

### **Sec. 46. Fiscal Responsibility: Benefit Adoption Eligibility Requirements; Amortization Policy.**

The Board administers the Plan and the benefit promises made by participating municipalities and courts to their employees, for the exclusive benefit of the members, vested former members, retirees and beneficiaries. Benefit changes have a substantial financial impact on long-term contribution requirements for each participating entity that must finance the constitutionally protected benefit promises made to employees under the Michigan Constitution, article 9, section 24. To safeguard the long-term actuarial and financial integrity of the Retirement System and its individual member plans, and to promote understanding of the impact that benefit changes have on plan integrity and taxpayer-financed employer contributions to fund benefit obligations, the Board enacts this section in the exercise of its duties as fiduciary and trustee for the Retirement System, and for each participating municipality and court, and all MERS trust assets, as provided in MCL 38.1536(2)(a) and 38.1539(1); Plan sections 71(2)(a) and 76(1).

- (1) At the time a supplemental actuarial valuation is requested under sections 24, 25, 44 or 45, and at the time a new benefit provision is adopted, the employer must be current in the payment of all required employer and member contributions.
  - (a) **Benefit Program COLA (section 24).** A one-time adjustment for current retirees may be adopted without regard to the requirements of subsections (2) and (3) where the governing body immediately contributes to MERS an amount that will fund 100% of the increase in actuarial liabilities that would otherwise result from its adoption.
  - (b) **Service Credit Purchases.** For all purchases of service credit under this Plan Document the employee to be benefitted (or the municipality, or both) shall immediately contribute to MERS an amount equal to 100% of the estimated actuarial cost related to the purchase.
  - (c) **Benefit Enhancements with 80% Funding.** A participating municipality or court that is not less than 80% funded on an actuarial basis may adopt a new benefit provision without regard to the requirements of subsections (2) and (3) provided the governing body immediately contributes to MERS an amount that will fund 100% of the increase in actuarial accrued liabilities that would otherwise result from its adoption.
- (2) Both the requesting division and the participating municipality or court must be not less than 100% funded commencing July 1, 2012, as of the last December 31 valuation date, based on the actual benefit provisions in effect when the supplemental valuation is requested or completed. The governing body may make a cash contribution, or transfer employer assets from a different division, or both, in order to meet the applicable funding requirement. If the requirement is not met, MERS and its actuary will not complete the requested supplemental valuation. This subsection shall not preclude a participating municipality or court whose actuarial funded level is below the required funded level from requesting a valuation, where

the purpose of the valuation is to reduce actuarial liabilities by the proposed change in the existing benefit program.

- (3) The proposed benefit provisions may not be adopted if the results of the supplemental valuation disclose there would be a funded percentage less than 100% on an actuarial basis (using the same valuation date as in subsection (2)) commencing July 1, 2012, for either the division or the entire municipality or court. The governing body may make a cash contribution, or transfer employer assets from a different division, or both, in order to meet the applicable funding requirement. This subsection shall not preclude a participating municipality or court whose actuarial funded level is below the required funded level from adopting a change in the existing benefit program, where the valuation results indicate the change(s) reduce(s) actuarial liabilities.
- (4) A participating municipality or court may satisfy its funding requirement, in part, by a direct rollover of a participant's account from a qualified plan in accordance with Code §401(a)(31). To the extent the direct rollover is being received from a participant's qualified defined contribution plan for participation in Benefit Program F(N), Benefit Program F50, Benefit Program F55 (or a combination thereof) or Benefit Program H, then the rollover shall result in the benefit program providing a benefit that is at least as great as the annuity that would result from converting the amount directly rolled over into an actuarially equivalent immediate annuity using the applicable interest rate and applicable mortality table in accordance with Code §417(e).
- (5) Beginning with the December 31, 2005 annual actuarial valuations, the maximum amortization period for unfunded accrued liability shall be reduced to a 20-year maximum amortization period:  
  
December 31, 2005 Valuation: 30 years  
  
December 31, 2006 Valuation: 29 years  
  
December 31, 2007 through 2010 Valuations: 28 years, declining one year each subsequent valuation year.
- (6) Beginning with the December 31, 2014 annual actuarial valuations, the employer contribution requirement, totaled over all of a participating municipality's or court's divisions, shall not be less than the excess, if any, of three (3) times annual benefit payments over the current total market value of assets.
- (7) The provisions of this section constitute Board action in its exclusive capacity of fiduciary and trustee for the Retirement System, the participating municipalities and courts, and all MERS trust assets, as provided in MCL 38.1536(2)(a) and 38.1539(1); sections 71(2)(a) and 76(1). In the event of any alteration of this section through collective bargaining, MERS shall not recognize such action, other than in accordance with this section.