

HOUSE BILL NO. 4530

April 30, 2019, Introduced by Reps. Albert and Lower and referred to the Committee on Appropriations.

A bill to amend 1986 PA 182, entitled
"State police retirement act of 1986,"
by amending sections 11 and 14 (MCL 38.1611 and 38.1614), as
amended by 2018 PA 674.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 11. (1) The retirement board, in consultation with the
2 department, shall engage an actuary, in conformance with section
3 261 of the management and budget act, 1984 PA 431, MCL 18.1261.

4 (2) The actuary shall prepare an annual valuation of the
5 assets, liabilities, financial condition, and contribution rate of



1 the retirement system, ~~upon~~**on** information supplied by the
2 department.

3 (3) The retirement board and the department shall conduct and
4 review an experience investigation study and adopt risk assumptions
5 on which actuarial valuations are to be based, after consultation
6 with the actuary, and the state treasurer. **Beginning with the state**
7 **fiscal year ending September 30, 2021 and for each subsequent state**
8 **fiscal year, the actuary shall use the most recent mortality**
9 **assumptions provided by the Actuarial Standards Board and adopted**
10 **as risk assumptions under this subsection.** The experience
11 investigation study must be periodically reviewed at least once
12 every 5 years.

13 (4) Every April 1 following a periodic review of risk
14 assumptions under subsection (3), the office of retirement services
15 on behalf of the department and the state treasurer shall
16 collaborate to submit a report to the senate majority leader, the
17 speaker of the house of representatives, the senate and house of
18 representatives appropriations committees, the senate and house
19 fiscal agencies, and the department of state police. A report
20 required under this subsection must be published on the office of
21 retirement services's website and include at least all of the
22 following:

23 (a) Forecasted rate of return on investments at all of the
24 following probability levels:

- 25 (i) 5%.
26 (ii) 25%.
27 (iii) 50%.
28 (iv) 75%.
29 (v) 95%.



1 (b) The actual rate of return on investments for 10-, 15-, and
2 20-year time intervals.

3 (c) Mortality assumptions.

4 (d) Retirement age assumptions.

5 (e) Payroll growth assumptions.

6 (f) Any other assumptions that have a material impact on the
7 financial status of the retirement system.

8 Sec. 14. (1) The funding objective of the retirement system is
9 to establish and receive contributions during each fiscal year that
10 are sufficient to ~~fully do both of the following:~~ **(a) Fully** cover
11 the actuarial cost of benefits likely to be paid on account of
12 services rendered by members during the fiscal year, **which is** the
13 normal cost requirements of the retirement system. ~~, and finance~~
14 **(b) Finance** the unfunded actuarial costs of benefits likely to be
15 paid on account of service rendered before the fiscal year, **which**
16 **is** the unfunded actuarial accrued liability of the retirement
17 system, and health, dental, and vision insurance.

18 (2) Subject to subsections (5) to (7), the annual level
19 percentage of payroll contribution rate must be actuarially
20 determined using experience assumptions and level percent of
21 payroll actuarial cost methods adopted by the retirement board and
22 the department pursuant to an annual actuarial valuation, which
23 must be sufficient to finance benefits being provided and to be
24 provided by the retirement system. **Beginning with the state fiscal**
25 **year ending September 30, 2021 and for each subsequent fiscal year,**
26 **the retirement system shall use layered amortization. As used in**
27 **this subsection, "layered amortization" means a fixed and closed**
28 **period that separately layers the different components to be**
29 **amortized over a fixed period not to exceed 10 years, as it**



1 emerges. The amortization period for layered amortization must use
2 a level dollar amortization method.

3 (3) Subject to subsections (5) to (7), **except as otherwise**
4 **provided in this subsection**, for differences occurring in fiscal
5 years beginning on or after October 1, 2001, a minimum of 20% of
6 the difference between the estimated and the actual aggregate
7 compensation and the estimated and the actual contribution rate
8 described in subsection (2), if any, may be submitted in the
9 executive budget to the legislature for appropriation in the next
10 succeeding state fiscal year and a minimum of 25% of the remaining
11 difference must be submitted in the executive budget to the
12 legislature for appropriation in each of the following 4 state
13 fiscal years, or until 100% of the remaining difference is
14 submitted, whichever first occurs. **Beginning in the state fiscal**
15 **year ending September 30, 2022 and each state fiscal year**
16 **thereafter, not less than 60 days after the end of the fiscal year,**
17 **the office of retirement services shall certify to the department**
18 **the difference between the estimated and the actual aggregate**
19 **compensation and the estimated and the actual contribution rate**
20 **described in subsection (2), if any. The legislature shall**
21 **appropriate the amount certified under this subsection in the next**
22 **fiscal year.** In addition, interest must be included for each year
23 that a portion of the remaining difference is carried forward. The
24 interest rate must equal the actuarially assumed rate of investment
25 return for the state fiscal year in which payment is made.

26 (4) For each fiscal year that begins on or after October 1,
27 2003, if the actuarial valuation prepared under this section for
28 each fiscal year demonstrates that as of the beginning of a fiscal
29 year, and after all credits and transfers required by this act for



the previous fiscal year have been made, the sum of the actuarial value of assets and the actuarial present value of future normal cost contributions exceeds the actuarial present value of benefits, the amount based on the annual level percent of payroll contribution rate under subsections (1) and (2) may be deposited into the health advance funding subaccount created by section 42.

(5) Beginning with the state fiscal year ending September 30, 2022 until the pension and retiree health care payroll growth assumption rate is zero, the payroll growth assumption rate must be reduced by 50 basis points. Beginning with the state fiscal year ending September 30, 2022, the office of retirement services within the department of technology, management, and budget and the retirement board may agree to reduce the rate described in this subsection by any number of additional basis points.

(6) Beginning with the state fiscal year ending September 30, 2019 and for each subsequent fiscal year, the normal cost contribution rate must not be less than the normal cost contribution rate in the immediately preceding fiscal year. Additionally, the employer portion of the contribution rate must not be less than the employer portion of the contribution rate in the immediately preceding fiscal year.

(7) Subject to **the requirements of** this subsection, beginning with the state fiscal year ending September 30, 2019 and for each subsequent fiscal year until the unfunded actuarial accrued liability is paid off, the unfunded actuarial accrued liability contribution ~~sum and~~ **amount** due **and** payable must not be less than the unfunded actuarial accrued liability contribution ~~sum and~~ **amount** due **and** payable in the immediately preceding fiscal year. The unfunded actuarial accrued liability must be paid off no later



1 than September 30, 2038. Additionally, the employer portion of the
2 unfunded actuarial accrued liability contribution ~~sum and amount~~
3 due **and** payable must not be less than the employer portion of the
4 unfunded actuarial accrued liability contribution ~~sum and amount~~
5 due **and** payable in the immediately preceding fiscal year.

6 (8) Notwithstanding any other provision of this act, if the
7 retirement board establishes an arrangement and fund as described
8 in section 6 of the public employee retirement benefit protection
9 act, 2002 PA 100, MCL 38.1686, the benefits that are required to be
10 paid from that fund must be paid from a portion of the employer
11 contributions described in this section or other eligible funds.
12 The retirement board shall determine the amount of the employer
13 contributions or other eligible funds that must be allocated to
14 that fund and deposit that amount in that fund before it deposits
15 any remaining employer contributions or other eligible funds in the
16 pension fund.

17 (9) Beginning with the state fiscal year ending September 30,
18 2021 and for each subsequent state fiscal year, the actuary used by
19 the retirement board shall assume a rate of return on investments
20 of and a discount rate not more than 6% per annum, as of September
21 30, 2020, which rate may only be changed with the approval of the
22 retirement board and the director of the department.

