

# HOUSE BILL No. 4919

June 8, 1989, Introduced by Rep. Brown and referred to the Committee on Senior Citizens and Retirement.

A bill to amend sections 6 and 41 of Act No. 300 of the Public Acts of 1980, entitled "The public school employees retirement act of 1979," section 6 as amended by Act No. 242 of the Public Acts of 1987 and section 41 as amended by Act No. 91 of the Public Acts of 1985, being sections 38.1306 and 38.1341 of the Michigan Compiled Laws; and to add section 69g.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Section 1. Sections 6 and 41 of Act No. 300 of the Public  
2 Acts of 1980, section 6 as amended by Act No. 242 of the Public  
3 Acts of 1987 and section 41 as amended by Act No. 91 of the  
4 Public Acts of 1985, being sections 38.1306 and 38.1341 of the  
5 Michigan Compiled Laws, are amended and section 69g is added to  
6 read as follows:

1       Sec. 6. (1) "Original member" means a member employed in  
2 Michigan public schools before July 1, 1945.

3       (2) "Out of system public education service" means service  
4 performed in public education in other states in the United  
5 States or its territorial possessions, the university of  
6 Michigan, Michigan state university, Wayne state university,  
7 Grand Valley state university, Oakland university, Saginaw Valley  
8 university, a juvenile training school operated by a county in  
9 this state, a community mental health service program operated  
10 under former Act No. 54 of the Public Acts of 1963 for the  
11 severely mentally retarded in day care programs, day training  
12 programs, or day care training programs which were transferred to  
13 an intermediate school district by direction of the department of  
14 education, as an elementary or secondary teacher at a United  
15 States armed forces military base in the United States or a for-  
16 eign country, or as a teacher or administrator of American  
17 nationals in overseas public elementary or secondary schools  
18 operated by the United States department of defense.

19       (3) "Pension" means a payment for life or a temporary period  
20 derived from money other than a member's accumulated  
21 contributions. A pension shall be paid in equal monthly  
22 installments.

23       (4) "Pension accumulation fund" means the fund created under  
24 section 30.

25       (5) "Prior service" means service performed before July 1,  
26 1945.

(6) "Public school employee" means an employee of a public local school district, intermediate school district, tax supported community or junior college, eastern Michigan university, central Michigan university, northern Michigan university, western Michigan university, Ferris state university, Michigan technological university, ~~or~~ Lake Superior state university, OR A DISTRICT LIBRARY AS DEFINED IN SECTION 69G IF THE CONDITIONS IN SECTION 69G(1) ARE MET FOR THAT EMPLOYEE. Service at Michigan technological university shall be creditable only if the amount of the accumulated contributions in the state employees' retirement system for service is paid to the retirement system. Service at Ferris state university shall be creditable as prior service or membership service only if the employee was employed at Ferris state university on a full-time basis for 2 or more years after May 17, 1949. Until January 1, 1988, public school employee also includes a person holding a Michigan teacher certificate and serving as an employee of the Michigan high school athletic association, other than a person whose effective date of employment with the Michigan high school athletic association is on or after December 31, 1986. A public school employee on an approved leave of absence is included within this definition.

Sec. 41. (1) The annual level percentage of payroll contribution rate to finance benefits being provided and to be provided by the retirement system shall be determined by actuarial valuation pursuant to subsection (2) upon the basis of the risk assumptions which the retirement board and the department adopt after consultation with the state treasurer and an actuary. An

1 annual actuarial valuation shall be made of the retirement system  
2 in order to determine the actuarial condition of the retirement  
3 system and the required contribution to the retirement system.

4 An annual actuarial gain-loss experience study of the retirement  
5 system shall be made in order to determine the financial effect  
6 of variations of actual retirement system experience from  
7 projected experience.

8       (2) The contribution rate for benefits payable in the event  
9 of the death of a member before retirement or the disability of a  
10 member shall be computed using a terminal funding method of  
11 valuation. The contribution rate for other benefits, including  
12 health benefits, shall be computed using an individual projected  
13 benefit entry age normal cost method of valuation. The contribu-  
14 tion rate for service likely to be rendered in the current year,  
15 the normal cost contribution rate, shall be equal to the aggre-  
16 gate amount of individual projected benefit entry age normal  
17 costs divided by 1% of the aggregate amount of active members'  
18 valuation compensation. The contribution rate for unfunded serv-  
19 ice rendered before the valuation date, the unfunded actuarial  
20 accrued liability contribution rate, shall be the aggregate  
21 amount of unfunded actuarial accrued liabilities divided by 1% of  
22 the actuarial present value over a period not to exceed 50 years  
23 of projected valuation compensation, where unfunded actuarial  
24 accrued liabilities are equal to the actuarial present value of  
25 benefits reduced by the actuarial present value of future normal  
26 cost contributions and the actuarial value of assets on the  
27 valuation date and the actuarial present value of benefits

1 attributable to section 81a. The actuarial present value of  
2 benefits attributable to section 81a shall be amortized over a  
3 fixed, 10-year period.

4 (3) The percentages determined in subsection (2) reduced by  
5 contributions projected to be made under ~~section~~ SECTIONS 42  
6 AND 69G and the amounts required for the reporting units' social  
7 security contributions for the members of the retirement system  
8 shall be appropriated annually. ~~The~~ EXCEPT AS PROVIDED IN  
9 SECTION 69G, THE appropriation shall be paid from the state  
10 school aid fund for the members of the retirement system who are  
11 employees of a public school district or intermediate school dis-  
12 trict and from the general fund of the state for the other public  
13 school employees. The appropriations when made shall be credited  
14 to the pension accumulation fund.

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

19 (5) On the basis of the estimate under subsection (4) and  
20 the annual actuarial valuation, the superintendent of public  
21 instruction and the director of the department shall compute the  
22 sum due and payable to the retirement system and shall certify  
23 this amount to the state treasurer.

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

1       (7) Not later than 90 days after termination of each state  
2 fiscal year, the department shall certify to the superintendent  
3 of public instruction and the director of the department the  
4 actual aggregate compensation paid to public school employees  
5 during the preceding state fiscal year. Upon receipt of that  
6 certification the superintendent of public instruction and the  
7 director of the department shall compute any adjustment required  
8 due to a difference between the estimated and the actual aggregate  
9 compensation. The difference, if any, shall be submitted in  
10 the executive budget to the legislature for appropriation in the  
11 next succeeding state fiscal year.

12       (8) The superintendent of public instruction and the director  
13 of the department may require evidence of correctness and may  
14 conduct an audit of the aggregate compensation which the superintendent  
15 of public instruction or the director considers necessary  
16 to establish its correctness.

17       (9) An amount sufficient to cover the administrative  
18 expenses of the retirement system shall be appropriated. When  
19 authorized, the amount shall be credited to the expense fund.

20       SEC. 69G. (1) SUBJECT TO SUBSECTIONS (2) AND (3), A MEMBER  
21 WHOSE REPORTING UNIT SERVICE CONSISTS OF LIBRARY OR MUSEUM SERVICE  
22 AND WHOSE EMPLOYMENT WITH THAT REPORTING UNIT IS TERMINATED  
23 BECAUSE THAT REPORTING UNIT BECOMES A PARTICIPATING MUNICIPALITY  
24 TO A DISTRICT LIBRARY AGREEMENT, OR A FORMER EMPLOYEE OF A  
25 REPORTING UNIT THAT BECOMES A PARTICIPATING MUNICIPALITY TO A  
26 DISTRICT LIBRARY AGREEMENT WHO WAS A MEMBER AS THE RESULT OF  
27 FORMER EMPLOYMENT WITH THAT REPORTING UNIT, IS A PUBLIC SCHOOL

1 EMPLOYEE FOR PURPOSES OF THIS ACT IF BOTH OF THE FOLLOWING  
2 CONDITIONS ARE MET:

3 (A) THE PERSON SUBSEQUENTLY IS EMPLOYED BY THE DISTRICT  
4 LIBRARY ESTABLISHED PURSUANT TO THAT DISTRICT LIBRARY AGREEMENT.

5 (B) THE DISTRICT LIBRARY BOARD OF THAT DISTRICT LIBRARY  
6 ADOPTS A RESOLUTION THAT PROVIDES THAT THE DISTRICT LIBRARY WILL  
7 REMIT TO THE RETIREMENT SYSTEM THE AMOUNT, PERCENTAGES, AND CON-  
8 TRIBUTIONS DESCRIBED IN SUBSECTION (2) FOR THAT PERSON.

9 (2) THE RETIREMENT BOARD SHALL GRANT SERVICE CREDIT TO A  
10 MEMBER DESCRIBED IN SUBSECTION (1) ONLY IF THE DISTRICT LIBRARY  
11 REMITS TO THE RETIREMENT SYSTEM THE AMOUNT REQUIRED BY  
12 SECTION 42, THE PERCENTAGE OF AGGREGATE ANNUAL COMPENSATION  
13 DETERMINED FOR CURRENT SERVICE AS REQUIRED BY SECTION 41, AND THE  
14 PERCENTAGE DETERMINED FOR UNFUNDED ACCRUED SERVICE AS REQUIRED BY  
15 SECTION 41.

16 (3) THE REMITTANCES DESCRIBED IN SUBSECTION (2) ARE THE  
17 EXCLUSIVE OBLIGATION OF THE DISTRICT LIBRARY AND SHALL NOT BE A  
18 SEPARATE OBLIGATION BY SPECIFIC REIMBURSEMENT OR OTHERWISE OF THE  
19 STATE.

20 (4) AS USED IN THIS SECTION:

21 (A) "DISTRICT LIBRARY" MEANS A LIBRARY ESTABLISHED PURSUANT  
22 TO SECTION 3 OF THE DISTRICT LIBRARY ESTABLISHMENT ACT, ACT  
23 NO. 24 OF THE PUBLIC ACTS OF 1989, BEING SECTION 397.173 OF THE  
24 MICHIGAN COMPILED LAWS.

25 (B) "DISTRICT LIBRARY AGREEMENT" MEANS THAT TERM AS USED IN  
26 THE DISTRICT LIBRARY ESTABLISHMENT ACT, ACT NO. 24 OF THE PUBLIC

1 ACTS OF 1989, BEING SECTIONS 397.171 TO 397.196 OF THE MICHIGAN  
2 COMPILED LAWS.

3 (C) "DISTRICT LIBRARY BOARD" MEANS THAT TERM AS USED IN THE  
4 DISTRICT LIBRARY ESTABLISHMENT ACT, ACT NO. 24 OF THE PUBLIC ACTS  
5 OF 1989.

6 (D) "PARTICIPATING MUNICIPALITIES" MEANS THAT TERM AS USED  
7 IN THE DISTRICT LIBRARY ESTABLISHMENT ACT, ACT NO. 24 OF THE  
8 PUBLIC ACTS OF 1989.