



HOUSE BILL No. 5148

November 30, 1999, Introduced by Reps. DeWeese, Sheltroun, Bovin, Schauer, Mortimer, Voorhees, Tabor, Green, Howell, Julian, Koetje, Ehardt, Garcia, Martinez and DeHart and referred to the Committee on Appropriations.

A bill to amend 1943 PA 240, entitled
"State employees' retirement act,"
by amending section 20g (MCL 38.20g), as amended by 1987 PA 241.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 20g. (1) After the end of each state fiscal year, the
2 department of management and budget shall determine the rate of
3 investment return earned on retirement system assets during the
4 fiscal year, based upon methods established by the retirement
5 board.

6 (2) At the end of each state fiscal year, the retirement
7 system's actuary shall determine the present value of retirement
8 allowances to be paid after the end of the fiscal year to retir-
9 ants and retirement allowance beneficiaries in receipt of
10 retirement allowances at the end of the fiscal period. The

1 assumed interest rate used in the determination shall be 8% per
2 year, compounded annually.

3 (3) The distribution income at the end of each state fiscal
4 year shall be equal to the product of the present value of
5 retirement allowances determined in subsection (2) at the end of
6 the previous fiscal year times the positive excess, if any, of
7 the rate of investment return determined in subsection (1)
8 exceeding 8%. ~~The distribution income calculated pursuant to
9 this subsection at the end of the fiscal years 1984-85 and
10 1985-86 shall be reduced by the costs of postretirement adjust-
11 ments paid during the fiscal year pursuant to sections 20b, 20c,
12 20e, and 20f.~~

13 (4) After the end of each state fiscal year, each retirant
14 and retirement allowance beneficiary in receipt of a retirement
15 allowance at the end of the fiscal year, and whose effective date
16 of retirement allowance preceded the beginning of that fiscal
17 year, shall be credited with 1 distribution unit for each full
18 year between the effective date of retirement and the end of the
19 fiscal year and 1 distribution unit for each full year of service
20 credit in force on the effective date of retirement.
21 Distribution units shall not accumulate from 1 year to the next
22 year.

23 (5) The distribution amount for an individual retirant or
24 retirement allowance beneficiary shall be equal to the product of
25 the distribution income determined in subsection (3) times the
26 individual's number of distribution units determined in
27 subsection (4) divided by the total number of distribution units

1 for all eligible retirants and retirement allowance beneficiaries
2 in receipt of retirement allowances at the end of the fiscal
3 year. The distribution amount for an individual retirant or
4 retirement allowance beneficiary of a retirant whose retirement
5 allowance effective date is on or after October 1, 1987 is zero.

6 (6) The distribution amount for each retirant or retirement
7 allowance beneficiary shall be payable in the form of a supple-
8 mental payment prior to the seventh month after the end of the
9 state fiscal year. Except as provided in subsection (9), a dis-
10 tribution amount shall not be payable after March 31, 1988. If a
11 retirant dies before receipt of the distribution amount, the pay-
12 ment shall be made to the retirant's retirement allowance benefi-
13 ciary, if any. If both the retirant and the retirement allowance
14 beneficiary die before receipt of the distribution amount, no
15 payment shall be made.

16 (7) Each retirement allowance shall be increased each
17 October 1 beginning with the later of October 1, 1988 or the
18 first October 1 which is at least 12 months after the retirement
19 allowance effective date. The amount of the annual increase
20 shall be equal to 3% of the retirement allowance that would be
21 payable as of the date of the increase without application of
22 this subsection, except that if the member made the election per-
23 mitted under section 20(2), the increase shall be based on the
24 amount of retirement allowance that would have been paid without
25 application of section 20(2). The annual increase shall not
26 exceed \$300.00 UNTIL OCTOBER 1, 2000. BEGINNING OCTOBER 1, 2000
27 AND THEREAFTER, THE ANNUAL INCREASE SHALL NOT EXCEED \$900.00.

1 (8) After the end of each state fiscal year, the cumulative
2 increase amount shall be computed for each retirant or retirement
3 allowance beneficiary. The cumulative increase amount shall be
4 equal to the difference between the total retirement allowance
5 paid during the state fiscal year and the retirement allowance
6 that would have been payable without application of subsection
7 (7) and section 20h. The cumulative increase amount for any
8 retirant or retirement allowance beneficiary whose retirement
9 allowance effective date is on or after October 1, 1987 is zero.

10 (9) In March of each year, beginning in March, 1989, each
11 retirant or retirement allowance beneficiary shall be paid, in a
12 single supplemental payment, the excess, if any, of the distribu-
13 tion amount over the cumulative increase amount for the previous
14 state fiscal year. If a retirant dies before receipt of a sup-
15 plemental payment, the supplemental payment shall be made to the
16 retirant's retirement allowance beneficiary, if any. If both the
17 retirant and the retirement allowance beneficiary die before
18 receipt of a supplemental payment, ~~no~~ A SUPPLEMENTAL payment
19 shall NOT be made.