



SENATE BILL No. 1050

March 8, 1994, Introduced by Senators WELBORN and CARL
and referred to the Committee on Labor

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

1 TITLE

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 (1) 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 (11) 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 (111) 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 (1) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST COMPOUNDED
20 ANNUALLY

21 (11) 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 (111) 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 1043
8 of the 87th Legislature is enacted into law