HOUSE BILL No. 4951

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July 13, 1993, Introduced by Rep. Gilmer 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. 158 of the Public Acts of 1992, being section 38.1341 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

Section 1. Section 41 of Act No. 300 of the Public Acts of 1980, as amended by Act No. 158 of the Public Acts of 1992, being section 38.1341 of the Michigan Compiled Laws, is amended to read as follows:

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 that the retirement board and the department adopt after consultation with the state treasurer and an actuary. An annual actuarial valuation shall be made of the retirement system in order to determine the actuarial condition of the retirement system and the required contribution to the retirement system. An annual actuarial gain-loss experience study of the retirement system shall be made in order to determine the financial effect of variations of actual retirement system experience from projected experience.

(2) The contribution rate for benefits payable in the event of the death of a member before retirement or the disability of a member shall be computed using a terminal funding method of valuation. Except as otherwise provided in this subsection, the contribution rate for other benefits ~~, including health benefits,~~ shall be computed using an individual projected benefit entry age normal cost method of valuation. ~~For the 1992-93 state fiscal year, the~~ THE contribution rate for health benefits shall be computed using a cash disbursement method. The contribution rate for service likely to be rendered in the current year, the normal cost contribution rate, shall be equal to the aggregate amount of individual projected benefit entry age normal costs divided by 1% of the aggregate amount of active members' valuation compensation. The contribution rate for unfunded service rendered before the valuation date, the unfunded actuarial accrued liability contribution rate, shall be the aggregate amount of unfunded actuarial accrued liabilities divided by 1% of the actuarial present value over a period not to exceed 50 years of projected valuation compensation, where unfunded actuarial

accrued liabilities are equal to the actuarial present value of benefits reduced by the actuarial present value of future normal cost contributions and the actuarial value of assets on the valuation date.

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

(4) Before November 1 of each year the department shall certify to the superintendent of public instruction and the director of the department the aggregate compensation estimated to be paid public school employees for the current state fiscal year.

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

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

(7) Not later than 90 days after termination of each state fiscal year, the executive secretary of the retirement board shall certify to the superintendent of public instruction and the

director of the department the actual aggregate compensation paid to public school employees during the preceding state fiscal year. Upon receipt of that certification the superintendent of public instruction and the director of the department shall compute any adjustment required to the amount included in the annual appropriations act for the preceding state fiscal year due to a difference between the estimated and the actual aggregate compensation and the estimated and the actual actuarial employer contribution rate. Except as otherwise provided in subsection (10), the difference, if any, shall be submitted in the executive budget to the legislature for appropriation in the next succeeding state fiscal year.

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

(9) The amounts required for the employer's share of social security contributions for employees of the reporting units shall be appropriated annually. The appropriation shall be paid from the state school aid fund for employees of a public school district or intermediate school district and from the general fund of this state for employees who are other public school employees. The appropriation for each public school district and intermediate school district shall be distributed monthly by the department of education. The reporting unit shall forward employee and employer social security contributions and reports

as required by the federal old-age, survivors, disability, and hospital insurance provisions of title II of the social security act, CHAPTER 531, 49 STAT. 620, 42 U.S.C. 401 TO 405, 406 TO 418, 420 TO 423, 424a TO 426, AND 427 TO 433. This subsection does not apply to employees of a district library as defined in section 69g.

(10) For differences occurring in fiscal years beginning on or after October 1, 1988, a minimum of 20% of the difference between the estimated and the actual aggregate compensation and the estimated and the actual actuarial employer contribution rate described in subsection (7), if any, may be submitted in the executive budget to the legislature for appropriation in the next succeeding state fiscal year and a minimum of 25% of the remaining difference shall be submitted in the executive budget to the legislature for appropriation in each of the ~~next~~ FOLLOWING 4 ~~succeeding~~ state fiscal years, or until 100% of the remaining difference is submitted, whichever first occurs. In addition, interest shall be included for each year that a portion of the remaining difference is carried forward. The interest RATE shall equal the actuarially assumed rate of investment return for the state fiscal year in which payment is made. ~~This subsection does not apply after September 30, 1993.~~