



HOUSE BILL No. 6159

November 28, 2000, Introduced by Rep. Brewer 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 sections 41 and 91 (MCL 38.1341 and 38.1391), section
41 as amended by 1997 PA 143 and section 91 as amended by 1998 PA
85.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 41. (1) The annual level percentage of payroll contri-
2 bution rate to finance benefits being provided and to be provided
3 by the retirement system shall be determined by actuarial valua-
4 tion pursuant to subsection (2) upon the basis of the risk
5 assumptions that the retirement board and the department adopt
6 after consultation with the state treasurer and an actuary. An
7 annual actuarial valuation shall be made of the retirement system
8 in order to determine the actuarial condition of the retirement
9 system and the required contribution to the retirement system.

1 An annual actuarial gain-loss experience study of the retirement
2 system shall be made in order to determine the financial effect
3 of variations of actual retirement system experience from
4 projected experience.

5 (2) The contribution rate for benefits payable in the event
6 of the death of a member before retirement or the disability of a
7 member shall be computed using a terminal funding method of
8 valuation. ~~Except as otherwise provided in this subsection,~~
9 ~~the~~ THE contribution rate for other benefits, INCLUDING HEALTH
10 BENEFITS, shall be computed using an individual projected benefit
11 entry age normal cost method of valuation. ~~For the 1995-96~~
12 ~~state fiscal year and for each subsequent fiscal year, the con-~~
13 ~~tribution rate for health benefits provided under section 91~~
14 ~~shall be computed using a cash disbursement method.~~ The contri-
15 bution rate for service likely to be rendered in the current
16 year, the normal cost contribution rate, shall be equal to the
17 aggregate 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) Before November 1 of each year, the executive secretary
4 of the retirement board shall certify to the director of the
5 department the aggregate compensation estimated to be paid public
6 school employees for the current state fiscal year.

7 (4) On the basis of the estimate under subsection (3), the
8 annual actuarial valuation, and any adjustment required under
9 subsection (6), the director of the department shall compute the
10 sum due and payable to the retirement system and shall certify
11 this amount to the reporting units.

12 (5) The reporting units shall make payment of the amount
13 certified under subsection (4) to the director of the department
14 in 12 equal monthly installments.

15 (6) Not later than 90 days after termination of each state
16 fiscal year, the executive secretary of the retirement board
17 shall certify to the director of the department and each report-
18 ing unit the actual aggregate compensation paid to public school
19 employees during the preceding state fiscal year. Upon receipt
20 of that certification, the director of the department shall com-
21 pute any adjustment required to the amount due to a difference
22 between the estimated and the actual aggregate compensation and
23 the estimated and the actual actuarial employer contribution
24 rate. The difference, if any, shall be paid as provided in
25 subsection (9).

26 (7) The director of the department may require evidence of
27 correctness and may conduct an audit of the aggregate

1 compensation that the director of the department considers
2 necessary to establish its correctness.

3 (8) A reporting unit shall forward employee and employer
4 social security contributions and reports as required by the fed-
5 eral old-age, survivors, disability, and hospital insurance pro-
6 visions of title II of the social security act, chapter 531, 49
7 Stat. 620, 42 U.S.C. 401 to 405, 406 to 418, 420 to 423, 424a to
8 426-1, and 427 to 433.

9 (9) For an employer of an employee of a local public school
10 district or an intermediate school district, for differences
11 occurring in fiscal years beginning on or after October 1, 1993,
12 a minimum of 20% of the difference between the estimated and the
13 actual aggregate compensation and the estimated and the actual
14 actuarial employer contribution rate described in subsection (6),
15 if any, shall be paid by that employer in the next succeeding
16 state fiscal year and a minimum of 25% of the remaining differ-
17 ence shall be paid by that employer in each of the following
18 4 state fiscal years, or until 100% of the remaining difference
19 is submitted, whichever first occurs. For an employer of other
20 public school employees, for differences occurring in fiscal
21 years beginning on or after October 1, 1991, a minimum of 20% of
22 the difference between the estimated and the actual aggregate
23 compensation and the estimated and the actual actuarial employer
24 contribution rate described in subsection (6), if any, shall be
25 paid by that employer in the next succeeding state fiscal year
26 and a minimum of 25% of the remaining difference shall be paid by
27 that employer in each of the following 4 state fiscal years, or

1 until 100% of the remaining difference is submitted, whichever
2 first occurs. In addition, interest shall be included for each
3 year that a portion of the remaining difference is carried
4 forward. The interest rate shall equal the actuarially assumed
5 rate of investment return for the state fiscal year in which pay-
6 ment is made.

7 (10) Beginning on the designated date, all assets held by
8 the retirement system shall be reassigned their fair market
9 value, as determined by the state treasurer, as of the designated
10 date, and in calculating any unfunded actuarial accrued liabili-
11 ties, any market gains or losses incurred before the designated
12 date shall not be considered by the retirement system's
13 actuaries.

14 (11) Beginning on the designated date, the actuary used by
15 the retirement board shall assume a rate of return on investments
16 of 8.00% per annum, as of the designated date, which rate may
17 only be changed with the approval of the retirement board and the
18 director of the department.

19 (12) Beginning on the designated date, the value of assets
20 used shall be based on a method that spreads over a 5-year period
21 the difference between actual and expected return occurring in
22 each year after the designated date and such methodology may only
23 be changed with the approval of the retirement board and the
24 director of the department.

25 (13) Beginning on the designated date, the actuary used by
26 the retirement board shall use a salary increase assumption that
27 projects annual salary increases of 4%. In addition to the 4%,

1 the retirement board shall use an additional percentage based
2 upon an age-related scale to reflect merit, longevity, and promo-
3 tional salary increase. The actuary shall use this assumption
4 until a change in the assumption is approved in writing by the
5 retirement board and the director of the department.

6 Sec. 91. (1) The retirement system shall pay the entire
7 monthly premium or membership or subscription fee for hospital,
8 medical-surgical, and sick care benefits for the benefit of a
9 retirant or retirement allowance beneficiary who elects coverage
10 in ~~the plan authorized by the retirement board and the~~
11 ~~department.~~ EITHER OF THE FOLLOWING:

12 (A) A PLAN AUTHORIZED BY THE RETIREMENT BOARD AND THE
13 DEPARTMENT.

14 (B) THE PLAN OFFERED TO PUBLIC SCHOOL EMPLOYEES FOR HOSPI-
15 TAL, MEDICAL-SURGICAL, AND SICK CARE BENEFITS IN THE DISTRICT
16 WHERE THE RETIRANT WAS LAST EMPLOYED AS A PUBLIC SCHOOL EMPLOYEE.

17 (2) The retirement system may pay up to the maximum of the
18 amount payable under subsection (1) toward the monthly premium
19 for hospital, medical-surgical, and sick care benefits for the
20 benefit of a retirant or retirement allowance beneficiary
21 enrolled in a group health insurance or prepaid service plan not
22 authorized ~~by the retirement board and the department~~ UNDER
23 SUBSECTION (1), if enrolled before June 1, 1975, for whom the
24 retirement system on July 18, 1983 was making a payment towards
25 his or her monthly premium.

26 (3) A retirant or retirement allowance beneficiary receiving
27 hospital, medical-surgical, and sick care benefits coverage under

1 subsection (1) or (2), until eligible for medicare, shall have an
2 amount equal to the cost chargeable to a medicare recipient for
3 part B of medicare deducted from his or her retirement
4 allowance.

5 (4) The retirement system shall pay 90% of the monthly pre-
6 mium or membership or subscription fee for dental, vision, and
7 hearing benefits for the benefit of a retirant or retirement
8 allowance beneficiary who elects coverage in the plan authorized
9 by the retirement board and the department. Payments shall begin
10 under this subsection upon approval by the retirement board and
11 the department of plan coverage and a plan provider.

12 (5) The retirement system shall pay up to 90% of the maximum
13 of the amount payable under subsection (1) toward the monthly
14 premium or membership or subscription fee for hospital,
15 medical-surgical, and sick care benefits coverage described in
16 subsections (1) and (2) for each health insurance dependent of a
17 retirant receiving benefits under subsection (1) or (2). Payment
18 shall not exceed 90% of the actual monthly premium or membership
19 or subscription fee. The retirement system shall pay 90% of the
20 monthly premium or membership or subscription fee for dental,
21 vision, and hearing benefits described in subsection (4) for the
22 benefit of each health insurance dependent of a retirant receiv-
23 ing benefits under subsection (4). Payment for health benefits
24 coverage for a health insurance dependent of a retirant shall not
25 be made after the retirant's death, unless the retirant desig-
26 nated a retirement allowance beneficiary as provided in
27 section 85 and the dependent was covered or eligible for coverage

1 as a health insurance dependent of the retirant on the retirant's
2 date of death. Payment for health benefits coverage shall not be
3 made for a health insurance dependent after the later of the
4 retirant's death or the retirement allowance beneficiary's
5 death. Payment under this subsection and subsection (6) began
6 October 1, 1985 for health insurance dependents who on July 10,
7 1985 were covered by the hospital, medical-surgical, and sick
8 care benefits plan authorized ~~by the retirement board and the~~
9 ~~department~~ UNDER SUBSECTION (1). Payment under this subsection
10 and subsection (6) for other health insurance dependents shall
11 not begin before January 1, 1986.

12 (6) The payment described in subsection (5) shall also be
13 made for each health insurance dependent of a deceased member or
14 deceased duty disability retirant if a retirement allowance is
15 being paid to a retirement allowance beneficiary because of the
16 death of the member or duty disability retirant as provided in
17 section 43c(c), 89, or 90. Payment for health benefits coverage
18 for a health insurance dependent shall not be made after the
19 retirement allowance beneficiary's death.

20 (7) The payments provided by this section shall not be made
21 on behalf of a retiring section 82 deferred member or health
22 insurance dependent of a deferred member having less than 21 full
23 years of attained credited service or the retiring deferred
24 member's retirement allowance beneficiary, and shall not be made
25 on behalf of a retirement allowance beneficiary of a deferred
26 member who dies before retiring. The retirement system shall
27 pay, on behalf of a retiring section 82 deferred member or health

1 insurance dependent of a deferred member or a retirement
 2 allowance beneficiary of a deceased deferred member, either of
 3 whose allowance is based upon not less than 21 years of attained
 4 credited service, 10% of the payments provided by this section,
 5 increased by 10% for each attained full year of credited service
 6 beyond 21 years, not to exceed 100%. This subsection applies to
 7 any member who attains deferred status under section 82 after
 8 October 31, 1980.

9 (8) Any retirant or retirement allowance beneficiary
 10 excluded from payments under this section may participate in the
 11 hospital, medical-surgical, and sick care benefits plan, the
 12 dental plan, vision plan, or hearing plan, or any combination of
 13 the plans described in this section in the manner prescribed by
 14 the retirement system at his or her own cost.

15 (9) ~~The~~ A hospital, medical-surgical, and sick care bene-
 16 fits plan AUTHORIZED BY THE RETIREMENT BOARD AND THE DEPARTMENT,
 17 AND THE dental plan, vision plan, and hearing plan that covers
 18 retirants, retirement allowance beneficiaries, and health insur-
 19 ance dependents pursuant to this section shall contain a coordi-
 20 nation of benefits provision that provides all of the following:

21 (a) If the person covered under the hospital,
 22 medical-surgical, and sick care benefits plan is also eligible
 23 for medicare or medicaid, or both, then the benefits under medi-
 24 care or medicaid, or both, shall be determined before the bene-
 25 fits of the hospital, medical-surgical, and sick care benefits
 26 plan provided pursuant to this section.

1 (b) If the person covered under any of the plans provided by
2 this section is also covered under another plan that contains a
3 coordination of benefits provision, the benefits shall be coordi-
4 nated as provided by the coordination of benefits act, 1984 PA
5 64, MCL 550.251 to 550.255.

6 (c) If the person covered under any of the plans provided by
7 this section is also covered under another plan that does not
8 contain a coordination of benefits provision, the benefits under
9 the other plan shall be determined before the benefits of the
10 plan provided pursuant to this section.

11 (10) For purposes of this section:

12 (a) "Health insurance dependent" means any of the
13 following:

14 (i) The spouse of the retirant or the surviving spouse to
15 whom the retirant or deceased member was married at the time of
16 the retirant's or deceased member's death.

17 (ii) An unmarried child, by birth or adoption, of the retir-
18 ant or deceased member, until December 31 of the calendar year in
19 which the child becomes 19 years of age.

20 (iii) An unmarried child, by birth or adoption, of the
21 retirant or deceased member, until December 31 of the calendar
22 year in which the child becomes 25 years of age, who is enrolled
23 as a full-time student, and who is or was at the time of the
24 retirant's or deceased member's death a dependent of the retirant
25 or deceased member as defined in section 152 of the internal rev-
26 enue code.

1 (iv) An unmarried child, by birth or adoption, of the
2 retirant or deceased member who is incapable of self-sustaining
3 employment because of mental or physical disability, and who is
4 or was at the time of the retirant's or deceased member's death a
5 dependent of the retirant or deceased member as defined in sec-
6 tion 152 of the internal revenue code.

7 (v) The parents of the retirant or deceased member, or the
8 parents of his or her spouse, who are residing in the household
9 of the retirant or retirement allowance beneficiary.

10 (b) "Medicaid" means benefits under the federal medicaid
11 program established under title XIX of the social security act,
12 chapter 531, 49 Stat. 620, 42 U.S.C. 1396 to 1396f, 1396g-1 to
13 1396r-6, and 1396r-8 to 1396v.

14 (c) "Medicare" means benefits under the federal medicare
15 program established under title XVIII of the social security act,
16 chapter 531, 49 Stat. 620, 42 U.S.C. 1395 to 1395b, 1395b-2,
17 1395b-6 to 1395b-7, 1395c to 1395i, 1395i-2 to 1395i-5, 1395j to
18 1395t, 1395u to 1395w, 1395w-2 to 1395w-4, 1395w-21 to 1395w-28,
19 1395x to 1395yy, and 1395bbb to 1395ggg.