



HOUSE BILL No. 5173

December 8, 1999, Introduced by Reps. Jellema, Pappageorge, Kelly, Jelinek, Kuipers, Stamas and Richner and referred to the Committee on Senior Health, Security and Retirement.

A bill to amend 1980 PA 300, entitled
"The public school employees retirement act of 1979,"
by amending section 104a (MCL 38.1404a), as amended by 1998 PA
213.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 104a. (1) After the end of each state fiscal year, the
2 department shall determine the rate of investment return earned
3 on retirement system assets during the fiscal year, based upon
4 methods established by the retirement board.

5 (2) At the end of each state fiscal year, the retirement
6 system's actuary shall determine the present value of retirement
7 allowances to be paid after the end of the fiscal year to retir-
8 ants and retirement allowance beneficiaries, EXCEPT RETIRANTS AND
9 RETIREMENT ALLOWANCE BENEFICIARIES OF THE MEMBER INVESTMENT PLAN
10 RECEIVING A RETIREMENT ALLOWANCE UNDER SECTION 43C, in receipt of

1 retirement allowances at the end of the fiscal period. The
2 assumed interest rate used in the determination shall be 8% per
3 year, compounded annually.

4 (3) The distribution income at the end of each state fiscal
5 year shall be equal to the product of the present value of
6 retirement allowances determined in subsection (2) at the end of
7 the previous fiscal year times the positive excess, if any, of
8 the rate of investment return determined in subsection (1)
9 exceeding 8%. The distribution income calculated pursuant to
10 this subsection at the end of the fiscal years 1984-85 and
11 1985-86 shall be reduced by the cost of prior postretirement
12 adjustments paid from the appropriated credit for excess interest
13 earnings on retired life assets during the fiscal year pursuant
14 to sections 101, 102, 103, and 104.

15 (4) After the end of each state fiscal year, each retirant
16 and retirement allowance beneficiary in receipt of a retirement
17 allowance at the end of the fiscal year, EXCEPT RETIRANTS AND
18 RETIREMENT ALLOWANCE BENEFICIARIES OF THE MEMBER INVESTMENT PLAN
19 RECEIVING A RETIREMENT ALLOWANCE UNDER SECTION 43C, and whose
20 effective date of retirement allowance preceded the beginning of
21 that fiscal year, shall be credited with 1 distribution unit for
22 each full year between the effective date of retirement and the
23 end of the fiscal year and 1 distribution unit for each full year
24 of service credit in force on the effective date of retirement.
25 Distribution units shall not accumulate from 1 year to the next
26 year.

1 (5) The distribution amount for an individual retirant or
2 retirement allowance beneficiary shall be equal to the product of
3 the distribution income determined in subsection (3) times the
4 individual's number of distribution units determined in subsec-
5 tion (4) divided by the total number of distribution units for
6 all eligible retirants and retirement allowance beneficiaries in
7 receipt of retirement allowances at the end of the fiscal year,
8 EXCEPT RETIRANTS AND RETIREMENT ALLOWANCE BENEFICIARIES OF THE
9 MEMBER INVESTMENT PLAN RECEIVING A RETIREMENT ALLOWANCE UNDER
10 SECTION 43C. The distribution amount for an individual retirant
11 or retirement allowance beneficiary of a retirant or member who
12 contributed to the member investment plan is zero.

13 (6) Each retirement allowance that was effective on or
14 before January 1, 1987 shall be increased effective on the later
15 of January 1, 1986 or the retirement allowance effective date.
16 The amount of the increase shall be 8% of the retirement allow-
17 ance that would be payable as of the date of the increase without
18 application of this subsection, except that if the retirement
19 allowance is being paid under section 85(2), the increase shall
20 be based on the retirement allowance that would have been paid
21 under the payment option selected by the member under section
22 85(1).

23 (7) Until and including October 1, 1989, each retirement
24 allowance that was effective on or before January 1, 1987 shall
25 be increased each October 1 beginning with the later of
26 October 1, 1986 or the first October 1 following the retirement
27 allowance effective date. The amount of the annual increase

1 shall be equal to 40.5% of the increase computed in subsection
2 (6).

3 (8) After the end of each state fiscal year, the cumulative
4 increase amount shall be computed for each retirant or retirement
5 allowance beneficiary affected by subsections (6), (7), and
6 (11). The cumulative increase amount shall be equal to the dif-
7 ference between the total retirement allowance paid during the
8 state fiscal year and the retirement allowance that would have
9 been payable without application of subsections (6), (7), and
10 (11). The cumulative increase amount for any retirant or retire-
11 ment allowance beneficiary RECEIVING A RETIREMENT ALLOWANCE UNDER
12 SECTION 43C whose effective date of retirement is after
13 January 1, 1987 is zero.

14 (9) In March of each year, ~~beginning in March, 1986,~~ each
15 retirant or retirement allowance beneficiary shall be paid, in a
16 single supplemental payment, the excess, if any, of the distribu-
17 tion amount over the cumulative increase amount for the previous
18 state fiscal year. If a retirant dies before receipt of a sup-
19 plemental payment, the supplemental payment shall be made to the
20 retirant's retirement allowance beneficiary, if any. If both the
21 retirant and the retirement allowance beneficiary die before
22 receipt of a supplemental payment, no payment shall be made.

23 (10) Each retirement allowance that was effective before
24 October 1, 1981 shall be increased effective January 1, 1990.
25 The amount of the increase shall be a percentage of the retire-
26 ment allowance that is payable as of January 1, 1990 without
27 application of this subsection, except that if the retirement

1 allowance is being paid under section 85(2), the increase shall
 2 be based on the retirement allowance that would have been paid
 3 under the payment option selected under section 85(1). The per-
 4 centage is as follows:

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6	<u>Effective date of retirement</u>	<u>Percentage</u>
7	October 1, 1980 to September 30, 1981	1%
8	October 1, 1979 to September 30, 1980	2%
9	October 1, 1978 to September 30, 1979	3%
10	October 1, 1977 to September 30, 1978	4%
11	October 1, 1976 to September 30, 1977	5%
12	October 1, 1975 to September 30, 1976	6%
13	October 1, 1974 to September 30, 1975	7%
14	October 1, 1973 to September 30, 1974	8%
15	October 1, 1972 to September 30, 1973	9%

1	October 1, 1971 to September 30, 1972	10%
2	October 1, 1970 to September 30, 1971	11%
3	October 1, 1969 to September 30, 1970	12%
4	October 1, 1968 to September 30, 1969	13%
5	October 1, 1967 to September 30, 1968	14%
6	October 1, 1966 to September 30, 1967	15%
7	October 1, 1965 to September 30, 1966	16%
8	October 1, 1964 to September 30, 1965	17%
9	October 1, 1963 to September 30, 1964	18%
10	October 1, 1962 to September 30, 1963	19%
11	October 1, 1961 to September 30, 1962	20%
12	October 1, 1960 to September 30, 1961	21%
13	Before October 1, 1960	22%
14	(11) Each retirement allowance that was effective on or	
15	before January 1, 1987 shall be increased each October 1.	

1 ~~beginning October 1, 1990.~~ The amount of the annual increase
2 shall be equal to 3% of the retirement allowance that would be
3 payable without application of this subsection, except that if
4 the retirement allowance is being paid under section 85(2), the
5 increase shall be based on the retirement allowance that would
6 have been paid under the payment option selected under section
7 85(1).