

# SENATE BILL No. 182

March 14, 1991, Introduced by Senator V. SMITH and referred to the Committee on Finance.

A bill to amend sections 30, 34, 41, and 42 of Act No. 300 of the Public Acts of 1980, entitled "The public school employees retirement act of 1979," as amended by Act No. 194 of the Public Acts of 1989, being sections 38.1330, 38.1334, 38.1341, and 38.1342 of the Michigan Compiled Laws.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Section 1. Sections 30, 34, 41, and 42 of Act No. 300 of  
2 the Public Acts of 1980, as amended by Act No. 194 of the Public  
3 Acts of 1989, being sections 38.1330, 38.1334, 38.1341, and  
4 38.1342 of the Michigan Compiled Laws, are amended to read as  
5 follows:

6       Sec. 30. The reserve for employer contributions is the  
7 account to which reporting unit payments, ~~and state~~

1 ~~appropriations, except appropriations~~ PAYMENTS for health  
2 benefits, are credited.

3       Sec. 34. The reserve for health benefits is the account to  
4 which ~~appropriations of the state~~ REPORTING UNIT PAYMENTS for  
5 health benefits are credited. Benefits payable pursuant to  
6 section 91 shall be paid from the reserve for health benefits.

7       Sec. 41. (1) The annual level percentage of payroll contri-  
8 bution rate to finance benefits being provided and to be provided  
9 by the retirement system shall be determined by actuarial valua-  
10 tion pursuant to subsection (2) upon the basis of the risk  
11 assumptions that the retirement board and the department adopt  
12 after consultation with the state treasurer and an actuary. An  
13 annual actuarial valuation shall be made of the retirement system  
14 in order to determine the actuarial condition of the retirement  
15 system and the required contribution to the retirement system.  
16 An annual actuarial gain-loss experience study of the retirement  
17 system shall be made in order to determine the financial effect  
18 of variations of actual retirement system experience from  
19 projected experience.

20       (2) The contribution rate for benefits payable in the event  
21 of the death of a member before retirement or the disability of a  
22 member shall be computed using a terminal funding method of  
23 valuation. The contribution rate for other benefits, including  
24 health benefits, shall be computed using an individual projected  
25 benefit entry age normal cost method of valuation. The contribu-  
26 tion rate for service likely to be rendered in the current year,  
27 the normal cost contribution rate, shall be equal to the

1 aggregate amount of individual projected benefit entry age normal  
2 costs divided by 1% of the aggregate amount of active members'  
3 valuation compensation. The contribution rate for unfunded serv-  
4 ice rendered before the valuation date, the unfunded actuarial  
5 accrued liability contribution rate, shall be the aggregate  
6 amount of unfunded actuarial accrued liabilities divided by 1% of  
7 the actuarial present value over a period not to exceed 50 years  
8 of projected valuation compensation, where unfunded actuarial  
9 accrued liabilities are equal to the actuarial present value of  
10 benefits reduced by the actuarial present value of future normal  
11 cost contributions and the actuarial value of assets on the valu-  
12 ation date.

13 (3) The contribution amounts determined under subsection (2)  
14 reduced by contributions projected to be made under ~~sections 42~~  
15 ~~and SECTION 69g shall be appropriated annually PAID BY THE~~  
16 ~~REPORTING UNITS AS PROVIDED IN THIS SECTION. Except as provided~~  
17 ~~in section 69g, the appropriation shall be paid from the state~~  
18 ~~school aid fund for members of the retirement system who are~~  
19 ~~employees of a public school district or intermediate school dis-~~  
20 ~~trict and from the general fund of the state for members who are~~  
21 ~~other public school employees.~~

22 (4) Before November 1 of each year the department shall cer-  
23 tify to the superintendent of public instruction and the director  
24 of the department the aggregate compensation estimated to be paid  
25 public school employees for the current state fiscal year.

26 (5) On the basis of the estimate under subsection (4) and  
27 the annual actuarial valuation, the superintendent of public

1 instruction and the director of the department shall compute the  
2 sum due and payable to the retirement system. ~~and shall certify~~  
3 ~~this amount to the state treasurer.~~

4 (6) The ~~state treasurer~~ REPORTING UNIT shall make payment  
5 of the amount ~~certified~~ COMPUTED UNDER SUBSECTION (5) to the  
6 superintendent of public instruction and the director of the  
7 department in 12 equal monthly installments.

8 (7) Not later than 90 days after termination of each state  
9 fiscal year, the department shall certify to the superintendent  
10 of public instruction, ~~and~~ the director of the department, AND  
11 EACH REPORTING UNIT the actual aggregate compensation paid to  
12 public school employees during the preceding state fiscal year.  
13 Upon receipt of that certification the superintendent of public  
14 instruction and the director of the department shall compute any  
15 adjustment required due to a difference between the estimated and  
16 the actual aggregate compensation. The difference, if any, shall  
17 be ~~submitted in the executive budget to the legislature for~~  
18 ~~appropriation~~ PAID BY THE REPORTING UNITS in the next succeeding  
19 state fiscal year.

20 (8) The superintendent of public instruction and the direc-  
21 tor of the department may require evidence of correctness and may  
22 conduct an audit of the aggregate compensation ~~which~~ THAT the  
23 superintendent of public instruction or the director considers  
24 necessary to establish its correctness.

25 (9) ~~The amounts required for the employer's share of social~~  
26 ~~security contributions for employees of the reporting units shall~~  
27 ~~be appropriated annually. The appropriation shall be paid from~~

~~1 the state school aid fund for employees of a public school~~  
~~2 district or intermediate school district and from the general~~  
~~3 fund of the state for employees who are other public school~~  
~~4 employees. The appropriation for each public school district and~~  
~~5 intermediate school district shall be distributed monthly by the~~  
~~6 department of education. The reporting unit shall forward~~  
7 employee and employer social security contributions and reports  
8 as required by the federal old-age, survivors, disability, and  
9 hospital insurance provisions of title II of the social security  
10 act. This subsection ~~shall~~ DOES not apply to employees of a  
11 district library as defined in section 69g.

12       Sec. 42. (1) The employer of a public school employee shall  
13 contribute ~~5%~~ THE PERCENTAGE, DETERMINED UNDER SECTION 41(2),  
14 of the aggregate annual compensation of all employees who are  
15 members under the noncontributory plan as provided by section 63  
16 to the reserve for employer contributions. The employer contri-  
17 bution of ~~5%~~ THE PERCENTAGE, DETERMINED UNDER SECTION 41(2), of  
18 aggregate member compensation under the noncontributory plan is  
19 the exclusive obligation of the reporting unit payable out of  
20 general budget resources of the reporting unit, including funds  
21 available ~~under local millage and other local resources and~~  
22 from the state school aid allocation to the reporting unit, and  
23 shall not be a separate obligation by specific reimbursement or  
24 otherwise of the state.

25       (2) As authorized by resolution or other enabling act of its  
26 governing body, the employer shall pick up all contributions of a  
27 member made pursuant to section 43a for all compensation paid on

1 or after January 1, 1987 and reported to the retirement system.  
2 Although considered contributions of a member for certain pur-  
3 poses under this act, all contributions picked up shall be  
4 treated as paid by the employer in lieu of contributions by the  
5 employee. Contributions picked up as provided in this subsection  
6 shall be paid from the same source of funds ~~which~~ THAT is used  
7 for paying compensation to the member. The employer may pick up  
8 these contributions by either a reduction to the member's cash  
9 salary, an offset against a future salary increase, or a combina-  
10 tion of a reduction in salary and offset against a future salary  
11 increase. This subsection shall not apply, and the employer  
12 shall not deduct, offset, or remit contributions, until the  
13 department receives notification from the United States internal  
14 revenue service that contributions picked up shall not be  
15 included as gross income of the member until they are distributed  
16 or made available to the member, retirant, retirement allowance  
17 beneficiary, or refund beneficiary.

18 (3) The employer shall deduct from a member's compensation  
19 the contributions for social security provided in Act No. 205 of  
20 the Public Acts of 1951, as amended, being sections 38.851 to  
21 38.871 of the Michigan Compiled Laws. Contributions shall be  
22 made while the member remains a public school employee. Each  
23 reporting unit official shall deduct the social security contri-  
24 butions from the compensation of each member for each payroll  
25 period after the date the employee becomes a member. Social  
26 security contributions shall be made notwithstanding that the  
27 minimum compensation provided by law is changed. Each member

1 shall be considered to have agreed to the contributions  
2 prescribed in this subsection.

3 (4) Each reporting unit official shall forward retirement  
4 contributions, including the member investment plan contribu-  
5 tions, to the retirement system monthly.

6 (5) Additional employer contributions required by statute  
7 for persons employed in higher education institutions, including  
8 community and junior colleges, covered under this act, and  
9 employees whose compensations are paid in whole or in part from  
10 federally funded programs, shall be forwarded to the retirement  
11 system quarterly.

12 (6) By January 11, April 11, July 11, and October 11 of each  
13 year, each reporting unit official shall file with the executive  
14 secretary of the retirement board a quarterly affidavit for the  
15 preceding 3 months. The affidavit shall certify the aggregate  
16 wages, sources of contributions, wages paid from federal funds,  
17 and contributions required by law. Not later than July 11 of  
18 each year, a report shall be filed with the executive secretary  
19 of the retirement board, which shall list the persons employed,  
20 together with other information, including salary, service, and  
21 contributions, required for retirement reporting purposes.

22 (7) If a reporting unit fails to submit a report or contri-  
23 butions, or both, according to the schedule established by the  
24 retirement board, a late fee shall be paid by the reporting  
25 unit. If the remittance of contributions is late, the late fee  
26 shall include interest for each day that the remittance of  
27 contributions is late. The retirement board periodically may

1 establish the late fee, which shall not be less than \$25.00, and  
2 interest charges, which shall not be less than 6% per annum.

3 (8) Upon written notice from the retirement board, the  
4 superintendent of public instruction and the state treasurer  
5 shall withhold payment of state funds, in part or in whole, pay-  
6 able from the state school aid appropriation or higher education  
7 appropriations to a reporting unit that fails to comply with this  
8 section.

9 Section 2. This amendatory act shall take effect on January  
10 1, 1993.

11 Section 3. This amendatory act shall not take effect unless  
12 Senate Joint Resolution G

13 of the 86th Legislature becomes a  
14 part of the state constitution of 1963 as provided in section 1  
15 of article XII of the state constitution of 1963.

16 Section 4. This amendatory act shall not take effect unless  
17 Senate Bill No. 180

18 of the 86th Legislature is enacted into law.