

## PENSION BOARD OVERSIGHT BY MUNICIPALITY

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**House Bill 4123**

**Sponsor: Rep. Douglas Geiss**

**Committee: Oversight, Reform, and Ethics**

**Complete to 1-24-12**

### A SUMMARY OF HOUSE BILL 4123 AS INTRODUCED 1-20-11

House Bill 4123 would amend the Public Employee Retirement System Investment Act (MCL 38.1140h) to expand a local unit of government's oversight of its pension boards. A more detailed description of the bill follows.

***Record Retention.*** House Bill 4123 requires that a public employee retirement system retain financial records, including but not limited to travel records, for a minimum period of six years from their creation, or longer if required under other state law or federal law.

***Local Government Oversight.*** The bill requires that, upon a majority vote of the governing body of its local government sponsor, a pension system provide a designated representative of the local government with the reasonable opportunity to inspect, copy, or receive copies of all information regarding the calculation of actual or estimated retirement benefits for the members of the system (notwithstanding anything that may be to the contrary in Section 13 of the Freedom of Information Act).

The bill specifies that the pension system may (but need not) require that the records are only provided upon a promise of confidentiality, and are exempt from disclosure by the receiving local government under the Freedom of Information Act. The pension system could make reasonable rules that ensured the confidentiality of records exempt from disclosure under applicable federal or state law. Further, the pension system could charge a fee, in accord with Section 4 of the Freedom of Information Act. Expenses incurred by the sponsoring local government related to its request would be borne by the local government, and not be deducted or offset against the required pension contributions to the system.

***Summary Annual Report on Website.*** Now under the law, a pension system must have an annual actuarial valuation with its assets valued on a market-related basis and issue a summary annual report that is available to plan participants, beneficiaries, and the citizens of the local government sponsoring the pension system. House Bill 4123 would retain this provision, and add that if a system had a website, then the summary annual report would have to be published there, and made available to the public. If the system did not have a website, then the sponsoring local government would be required to publish the summary annual report on its website.

***Contents of Summary Annual Report.*** Now under the law, a pension system's summary annual report must include six elements, noted below. Under the bill, four of those elements would be revised, as indicated in italics:

- The name of the system.
- The names of the system's investment fiduciaries, *actuaries, and auditors.*
- The system's assets and liabilities *and changes in net plan assets.*
- The system's funded ratio.
- The system's investment performance *over 1, 3, 5, and 10 years.*
- The system's *investment and administrative expenses in accordance with the standards of the governmental accounting standards board, including, but not limited to, educational and travel expenses.*

***Supplemental Actuarial Analysis.*** Now under the law, a pension system must provide a supplemental actuarial analysis before adopting of pension benefit changes. House Bill 4123 would retain this provision, but clarify that the actuarial expenses related to the supplemental actuarial analysis would not be borne by the pension system.

#### **FISCAL IMPACT:**

The bill would have an indeterminate fiscal impact on the State and on local governments. It could create additional administrative expenses for public pension systems and their governmental units.

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