

SENATE BILL NO. 775

December 07, 2021, Introduced by Senators HERTEL, BARRETT, HOLLIER, GEISS, MCCANN, WOJNO, BRINKS, MCBROOM, ALEXANDER, CHANG and BAYER 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 **technology**, management, and budget shall determine
3 the rate of investment return earned on retirement system assets
4 during the fiscal year, based ~~upon~~**on** methods established by the
5 retirement board.

6 (2) At the end of each state fiscal year, the retirement

1 system's actuary shall determine the present value of retirement
2 allowances to be paid after the end of the fiscal year to retirants
3 and retirement allowance beneficiaries in receipt of retirement
4 allowances at the end of the fiscal period. The assumed interest
5 rate **and discount rate** used in the determination ~~shall~~**must** be 8%
6 per year, compounded annually.

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

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

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

1 eligible retirants and retirement allowance beneficiaries in
 2 receipt of retirement allowances at the end of the fiscal year. The
 3 distribution amount for an individual retirant or retirement
 4 allowance beneficiary of a retirant whose retirement allowance
 5 effective date is ~~on or after October 1,~~ **September 30,** 1987 is
 6 zero.

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

17 (7) ~~Each~~ **The retirement system shall increase each** retirement
 18 allowance ~~shall be increased each October 1 beginning with the~~
 19 ~~later of October 1, 1988 or the first October 1 which that~~ is at
 20 least 12 months after the retirement allowance effective date. The
 21 amount of the annual increase ~~shall under this subsection must~~ be
 22 equal to 3% of the retirement allowance that would be payable as of
 23 the date of the increase without application of this subsection,
 24 except that if the member made the election permitted under section
 25 20(2), the increase ~~shall must~~ be based on the amount of retirement
 26 allowance that would have been paid without application of section
 27 20(2). ~~The annual increase shall not exceed \$300.00.~~

28 (8) After the end of each state fiscal year, the cumulative
 29 increase amount ~~shall must~~ be computed for each retirant or

1 retirement allowance beneficiary. The cumulative increase amount
2 ~~shall~~**must** be equal to the difference between the total retirement
3 allowance paid during the state fiscal year and the retirement
4 allowance that would have been payable without application of
5 subsection (7) and section 20h. The cumulative increase amount for
6 any retirant or retirement allowance beneficiary whose retirement
7 allowance effective date is ~~on or after October 1,~~**September 30,**
8 1987 is zero.

9 (9) In March of each year, beginning in March, 1989, **the**
10 **retirement system shall pay** each retirant or retirement allowance
11 beneficiary, ~~shall be paid,~~ in a single supplemental payment, the
12 excess, if any, of the distribution amount over the cumulative
13 increase amount for the previous state fiscal year. If a retirant
14 dies before receipt of a supplemental payment, the **retirement**
15 **system shall pay 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 payment shall be made.~~**the**
19 **retirement system shall not make a supplemental payment.**