

# SENATE BILL No. 1178

November 10, 2016, Introduced by Senator PAVLOV and referred to the Committee on Appropriations.

A bill to amend 1965 PA 314, entitled  
"Public employee retirement system investment act,"  
by amending section 20m (MCL 38.1140m), as amended by 2014 PA 185.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 20m. (1) The governing board vested with the general  
2 administration, management, and operation of a system or other  
3 decision-making body that is responsible for implementation and  
4 supervision of any system shall confirm in the annual actuarial  
5 valuation required under section 20h and the summary annual report  
6 required under section 13 that each system under this act provides  
7 for the payment of the required employer contribution as provided  
8 in this section and shall confirm in the summary annual report that  
9 the system has received the required employer contribution for the  
10 year covered in the summary annual report. The required employer  
11 contribution is the actuarially determined contribution amount. An

1 annual required employer contribution in a system under this act  
2 ~~shall~~**MUST** consist of a current service cost payment and a payment  
3 of at least the annual accrued amortized interest on any unfunded  
4 actuarial liability and the payment of the annual accrued amortized  
5 portion of the unfunded principal liability.

6 (2) For fiscal years that begin before January 1, 2006, the  
7 required employer contribution ~~shall~~**MUST** not be determined using  
8 an amortization period greater than 40 years. Except as otherwise  
9 provided in this section, for fiscal years that begin after  
10 December 31, 2005, the required employer contribution ~~shall~~**MUST**  
11 not be determined using an amortization period greater than 30  
12 years. **FOR THE TIER 1 RETIREMENT PLAN UNDER THE MICHIGAN PUBLIC**  
13 **SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CREATED UNDER THE PUBLIC**  
14 **SCHOOL EMPLOYEES RETIREMENT ACT OF 1979, 1980 PA 300, MCL 38.1301**  
15 **TO 38.1437, FOR FISCAL YEARS THAT BEGIN AFTER DECEMBER 31, 2016,**  
16 **THE REQUIRED EMPLOYER CONTRIBUTION MUST BE DETERMINED USING THE**  
17 **AMORTIZATION PERIOD PROVIDED IN SECTION 41 OF THE PUBLIC SCHOOL**  
18 **EMPLOYEES RETIREMENT ACT OF 1979, 1980 PA 300, MCL 38.1341.** For the  
19 Tier 1 retirement plan under the state employees' retirement  
20 system, created under the state employees' retirement act, 1943 PA  
21 240, MCL 38.1 to 38.69; the Michigan public school employees'  
22 retirement **SYSTEM** created under the public school employees  
23 retirement act of 1979, 1980 PA 300, MCL 38.1301 to 38.1437; and  
24 the Michigan state police retirement system created under the state  
25 police retirement act of 1986, 1986 PA 182, MCL 38.1601 to 38.1648,  
26 ~~only,~~ for the fiscal year beginning October 1, 2006, the  
27 contribution for the unfunded actuarial accrued liability ~~shall~~

1 **MUST** be equal to the product of the assumed real rate of investment  
2 return times the unfunded actuarial accrued liability. In a plan  
3 year, any current service cost payment may be offset by a credit  
4 for amortization of accrued assets, if any, in excess of actuarial  
5 accrued liability. A required employer contribution for a system  
6 administered under this act ~~shall~~**MUST** allocate the actuarial  
7 present value of future plan benefits between the current service  
8 costs to be paid in the future and the actuarial accrued liability.

9 (3) The governing board vested with the general  
10 administration, management, and operation of a system or other  
11 decision-making body that is responsible for implementation and  
12 supervision of a system shall act upon the recommendation of an  
13 actuary and the board and the actuary shall take into account the  
14 standards of practice of the ~~actuarial standards board~~**ACTUARIAL**  
15 **STANDARDS BOARD** of the American ~~academy~~**ACADEMY** of actuaries  
16 **ACTUARIES** in making the determination of the required employer  
17 contribution.

18 (4) ~~(2) Subsection~~**SUBSECTIONS** (1) ~~applies~~**TO (3) APPLY** to a  
19 large sponsored system except as otherwise provided in a plan for  
20 adjustment. ~~As used in this subsection, "plan for adjustment" means~~  
21 ~~that term as defined in section 13g.~~

22 Enacting section 1. This amendatory act does not take effect  
23 unless Senate Bill No. 102 of the 98th Legislature is enacted into  
24 law.