

STATE EMPLOYEES' RETIREMENT ACT (EXCERPT)
Act 240 of 1943

38.20g Determining rate of investment return on retirement system assets and present value of retirement allowances; calculation and reduction of distribution income; crediting distribution units to retirant or retirement allowance beneficiary; calculation and payment of distribution amount; effect of death; increase in retirement allowance; computation of cumulative increase amount; supplemental payment.

Sec. 20g.

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

(2) At the end of each state fiscal year, the retirement system's actuary shall determine the present value of retirement allowances to be paid after the end of the fiscal year to retirants and retirement allowance beneficiaries in receipt of retirement allowances at the end of the fiscal period. The assumed interest rate used in the determination shall be 8% per year, compounded annually.

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

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

(5) The distribution amount for an individual retirant or retirement allowance beneficiary shall be equal to the product of the distribution income determined in subsection (3) times the individual's number of distribution units determined in subsection (4) divided by the total number of distribution units for all eligible retirants and retirement allowance beneficiaries in receipt of retirement allowances at the end of the fiscal year. The distribution amount for an individual retirant or retirement allowance beneficiary of a retirant whose retirement allowance effective date is on or after October 1, 1987 is zero.

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

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

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

(9) In March of each year, beginning in March, 1989, each retirant or retirement allowance beneficiary shall be paid, in a single supplemental payment, the excess, if any, of the distribution amount over the cumulative increase amount for the previous state fiscal year. If a retirant dies before receipt of a supplemental payment, the supplemental payment shall be made to the retirant's retirement allowance beneficiary, if any. If both the retirant and the retirement allowance beneficiary die before receipt of a supplemental payment, no payment shall be made.

History: Add. 1982, Act 256, Imd. Eff. Sept. 30, 1982 ;-- Am. 1984, Act 130, Imd. Eff. June 1, 1984 ;-- Am. 1986, Act 1, Imd. Eff. Jan. 28, 1986 ;-- Am. 1987, Act 57, Imd. Eff. June 23, 1987 ;-- Am. 1987, Act 241, Imd. Eff. Dec. 28, 1987

