 (a) The funded ratios of each retirement system of the local
12 unit of government.

13 (b) Annual required contributions for each retirement system
14 of the local unit of government.

15 (c) The local unit of government's annual general fund
16 operating revenues, if any.

17 (7) The state treasurer shall post publicly on the department
18 of treasury website all of the following:

19 (a) The uniform actuarial assumptions under subsection (1).

20 (b) A summary report of the local unit of government reports
21 submitted under subsection (6).

22 (c) The underfunded status of local units of government as
23 determined under subsection (3).

24 (d) The current waiver status of local units of government
25 provided under section 6.

26 (e) Any corrective action plan approved under section 10.

27 (8) A local unit of government shall post publicly on its

1 website, or in a public place if it does not have a website, the
2 information as provided in subsection (7) that is applicable to
3 that local unit of government.

4 Enacting section 1. Section 2 of the protecting local
5 government retirement and benefits act, 2017 PA 202, MCL 38.2802,
6 is repealed.