

**THE PUBLIC SCHOOL EMPLOYEES RETIREMENT ACT OF 1979 (EXCERPT)**  
**Act 300 of 1980**

**38.1404a Determining rate of investment return on retirement system assets and present value of retirement allowances; calculation and reduction of distribution income; crediting distribution units to retirant or retirement allowance beneficiary; calculation and payment of distribution amount; increase in retirement allowance; computation of cumulative increase amount; supplemental payment; increase in retirement allowance effective before October 1, 1981; increase in retirement allowance effective on or before January 1, 1987.**

Sec. 104a.

(1) After the end of each state fiscal year, the department shall determine the rate of investment return earned on retirement system assets during the fiscal year, based upon methods established by the retirement board.

(2) At the end of each state fiscal year, the retirement system's actuary shall determine the present value of retirement allowances to be paid after the end of the fiscal year to retirants and retirement allowance beneficiaries in receipt of retirement allowances at the end of the fiscal period. The assumed interest rate used in the determination shall be 8% per year, compounded annually.

(3) The distribution income at the end of each state fiscal year shall be equal to the product of the present value of retirement allowances determined in subsection (2) at the end of the previous fiscal year times the positive excess, if any, of the rate of investment return determined in subsection (1) exceeding 8%. The distribution income calculated pursuant to this subsection at the end of the fiscal years 1984-85 and 1985-86 shall be reduced by the cost of prior postretirement adjustments paid from the appropriated credit for excess interest earnings on retired life assets during the fiscal year pursuant to sections 101, 102, 103, and 104.

(4) After the end of each state fiscal year, each retirant and retirement allowance beneficiary in receipt of a retirement allowance at the end of the fiscal year, and whose effective date of retirement allowance preceded the beginning of that fiscal year, shall be credited with 1 distribution unit for each full year between the effective date of retirement and the end of the fiscal year and 1 distribution unit for each full year of service credit in force on the effective date of retirement. Distribution units shall not accumulate from 1 year to the next year.

(5) The distribution amount for an individual retirant or retirement allowance beneficiary shall be equal to the product of the distribution income determined in subsection (3) times the individual's number of distribution units determined in subsection (4) divided by the total number of distribution units for all eligible retirants and retirement allowance beneficiaries in receipt of retirement allowances at the end of the fiscal year. The distribution amount for an individual retirant or retirement allowance beneficiary of a retirant or member who contributed to the member investment plan is zero.

(6) Each retirement allowance that was effective on or before January 1, 1987 shall be increased effective on the later of January 1, 1986 or the retirement allowance effective date. The amount of the increase shall be 8% of the retirement allowance that would be payable as of the date of the increase without application of this subsection, except that if the retirement allowance is being paid under section 85(2), the increase shall be based on the retirement allowance that would have been paid under the payment option selected by the member under section 85(1).

(7) Until and including October 1, 1989, each retirement allowance that was effective on or before January 1, 1987 shall be increased each October 1 beginning with the later of October 1, 1986 or the first October 1 following the retirement allowance effective date. The amount of the annual increase shall be equal to 40.5% of the increase computed in subsection (6).

(8) After the end of each state fiscal year, the cumulative increase amount shall be computed for each retirant or retirement allowance beneficiary affected by subsections (6), (7), and (11). The cumulative increase amount shall be equal to the difference between the total retirement allowance paid during the state fiscal year and the retirement allowance that would have been payable without application of subsections (6), (7), and (11). The cumulative increase amount for any retirant or retirement allowance beneficiary whose effective date of retirement is after January 1, 1987 is zero.

(9) In March of each year, beginning in March, 1986, each retirant or retirement allowance beneficiary shall be paid, in a single supplemental payment, the excess, if any, of the distribution amount over the cumulative increase amount for the previous state fiscal year. If a retirant dies before receipt of a supplemental payment, the supplemental payment shall be made to the retirant's retirement allowance beneficiary, if any. If both the retirant and the retirement allowance beneficiary die before receipt of a supplemental payment, no payment shall be made.

(10) Each retirement allowance that was effective before October 1, 1981 shall be increased effective January 1, 1990. The amount of the increase shall be a percentage of the retirement allowance that is payable as of January 1, 1990 without application of this subsection, except that if the retirement allowance is being paid under section 85(2), the increase shall be based on the retirement allowance that would have been paid under the payment option

selected under section 85(1). The percentage is as follows:

Effective date of retirement	Percentage
October 1, 1980 to September 30, 1981	1%
October 1, 1979 to September 30, 1980	2%
October 1, 1978 to September 30, 1979	3%
October 1, 1977 to September 30, 1978	4%
October 1, 1976 to September 30, 1977	5%
October 1, 1975 to September 30, 1976	6%
October 1, 1974 to September 30, 1975	7%
October 1, 1973 to September 30, 1974	8%
October 1, 1972 to September 30, 1973	9%
October 1, 1971 to September 30, 1972	10%
October 1, 1970 to September 30, 1971	11%
October 1, 1969 to September 30, 1970	12%
October 1, 1968 to September 30, 1969	13%
October 1, 1967 to September 30, 1968	14%
October 1, 1966 to September 30, 1967	15%
October 1, 1965 to September 30, 1966	16%
October 1, 1964 to September 30, 1965	17%
October 1, 1963 to September 30, 1964	18%
October 1, 1962 to September 30, 1963	19%
October 1, 1961 to September 30, 1962	20%
October 1, 1960 to September 30, 1961	21%
Before October 1, 1960	22%

(11) Each retirement allowance that was effective on or before January 1, 1987 shall be increased each October 1 beginning October 1, 1990. The amount of the annual increase shall be equal to 3% of the retirement allowance that would be payable without application of this subsection, except that if the retirement allowance is being paid under section 85(2), the increase shall be based on the retirement allowance that would have been paid under the payment option selected under section 85(1).

**History:** Add. 1982, Act 253, Imd. Eff. Sept. 30, 1982 ;-- Am. 1983, Act 6, Imd. Eff. Mar. 14, 1983 ;-- Am. 1984, Act 129, Imd. Eff. June 1, 1984 ;-- Am. 1985, Act 91, Imd. Eff. July 10, 1985 ;-- Am. 1985, Act 218, Imd. Eff. Jan. 10, 1986 ;-- Am. 1986, Act 123, Imd. Eff. June 2, 1986 ;-- Am. 1989, Act 194, Imd. Eff. Aug. 25, 1989 ;-- Am. 1998, Act 213, Eff. Mar. 23, 1999

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