HOUSE BILL No. 4378

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February 25, 1993, Introduced by Reps. Gilmer, Johnson and Middleton and referred to the Committee on Appropriations.

A bill to amend section 38 of Act No. 240 of the Public Acts of 1943, entitled as amended

"State employees' retirement act,"

as amended by Act No. 62 of the Public Acts of 1991, being section 38.38 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

Section 1. Section 38 of Act No. 240 of the Public Acts of 1943, as amended by Act No. 62 of the Public Acts of 1991, being section 38.38 of the Michigan Compiled Laws, is amended to read as follows:

Sec. 38. (1) The annual level percent of payroll contribution rate to finance the benefits provided under this act shall be determined by actuarial valuation pursuant to subsections (2) ~~to (4),~~ and (3), upon the basis of the risk assumptions adopted by the retirement board with approval of the department of management and budget, and in consultation with the investment counsel and the actuary. An annual actuarial valuation shall be made of the retirement system in order to determine the actuarial condition of the retirement system and the required contribution to the retirement system. The actuarial value of assets used in the actuary's computation of the required contribution to the retirement system shall be based upon the market value of the assets as of September 30, 1986, with subsequent changes in asset values spread over a period of 5 years. The actuary shall report to the legislature by April 15 of each year on the actuarial condition of the retirement system as of the end of the previous fiscal year ~~,~~ and ON THE projections of state contributions for the next fiscal year. ~~, and~~ THE ACTUARY shall certify IN THE REPORT that the techniques and methodologies used are generally accepted within the actuarial profession and that the assumptions and cost estimates used fall within the range of reasonable and prudent assumptions and cost estimates. An annual actuarial gain-loss experience study of the retirement system shall be made in order to determine the financial effect of variations of actual retirement system experience from projected experience.

(2) The contribution rate for monthly benefits payable in the event of the death of a member before retirement or the disability of a member shall be computed using a terminal funding method of actuarial valuation.

(3) The contribution rate for benefits other than those provided for in subsection (2), including dental and vision benefits under section 20d, shall be computed using an individual

projected benefit entry age normal cost method of valuation. The contribution rate for service that may be rendered in the current year, the normal cost contribution rate, shall be equal to the aggregate amount of individual entry age normal costs divided by 1% of the aggregate amount of active members' valuation compensation. The unfunded actuarial accrued liability shall be equal to the actuarial present value of benefits reduced by the actuarial present value of future normal cost contributions and the actuarial value of assets on the valuation date. ~~The~~ BEGINNING WITH THE 1992-93 STATE FISCAL YEAR, THE unfunded actuarial accrued liability shall be amortized over ~~the following respective amortization periods:~~ A PERIOD OF 50 YEARS.

~~Portion of unfunded actuarial accrued liability~~	~~Amortization Period~~
~~Portion existing on September 30, 1985~~	~~50 years~~
~~Net actuarial gains or losses after September 30, 1985~~	~~15 years~~
~~Actuarial present value of benefits attributable to sections 19(3), 19b, 19c, and 19d~~	~~10 years~~
~~Portion attributable to benefit changes after September 30, 1985 other than sections 19(3), 19b, 19c, and 19d~~	~~50 years~~

~~(4) The director of the department of management and budget and the state treasurer may amortize net actuarial gains over a period of less than 15 years when the actuarial value of the~~

~~assets of the retirement system exceeds the present value of credited projected benefits according to 1 of the following:~~

~~(a) If the actuarial value of the assets exceeds not less than 105% but not more than 110% of the present value of credited projected benefits, net actuarial gains may be amortized over a period from 10 to 15 years.~~

~~(b) If the actuarial value of the assets exceeds 110% or more of the present value of credited projected benefits, net actuarial gains may be amortized over a period from 6 to 15 years.~~

~~(5) The director of the department of management and budget or the state treasurer shall give the retirement board 30 days' notice of any action to amortize net actuarial gains over a period of 15 years or less under subsection (4). The actuary shall make a written report to the retirement board and the legislature by January 1, 1990 discussing the appropriateness to date of the revised amortization periods.~~

(4) ~~(6)~~ The legislature annually shall appropriate to the retirement system the amount determined pursuant to subsections (2) ~~to (4)~~ AND (3). The state treasurer shall transfer monthly to the retirement system an amount equal to the product of the contribution rates determined in subsections (2) ~~to (4)~~ AND (3) times the aggregate amount of active member compensation paid during that month. Not later than 60 days after the termination of each state fiscal year, the bureau of retirement systems shall certify to the director of the department of management and budget the actual aggregate compensations paid to active members

during the preceding state fiscal year. Upon receipt of that certification, the director of the department of management and budget shall compute the difference, if any, between actual state contributions received during the preceding state fiscal year and the product of the contribution rates determined in subsections (2) ~~to (4)~~ AND (3) times the aggregate compensations paid to active members during the preceding state fiscal year. The difference, if any, shall be submitted in the executive budget to the legislature for appropriation in the next succeeding state fiscal year.