

**SENATE BILL NO. 1147**

May 19, 1998, Introduced by Senator DE GROW and referred to the  
Committee on Appropriations.

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 1989 PA  
194.

**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 DURING THE FISCAL YEAR on THAT PORTION OF retirement system  
4 assets ~~during the fiscal year~~ THAT IS NOT ATTRIBUTABLE TO  
5 RETIRANTS, RETIREMENT ALLOWANCE BENEFICIARIES, AND MEMBERS WHO  
6 CONTRIBUTED TO THE MEMBER INVESTMENT PLAN, based upon methods  
7 established by the retirement board.  
8       (2) At the end of each state fiscal year, the retirement  
9 system's actuary shall determine the present value of retirement  
10 allowances to be paid after the end of the fiscal year to

1 retirants and retirement allowance beneficiaries, EXCEPT  
2 RETIRANTS, RETIREMENT ALLOWANCE BENEFICIARIES, AND MEMBERS WHO  
3 CONTRIBUTED TO THE MEMBER INVESTMENT PLAN, in receipt of retire-  
4 ment allowances at the end of the fiscal period. The assumed  
5 interest rate used in the determination shall be 8% per year,  
6 compounded annually.

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

18 (4) After the end of each state fiscal year, each retirant  
19 and retirement allowance beneficiary in receipt of a retirement  
20 allowance at the end of the fiscal year, EXCEPT RETIRANTS,  
21 RETIREMENT ALLOWANCE BENEFICIARIES, AND MEMBERS WHO CONTRIBUTED  
22 TO THE MEMBER INVESTMENT PLAN, and whose effective date of  
23 retirement allowance preceded the beginning of that fiscal year,  
24 shall be credited with 1 distribution unit for each full year  
25 between the effective date of retirement and the end of the  
26 fiscal year and 1 distribution unit for each full year of service  
27 credit in force on the effective date of retirement.

1 Distribution units shall not accumulate from 1 year to the next  
2 year.

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

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

25 (7) Until and including October 1, 1989, each retirement  
26 allowance that was effective on or before January 1, 1987 shall  
27 be increased each October 1 beginning with the later of

1 October 1, 1986 or the first October 1 following the retirement  
2 allowance effective date. The amount of the annual increase  
3 shall be equal to 40.5% of the increase computed in subsection  
4 (6).

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

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

24 (10) Each retirement allowance that was effective before  
25 October 1, 1981 shall be increased effective January 1, 1990.  
26 The amount of the increase shall be a percentage of the  
27 retirement allowance that is payable as of January 1, 1990

1 without application of this subsection, except that if the  
 2 retirement allowance is being paid under section 85(2), the  
 3 increase shall be based on the retirement allowance that would  
 4 have been paid under section 85(1)(a), (b), or (c). The percen-  
 5 tage is as follows:

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7	<u>Effective date of retirement</u>	<u>Percentage</u>
8	October 1, 1980 to September 30, 1981	1%
9	October 1, 1979 to September 30, 1980	2%
10	October 1, 1978 to September 30, 1979	3%
11	October 1, 1977 to September 30, 1978	4%
12	October 1, 1976 to September 30, 1977	5%
13	October 1, 1975 to September 30, 1976	6%
14	October 1, 1974 to September 30, 1975	7%
15	October 1, 1973 to September 30, 1974	8%
16	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 section 85(1)(a), (b), or (c).