



HOUSE BILL No. 4938

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July 13, 1993, Introduced by Reps. Dobb, Gilmer, Rhead, Crissman, Bullard, Walberg, Dolan, Jaye, Goschka, Dalman, Middleton, Horton, Kukuk, Lowe, McManus, Voorhees, Hammerstrom, Jamian, Jersevic, Bender, Gernaat, Shugars, Galloway, Stille, London, Sikkema and Nye and referred to the Committee on Appropriations.

A bill to amend the title and sections 5 and 41 of Act No. 300 of the Public Acts of 1980, entitled "The public school employees retirement act of 1979," section 5 as amended by Act No. 163 of the Public Acts of 1987 and section 41 as amended by Act No. 158 of the Public Acts of 1992, being sections 38.1305 and 38.1341 of the Michigan Compiled Laws; and to add section 109.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. The title and sections 5 and 41 of Act No. 300  
2 of the Public Acts of 1980, section 5 as amended by Act No. 163  
3 of the Public Acts of 1987 and section 41 as amended by Act  
4 No. 158 of the Public Acts of 1992, being sections 38.1305 and  
5 38.1341 of the Michigan Compiled Laws, are amended and  
6 section 109 is added to read as follows:

## TITLE

1  
2 An act to provide a retirement system for ~~the~~ CERTAIN  
3 public school employees of this state; to create certain funds  
4 for this retirement system; to provide for the creation of a  
5 retirement board within the department of management and budget;  
6 to prescribe the powers and duties of the retirement board; to  
7 prescribe the powers and duties of the department of management  
8 and budget; to prescribe penalties AND PROVIDE REMEDIES; and to  
9 repeal certain acts and parts of acts.

10 Sec. 5. (1) "Member" means a public school employee, except  
11 that member does not include any of the following:

12 (a) A person enrolled in a neighborhood youth corps program  
13 operated with funds from the federal office of economic opportu-  
14 nity or a person enrolled in a comparable youth training program  
15 designed to prevent high school dropouts and rehabilitate high  
16 school dropouts operated by an intermediate school district.

17 (b) A person enrolled in a transitional public employment  
18 program and employed by a reporting unit.

19 (c) A person employed by a reporting unit ~~while enrolled as~~  
20 ~~a full-time student in~~ WHOSE ENROLLMENT OR STATUS AS A STUDENT  
21 IS A PREREQUISITE FOR EMPLOYMENT BY that same reporting unit.

22 (d) A person who elects the optional retirement system under  
23 the optional retirement act of 1967, FORMER Act No. 156 of the  
24 Public Acts of 1967. ~~, as amended, being sections 38.381 to~~  
25 ~~38.388 of the Michigan Compiled Laws, at central Michigan univer-~~  
26 ~~sity, eastern Michigan university, northern Michigan university,~~

~~1 western Michigan university, Michigan technological university,~~  
~~2 Lake Superior state university, or Ferris state~~

3 (E) A PERSON EMPLOYED BY A university, COMMUNITY COLLEGE, OR  
 4 JUNIOR COLLEGE.

5 (F) ~~(e)~~ A retirant of this retirement system.

6 (G) ~~(f)~~ A person, not regularly employed by a reporting  
 7 unit, who is employed ~~by a reporting unit~~ through ~~a~~

8 PARTICIPATION IN 1 OR MORE OF THE FOLLOWING PROGRAMS:

9 (i) A summer youth employment program established pursuant  
 10 to the Michigan youth corps act, Act No. 69 of the Public Acts of  
 11 1983, being sections 409.221 to 409.229 of the Michigan Compiled  
 12 Laws.

13 ~~(g) A person, not regularly employed by a reporting unit,~~  
 14 ~~who is employed by a reporting unit to administer a program~~  
 15 ~~described in subdivision (f), (h), (i), (j), or (k).~~

16 ~~(h) After September 30, 1983, a person, not regularly~~  
 17 ~~employed by a reporting unit, who is employed by a reporting unit~~  
 18 ~~through participation in a~~

19 (ii) A program established pursuant to the job training  
 20 partnership act, Public Law 97-300, 96 Stat. 1322.

21 ~~(i) A person, not regularly employed by a reporting unit,~~  
 22 ~~who is employed by a reporting unit through participation in a~~

23 (iii) A program established pursuant to the Michigan oppor-  
 24 tunity and skills training program, FIRST ESTABLISHED under sec-  
 25 tions 12 to 23 of Act No. 259 of the Public Acts of 1983.

26 ~~(j) A person, not regularly employed by a reporting unit,~~  
 27 ~~who is employed by a reporting unit through participation in a~~

1 (iv) A program established pursuant to the Michigan  
2 community service corps program, FIRST ESTABLISHED under sections  
3 25 to 35 of Act No. 259 of the Public Acts of 1983.

4 ~~(k) A person, not regularly employed by a reporting unit,~~  
5 ~~who is employed by a reporting unit through participation in a~~

6 (v) A program established pursuant to the older American  
7 community service employment program under THE OLDER AMERICAN  
8 COMMUNITY SERVICE EMPLOYMENT ACT, title V of the older Americans  
9 act of 1965, Public Law 89-73, 42 U.S.C. 3056 to ~~3056f~~ 3056I.

10 (H) A PERSON, NOT REGULARLY EMPLOYED BY A REPORTING UNIT,  
11 WHO IS EMPLOYED TO ADMINISTER A PROGRAM DESCRIBED IN SUBDIVISION  
12 (F).

13 (I) A PERSON WHO IS NOT A PUBLIC SCHOOL EMPLOYEE AT ANY TIME  
14 DURING THE PERIOD BEGINNING ON JULY 1, 1992 AND ENDING DECEMBER  
15 31, 1993 AND WHO BECOMES A PUBLIC SCHOOL EMPLOYEE ON OR AFTER  
16 JANUARY 1, 1994, UNLESS THE PERSON IS A DEFERRED MEMBER.

17 (J) A PERSON WHO IS A PUBLIC SCHOOL EMPLOYEE AT ANY TIME  
18 DURING THE PERIOD BEGINNING ON JULY 1, 1992 AND ENDING ON  
19 DECEMBER 31, 1993 AND WHO ELECTS TO TERMINATE MEMBERSHIP IN THE  
20 MANNER PROVIDED IN SECTION 109.

21 (2) "Membership service" means service performed after June  
22 30, 1945.

23 (3) "Noncontributory plan" means the plan ~~which~~ THAT began  
24 between July 1, 1974 and July 1, 1977, in which the reporting  
25 unit elected to discontinue withholding contributions from  
26 employees' compensation.

1 (4) "Noncontributory service" means credited service  
2 rendered under the noncontributory plan.

3 (5) "Nonteacher" means a person employed by a reporting unit  
4 who is not a teacher as defined in section 8(4).

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

18 (2) The contribution rate for benefits payable in the event  
19 of the death of a member before retirement or the disability of a  
20 member shall be computed using a terminal funding method of  
21 valuation. Except as otherwise provided in this subsection, the  
22 contribution rate for other benefits, including health benefits,  
23 shall be computed using an individual projected benefit entry age  
24 normal cost method of valuation. For the 1992-93 state fiscal  
25 year, the contribution rate for health benefits shall be computed  
26 using a cash disbursement method. The contribution rate for  
27 service likely to be rendered in the current year, the normal

1 cost contribution rate, shall be equal to the aggregate amount of  
2 individual projected benefit entry age normal costs divided by 1%  
3 of the aggregate amount of active members' valuation  
4 compensation. BEGINNING WITH THE 1993-94 STATE FISCAL YEAR, THE  
5 NORMAL COST CONTRIBUTION RATE SHALL BE EQUAL TO THE EMPLOYER CON-  
6 TRIBUTION RATE TO THE MICHIGAN PUBLIC EMPLOYEE DEFINED CONTRIBU-  
7 TION PLAN CREATED BY THE MICHIGAN PUBLIC EMPLOYEE DEFINED CONTRI-  
8 BUTION PLAN ACT. THE UNFUNDED ACTUARIAL ACCRUED LIABILITY SHALL  
9 BE EQUAL TO THE ACTUARIAL PRESENT VALUE OF BENEFITS REDUCED BY  
10 THE ACTUARIAL PRESENT VALUE OF FUTURE NORMAL COST CONTRIBUTIONS  
11 AND THE ACTUARIAL VALUE OF ASSETS ON THE VALUATION DATE. The con-  
12 tribution rate for unfunded service rendered before the valuation  
13 date, the unfunded actuarial accrued liability contribution rate,  
14 shall be ~~the aggregate amount of~~ EQUAL TO THE unfunded actuar-  
15 ial accrued ~~liabilities~~ LIABILITY divided by 1% of the actuar-  
16 ial present value, over a period not to exceed 50 years, of  
17 projected ACTIVE MEMBER valuation compensation. ~~, where unfunded~~  
18 ~~actuarial accrued liabilities are equal to the actuarial present~~  
19 ~~value of benefits reduced by the actuarial present value of~~  
20 ~~future normal cost contributions and the actuarial value of~~  
21 ~~assets on the valuation date.~~ BEGINNING WITH THE 1993-94 STATE  
22 FISCAL YEAR, THE 50-YEAR PERIOD SHALL BE A FIXED PERIOD BEGINNING  
23 OCTOBER 1, 1993 AND ENDING SEPTEMBER 30, 2043, AND THE PRESENT  
24 VALUE OF PROJECTED ACTIVE MEMBER COMPENSATION SHALL INCLUDE THE  
25 PROJECTED COMPENSATION OF PERSONS EXCLUDED FROM MEMBERSHIP IN THE  
26 RETIREMENT SYSTEM PURSUANT TO SECTION 5(1)(I) AND (J).

1       (3) The contribution amounts determined under subsection (2)  
2 reduced by contributions projected to be made under sections 42  
3 and 69g shall be appropriated annually. Except as provided in  
4 section 69g, the appropriation shall be paid from the state  
5 school aid fund for members of the retirement system who are  
6 employees of a public school district or intermediate school dis-  
7 trict and from the general fund of this state for members who are  
8 other public school employees.

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

13       (5) On the basis of the estimate under subsection (4) and  
14 the annual actuarial valuation, the superintendent of public  
15 instruction and the director of the department shall compute the  
16 sum due and payable to the retirement system and shall certify  
17 this amount to the state treasurer.

18       (6) The state treasurer shall make payment of the amount  
19 certified to the superintendent of public instruction and the  
20 director of the department in 12 equal monthly installments.

21       (7) Not later than 90 days after termination of each state  
22 fiscal year, the executive secretary of the retirement board  
23 shall certify to the superintendent of public instruction and the  
24 director of the department the actual aggregate compensation paid  
25 to public school employees during the preceding state fiscal  
26 year. Upon receipt of that certification the superintendent of  
27 public instruction and the director of the department shall

1 compute any adjustment required to the amount included in the  
2 annual appropriations act for the preceding state fiscal year due  
3 to a difference between the estimated and the actual aggregate  
4 compensation and the estimated and the actual actuarial employer  
5 contribution rate. Except as otherwise provided in  
6 subsection (10), the difference, if any, shall be submitted in  
7 the executive budget to the legislature for appropriation in the  
8 next succeeding state fiscal year.

9       (8) The superintendent of public instruction and the direc-  
10 tor of the department may require evidence of correctness and may  
11 conduct an audit of the aggregate compensation that the superin-  
12 tendent of public instruction or the director considers necessary  
13 to establish its correctness.

14       (9) The amounts required for the employer's share of social  
15 security contributions for employees of the reporting units shall  
16 be appropriated annually. The appropriation shall be paid from  
17 the state school aid fund for employees of a public school dis-  
18 trict or intermediate school district and from the general fund  
19 of this state for employees who are other public school  
20 employees. The appropriation for each public school district and  
21 intermediate school district shall be distributed monthly by the  
22 department of education. The reporting unit shall forward  
23 employee and employer social security contributions and reports  
24 as required by the federal old-age, survivors, disability, and  
25 hospital insurance provisions of title II of the social security  
26 act, CHAPTER 531, 49 STAT. 620, 42 U.S.C. 401 TO 405, 406 TO 418,  
27 420 TO 423, 424a TO 426, AND 427 TO 433. This subsection does



1 not apply to employees of a district library as defined in  
2 section 69g.

3 (10) For differences occurring in fiscal years beginning on  
4 or after October 1, 1988, a minimum of 20% of the difference  
5 between the estimated and the actual aggregate compensation and  
6 the estimated and the actual actuarial employer contribution rate  
7 described in subsection (7), if any, may be submitted in the  
8 executive budget to the legislature for appropriation in the next  
9 succeeding state fiscal year and a minimum of 25% of the remain-  
10 ing difference shall be submitted in the executive budget to the  
11 legislature for appropriation in each of the next 4 succeeding  
12 state fiscal years, or until 100% of the remaining difference is  
13 submitted, whichever first occurs. In addition, interest shall  
14 be included for each year that a portion of the remaining differ-  
15 ence is carried forward. The interest shall equal the actuari-  
16 ally assumed rate of investment return for the state fiscal year  
17 in which payment is made. This subsection does not apply after  
18 September 30, 1993.

19 SEC. 109. (1) THE RETIREMENT SYSTEM SHALL PROVIDE AN OPPOR-  
20 TUNITY FOR EACH MEMBER WHO WAS A MEMBER AT ANY TIME DURING THE  
21 PERIOD BEGINNING JULY 1, 1992 AND ENDING DECEMBER 31, 1993 TO  
22 MAKE AN ELECTION AS PROVIDED IN THIS SUBSECTION. THE RETIREMENT  
23 SYSTEM SHALL OFFER 1 OPPORTUNITY FOR A MEMBER TO MAKE THE ELEC-  
24 TION PROVIDED IN THIS SUBSECTION AND ONCE MADE, THE ELECTION IS  
25 IRREVOCABLE BY THE MEMBER. THE MEMBER SHALL MAKE THE ELECTION  
26 PROVIDED IN THIS SUBSECTION IN WRITING. OTHERWISE, THE METHOD OF  
27 ELECTION SHALL BE DETERMINED BY THE RETIREMENT BOARD AND THE

1 DEPARTMENT. THE RETIREMENT SYSTEM SHALL BEGIN ACCEPTING WRITTEN  
2 ELECTIONS FROM MEMBERS ON AND AFTER THE EFFECTIVE DATE OF THIS  
3 SECTION. THE RETIREMENT SYSTEM SHALL NOT ACCEPT WRITTEN ELEC-  
4 TIONS FROM MEMBERS AFTER NOVEMBER 1, 1994. IF THE MEMBER IS MAR-  
5 RIED AT THE TIME OF THE ELECTION, THE ELECTION IS NOT EFFECTIVE  
6 UNLESS THE ELECTION IS SIGNED BY THE MEMBER'S SPOUSE, EXCEPT THAT  
7 THIS REQUIREMENT MAY BE WAIVED BY THE RETIREMENT BOARD AND THE  
8 DEPARTMENT IF THE SIGNATURE OF THE MEMBER'S SPOUSE CANNOT BE  
9 OBTAINED BECAUSE OF EXTENUATING CIRCUMSTANCES. A MEMBER WHO  
10 MAKES A WRITTEN ELECTION UNDER THIS SUBSECTION SHALL ELECT TO DO  
11 ALL OF THE FOLLOWING:

12 (A) CEASE TO BE A MEMBER OF THIS RETIREMENT SYSTEM EFFECTIVE  
13 12 MIDNIGHT DECEMBER 31, 1994.

14 (B) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, BECOME  
15 A PARTICIPANT IN THE MICHIGAN PUBLIC EMPLOYEE DEFINED CONTRIBU-  
16 TION PLAN CREATED BY THE MICHIGAN PUBLIC EMPLOYEE DEFINED CONTRI-  
17 BUTION PLAN ACT EFFECTIVE 12:01 A.M. ON JANUARY 1, 1995. IF THE  
18 PERSON IS AN EMPLOYEE OF A COMMUNITY COLLEGE OR A UNIVERSITY,  
19 BECOME A PARTICIPANT OF ANY OTHER EMPLOYER SPONSORED QUALIFIED  
20 DEFINED CONTRIBUTION PLAN EFFECTIVE 12:01 A.M. ON JANUARY 1,  
21 1995.

22 (C) EXCEPT AS PROVIDED IN SUBSECTION (2), WAIVE ALL OF HIS  
23 OR HER RIGHTS TO A PENSION, AN ANNUITY, A RETIREMENT ALLOWANCE,  
24 AN INSURANCE BENEFIT, OR ANY OTHER BENEFIT UNDER THIS ACT EFFEC-  
25 TIVE 12 MIDNIGHT DECEMBER 31, 1994.

26 (2) THE RETIREMENT SYSTEM SHALL TRANSFER TO THE MICHIGAN  
27 PUBLIC EMPLOYEE DEFINED CONTRIBUTION PLAN, OR FOR A PERSON WHO IS

1 AN EMPLOYEE OF A COMMUNITY COLLEGE OR UNIVERSITY, TO THE EMPLOYER  
2 SPONSORED QUALIFIED DEFINED CONTRIBUTION PLAN, FOR EACH MEMBER  
3 WHO ELECTS TO TERMINATE MEMBERSHIP IN THIS RETIREMENT SYSTEM  
4 UNDER SUBSECTION (1) A LUMP SUM AMOUNT FROM THE RETIREMENT SYSTEM  
5 EQUAL TO THE SUM OF THE FOLLOWING:

6 (A) THE MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY, AS OF  
7 12 MIDNIGHT DECEMBER 31, 1994 FROM THE RESERVE FOR EMPLOYEE CON-  
8 TRIBUTIONS AND THE RESERVE FOR MEMBER INVESTMENT PLAN.

9 (B) THE EXCESS, IF ANY, OF THE ACTUARIAL PRESENT VALUE OF  
10 THE MEMBER'S ACCRUED RETIREMENT ALLOWANCE, OVER THE AMOUNT SPECI-  
11 FIED IN SUBDIVISION (A), FROM THE RESERVE FOR EMPLOYER  
12 CONTRIBUTIONS. FOR PURPOSES OF THIS SUBDIVISION, THE MEMBER'S  
13 ACCRUED RETIREMENT ALLOWANCE IS EQUAL TO THE RETIREMENT ALLOWANCE  
14 COMPUTED BASED UPON THE MEMBER'S ESTIMATED CREDITED SERVICE AND  
15 ESTIMATED FINAL AVERAGE COMPENSATION AS OF 12 MIDNIGHT DECEMBER  
16 31, 1994. THE ACTUARIAL PRESENT VALUE SHALL BE COMPUTED AS OF  
17 12 MIDNIGHT DECEMBER 31, 1994 AND SHALL BE BASED UPON ALL OF THE  
18 FOLLOWING:

19 (i) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
20 ANNUALLY.

21 (ii) A 50% MALE AND 50% FEMALE GENDER NEUTRAL BLEND OF THE  
22 MORTALITY TABLES USED TO PROJECT RETIRANT LONGEVITY IN THE  
23 SEPTEMBER 30, 1993 ANNUAL ACTUARIAL VALUATION REPORT.

24 (iii) A BENEFIT COMMENCEMENT AGE, BASED UPON THE MEMBER'S  
25 ESTIMATED CREDITED SERVICE AS OF 12 MIDNIGHT DECEMBER 31, 1994.  
26 THE BENEFIT COMMENCEMENT AGE SHALL BE THE YOUNGEST OF THE

1 FOLLOWING, BUT SHALL NOT BE YOUNGER THAN THE MEMBER'S AGE AS OF  
2 12 MIDNIGHT DECEMBER 31, 1994:

3 (A) AGE 60.

4 (B) AGE 55, IF THE MEMBER'S ESTIMATED CREDITED SERVICE  
5 EQUALS OR EXCEEDS 30 YEARS.

6 (C) THE MEMBER'S AGE AS OF 12 MIDNIGHT DECEMBER 31, 1994, IF  
7 THE MEMBER'S ESTIMATED CREDITED SERVICE EQUALS OR EXCEEDS 30  
8 YEARS AND THE MEMBER CONTRIBUTES TO THE MEMBER INVESTMENT PLAN.

9 (3) FOR PURPOSES OF SUBSECTION (2), THE MEMBER'S ESTIMATED  
10 CREDITED SERVICE AND ESTIMATED FINAL AVERAGE COMPENSATION SHALL  
11 BE ESTIMATED BASED UPON METHODS ADOPTED BY THE RETIREMENT BOARD  
12 AND THE DEPARTMENT. FOR EACH MEMBER WHO ELECTS TO TERMINATE MEM-  
13 BERSHIP IN THE RETIREMENT SYSTEM UNDER SUBSECTION (1), THE  
14 RETIREMENT SYSTEM SHALL RECOMPUTE THE AMOUNT TRANSFERRED UNDER  
15 SUBSECTION (2) NOT LATER THAN DECEMBER 31, 1995 BASED UPON THE  
16 MEMBER'S ACTUAL CREDITED SERVICE AND ACTUAL FINAL AVERAGE COMPEN-  
17 SATION AS OF 12 MIDNIGHT DECEMBER 31, 1994. THE RETIREMENT  
18 SYSTEM SHALL TRANSFER FROM THE EMPLOYER'S ACCUMULATION FUND TO  
19 THE MICHIGAN PUBLIC EMPLOYEE DEFINED CONTRIBUTION PLAN, OR FOR A  
20 PERSON WHO IS AN EMPLOYEE OF A COMMUNITY COLLEGE OR UNIVERSITY,  
21 TO THE EMPLOYER SPONSORED QUALIFIED DEFINED CONTRIBUTION PLAN,  
22 THE EXCESS, IF ANY, OF THE RECOMPUTED AMOUNT OVER THE PREVIOUSLY  
23 TRANSFERRED AMOUNT TOGETHER WITH INTEREST FROM 12 MIDNIGHT  
24 DECEMBER 31, 1994 TO THE DATE OF THE TRANSFER UNDER THIS SUBSEC-  
25 TION, BASED UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
26 ANNUALLY.

1 (4) A COLLECTIVE BARGAINING AGREEMENT UNDER ACT NO. 336 OF  
2 THE PUBLIC ACTS OF 1947, BEING SECTION 423.201 TO 423.216 OF THE  
3 MICHIGAN COMPILED LAWS, SHALL NOT PROVIDE FOR ALTERATION, AMEND-  
4 MENT, MODIFICATION, REPEAL, OR ANY OTHER CHANGE IN THE 1993  
5 AMENDMENTS TO THIS ACT.

6 Section 2. This amendatory act shall not take effect unless  
7 Senate Bill No. \_\_\_\_\_ or House Bill No. 4936 (request  
8 no. 03641'93 \*\*) of the 87th Legislature is enacted into law.