

# HOUSE BILL No. 5798

May 22, 1990, Introduced by Rep. Jacobetti and referred to the Committee on Appropriations.

A bill to amend section 41 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  
section 38.1341 of the Michigan Compiled Laws.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Section 1. Section 41 of Act No. 300 of the Public Acts of  
2 1980, as amended by Act No. 194 of the Public Acts of 1989, being  
3 section 38.1341 of the Michigan Compiled Laws, is amended to read  
4 as follows:

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  
8 valuation pursuant to subsection (2) upon the basis of the risk  
9 assumptions that the retirement board and the department adopt

1 after consultation with the state treasurer and an actuary. An  
2 annual actuarial valuation shall be made of the retirement system  
3 in order to determine the actuarial condition of the retirement  
4 system and the required contribution to the retirement system.  
5 An annual actuarial gain-loss experience study of the retirement  
6 system shall be made in order to determine the financial effect  
7 of variations of actual retirement system experience from  
8 projected experience.

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

1 cost contributions and the actuarial value of assets on the  
2 valuation date.

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

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

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

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

23       (7) Not later than 90 days after termination of each state  
24 fiscal year, the ~~department~~ EXECUTIVE SECRETARY OF THE RETIRE-  
25 MENT BOARD shall certify to the superintendent of public instruc-  
26 tion and the director of the department the actual aggregate  
27 compensation paid to public school employees during the preceding

1 state fiscal year. Upon receipt of that certification the  
2 superintendent of public instruction and the director of the  
3 department shall compute any adjustment required TO THE AMOUNT  
4 INCLUDED IN THE ANNUAL APPROPRIATIONS ACT FOR THE PRECEDING STATE  
5 FISCAL YEAR due to a difference between the estimated and the  
6 actual aggregate compensation AND THE ESTIMATED AND THE ACTUAL  
7 ACTUARIAL EMPLOYER CONTRIBUTION RATE. ~~The~~ EXCEPT AS OTHERWISE  
8 PROVIDED IN THIS SUBSECTION, THE difference, if any, shall be  
9 submitted in the executive budget to the legislature for appro-  
10 priation in the next succeeding state fiscal year. HOWEVER, A  
11 MINIMUM OF 20% OF THE DIFFERENCE, IF ANY, MAY BE SUBMITTED IN THE  
12 EXECUTIVE BUDGET TO THE LEGISLATURE FOR APPROPRIATION IN THE NEXT  
13 SUCCEEDING STATE FISCAL YEAR AND A MINIMUM OF 25% OF THE REMAIN-  
14 ING DIFFERENCE SHALL BE SUBMITTED IN THE EXECUTIVE BUDGET TO THE  
15 LEGISLATURE FOR APPROPRIATION IN EACH OF THE NEXT 4 SUCCEEDING  
16 STATE FISCAL YEARS, OR UNTIL 100% OF THE REMAINING DIFFERENCE IS  
17 SUBMITTED, WHICHEVER FIRST OCCURS. IN ADDITION, INTEREST SHALL  
18 BE INCLUDED FOR EACH YEAR THAT A PORTION OF THE REMAINING DIFFER-  
19 ENCE IS CARRIED FORWARD. THE INTEREST SHALL EQUAL THE ACTUARI-  
20 ALLY ASSUMED RATE OF INVESTMENT RETURN FOR THE STATE FISCAL YEAR  
21 IN WHICH PAYMENT IS MADE.

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

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