

# HOUSE BILL No. 4577

March 12, 2009, Introduced by Reps. Warren, Gregory, Smith, Bauer and Polidori and referred to the Committee on Labor.

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  
8 retirants and retirement allowance beneficiaries in receipt of  
9 retirement allowances at the end of the fiscal period. The

1 assumed interest rate used in the determination shall be 8% per  
2 year, compounded annually.

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

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

23 (5) The distribution amount for an individual retirant or  
24 retirement allowance beneficiary shall be equal to the product of  
25 the distribution income determined in subsection (3) times the  
26 individual's number of distribution units determined in  
27 subsection (4) divided by the total number of distribution units

1 for all eligible retirants and retirement allowance beneficiaries  
2 in receipt of retirement allowances at the end of the fiscal  
3 year. The distribution amount for an individual retirant or  
4 retirement allowance beneficiary of a retirant or member who  
5 contributed to the member investment plan is zero.

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

16 (7) Until and including October 1, 1989, each retirement  
17 allowance that was effective on or before January 1, 1987 shall  
18 be increased each October 1 beginning with the later of October  
19 1, 1986 or the first October 1 following the retirement allowance  
20 effective date. The amount of the annual increase shall be equal  
21 to 40.5% of the increase computed in subsection (6).

22 (8) After the end of each state fiscal year, the cumulative  
23 increase amount shall be computed for each retirant or retirement  
24 allowance beneficiary affected by subsections (6), (7), and (11).  
25 The cumulative increase amount shall be equal to the difference  
26 between the total retirement allowance paid during the state  
27 fiscal year and the retirement allowance that would have been

1 payable without application of subsections (6), (7), and (11).  
 2 The cumulative increase amount for any retirant or retirement  
 3 allowance beneficiary whose effective date of retirement is after  
 4 January 1, 1987 is zero.

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

14 (10) Each retirement allowance that was effective before  
 15 October 1, 1981 shall be increased effective January 1, 1990. The  
 16 amount of the increase shall be a percentage of the retirement  
 17 allowance that is payable as of January 1, 1990 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 under section 85(1). The  
 22 percentage is as follows:

23	<u>Effective date of retirement</u>	<u>Percentage</u>
24	October 1, 1980 to September 30, 1981	1%
25	October 1, 1979 to September 30, 1980	2%
26	October 1, 1978 to September 30, 1979	3%
27	October 1, 1977 to September 30, 1978	4%

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

19           (11) Each retirement allowance that was effective on or  
20 before January 1, 1987 shall be increased each October 1  
21 beginning October 1, 1990. The amount of the annual increase  
22 shall be equal to 3% of the retirement allowance that would be  
23 payable without application of this subsection, except that if  
24 the retirement allowance is being paid under section 85(2), the  
25 increase shall be based on the retirement allowance that would  
26 have been paid under the payment option selected under section  
27 85(1).

28           **(12) BEGINNING JANUARY 1, 2010, THE MONTHLY RETIREMENT**  
29 **ALLOWANCE PAYABLE TO A RETIRANT OR RETIREMENT ALLOWANCE**

1 BENEFICIARY WHOSE RETIREMENT ALLOWANCE EFFECTIVE DATE WAS BEFORE  
 2 OCTOBER 1, 1990 IS SUPPLEMENTED AS FOLLOWS:

3	<u>EFFECTIVE DATE OF RETIREMENT</u>	<u>PERCENT OF</u>
4		<u>INCREASE</u>
5	OCTOBER 1, 1989 TO SEPTEMBER 30, 1990	4
6	OCTOBER 1, 1988 TO SEPTEMBER 30, 1989	6
7	OCTOBER 1, 1987 TO SEPTEMBER 30, 1988	8
8	OCTOBER 1, 1986 TO SEPTEMBER 30, 1987	10
9	OCTOBER 1, 1985 TO SEPTEMBER 30, 1986	12
10	OCTOBER 1, 1984 TO SEPTEMBER 30, 1985	14
11	OCTOBER 1, 1983 TO SEPTEMBER 30, 1984	16
12	OCTOBER 1, 1982 TO SEPTEMBER 30, 1983	18
13	OCTOBER 1, 1981 TO SEPTEMBER 30, 1982	20
14	OCTOBER 1, 1980 TO SEPTEMBER 30, 1981	22
15	OCTOBER 1, 1979 TO SEPTEMBER 30, 1980	24
16	OCTOBER 1, 1978 TO SEPTEMBER 30, 1979	26
17	OCTOBER 1, 1977 TO SEPTEMBER 30, 1978	28
18	BEFORE OCTOBER 1, 1977	30

19 (13) THE RECALCULATED RETIREMENT ALLOWANCE IN SUBSECTION  
 20 (12) SHALL BE BASED UPON THE RETIREMENT ALLOWANCE THE RETIRANT OR  
 21 THE RETIREMENT ALLOWANCE BENEFICIARY IS ENTITLED TO RECEIVE AS OF  
 22 SEPTEMBER 30, 2009 AND SHALL BE THE BASIS ON WHICH FUTURE  
 23 ADJUSTMENTS TO THE ALLOWANCE ARE CALCULATED.