

# HOUSE BILL No. 4912

June 13, 2007, Introduced by Reps. Wenke, Caswell, Knollenberg, Palmer, Ball, Acciavatti, Rick Jones, Hildenbrand, Stahl, Horn, Huizenga, Hune and Agema and referred to the Committee on Education.

A bill to amend 1980 PA 300, entitled "The public school employees retirement act of 1979," by amending sections 6, 7, 22, and 41a (MCL 38.1306, 38.1307, 38.1322, and 38.1341a), sections 6 and 7 as amended by 1995 PA 272, section 22 as amended by 1997 PA 143, and section 41a as amended by 1996 PA 488.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 6. (1) "Original member" means a member employed in  
2 Michigan public schools before July 1, 1945.

3           (2) "Out of system public education service" means service  
4 performed in public education meeting 1 or more of the following  
5 requirements:

6           (a) Performed in other states in the United States or its  
7 territorial possessions.

1 (b) Performed at the university of Michigan, Michigan state  
2 university, Wayne state university, Grand Valley state university,  
3 Oakland university, or Saginaw Valley university.

4 (c) Service purchased before January 31, 1991 and performed in  
5 a juvenile training school operated by a county in this state.

6 (d) Service purchased before January 31, 1991 and performed in  
7 a community mental health service program operated under former ~~Act~~  
8 ~~No. 54 of the Public Acts of 1963~~ **1963 PA 54** for the severely  
9 mentally retarded in day care programs, day training programs, or  
10 day care training programs that were transferred to an intermediate  
11 school district by direction of the department of education.

12 (e) Service purchased before January 31, 1991 and performed as  
13 an elementary or secondary teacher at a United States armed forces  
14 military base in the United States or a foreign country.

15 (f) Service purchased before January 31, 1991 and performed as  
16 a teacher or administrator of American nationals in overseas public  
17 elementary or secondary schools operated by the United States  
18 department of defense.

19 (g) Performed by a person who first becomes employed by an  
20 institution of higher education described in section 4, 5, or 6 of  
21 article VIII of the state constitution of 1963 on or after January  
22 1, 1996.

23 **(H) PERFORMED BY A PERSON WHO FIRST BECOMES EMPLOYED BY A TAX**  
24 **SUPPORTED COMMUNITY OR JUNIOR COLLEGE ON OR AFTER JANUARY 1, 2008.**

25 (3) "Prior service" means service performed before July 1,  
26 1945.

27 (4) Except as otherwise provided in this subsection, "public

1 school academy" means a public school academy established under  
2 part 6a ~~or 6b~~ of the **REVISED** school code, ~~of 1976, Act No. 451 of~~  
3 ~~the Public Acts of 1976, being sections 380.501 to 380.507 and~~  
4 ~~380.511 to 380.518 of the Michigan Compiled Laws 1976 PA 451, MCL~~  
5 **380.501 TO 380.507**. Public school academy does not include any of  
6 the following:

7 (a) A public school academy operated by a state public  
8 university that is not subject to the optional retirement act of  
9 1967, ~~Act No. 156 of the Public Acts of 1967, being sections 38.381~~  
10 ~~to 38.388 of the Michigan Compiled Laws 1967 PA 156, MCL 38.381 TO~~  
11 **38.388**.

12 (b) A public school academy corporation formed by a state  
13 public university that is not subject to ~~Act No. 156 of the Public~~  
14 ~~Acts of 1967~~ **THE OPTIONAL RETIREMENT ACT OF 1967, 1967 PA 156, MCL**  
15 **38.381 TO 38.388**.

16 (5) Except as otherwise provided in this subsection, "public  
17 school employee" means an employee of a public local school  
18 district, intermediate school district, public school academy, tax  
19 supported community or junior college, eastern Michigan university,  
20 central Michigan university, northern Michigan university, western  
21 Michigan university, Ferris state university, Michigan  
22 technological university, Lake Superior state university, or  
23 district library as defined in section 69g if the conditions in  
24 section 69g(1) are met for that employee. Service at Michigan  
25 technological university shall be creditable only if the amount of  
26 the accumulated contributions in the state employees' retirement  
27 system created by the state employees' retirement act, ~~Act No. 240~~

1 ~~of the Public Acts of 1943, being sections 38.1 to 38.48 of the~~  
2 ~~Michigan Compiled Laws 1943 PA 240, MCL 38.1 TO 38.69,~~ for service  
3 is paid to the retirement system. Service at Ferris state  
4 university shall be creditable as prior service or membership  
5 service only if the employee was employed at Ferris state  
6 university on a full-time basis for 2 or more years after May 17,  
7 1949. Until January 1, 1988, public school employee also includes a  
8 person holding a Michigan teacher certificate and serving as an  
9 employee of the Michigan high school athletic association, other  
10 than a person whose effective date of employment with the Michigan  
11 high school athletic association is on or after December 31, 1986.  
12 Public school employee includes a public school employee on an  
13 approved leave of absence. Public school employee does not include  
14 a person who first becomes employed by a university described in  
15 this subsection on or after January 1, 1996. **PUBLIC SCHOOL EMPLOYEE**  
16 **DOES NOT INCLUDE A PERSON WHO FIRST BECOMES EMPLOYED BY A TAX**  
17 **SUPPORTED COMMUNITY OR JUNIOR COLLEGE ON OR AFTER JANUARY 1, 2008.**

18       Sec. 7. (1) "Refund beneficiary" means 1 or more persons whom  
19 the member or former member nominates in writing and files with the  
20 retirement system for the purpose of being paid accumulated  
21 contributions in the event of the death of the member or former  
22 member. If a valid nomination is not on file, the retirement board  
23 shall pay the accumulated contributions to the legal representative  
24 of the deceased member or deceased former member, if any, or to the  
25 estate of the deceased member or deceased former member.

26       (2) "Regular interest" means interest at 1 or more rates per  
27 annum determined by the retirement board and compounded annually.

1           (3) Except as otherwise provided in this subsection,  
2 "reporting unit" means a public school district, intermediate  
3 school district, public school academy, tax supported community or  
4 junior college, or university, or an agency having employees on its  
5 payroll who are members of this retirement system. The reporting  
6 unit shall be the employer for purposes of this act. On and after  
7 January 1, 1996, reporting unit does not include a university,  
8 except to the extent that university has employees on its payroll  
9 who are members of this retirement system. **ON AND AFTER JANUARY 1,**  
10 **2008, REPORTING UNIT DOES NOT INCLUDE A TAX SUPPORTED COMMUNITY OR**  
11 **JUNIOR COLLEGE EXCEPT TO THE EXTENT THAT THE COMMUNITY OR JUNIOR**  
12 **COLLEGE HAS EMPLOYEES ON ITS PAYROLL WHO ARE MEMBERS OF THIS**  
13 **RETIREMENT SYSTEM.**

14           (4) "Retirant" means a member who retires with a retirement  
15 allowance payable from reserves of the retirement system.

16           (5) "Retirement allowance" means a payment for life or a  
17 temporary period provided for in this act to which a retirant,  
18 retirement allowance beneficiary, or refund beneficiary is  
19 entitled.

20           (6) "Retirement allowance beneficiary" means a person who is  
21 being paid or has entitlement to the payment of a retirement  
22 allowance in the event of the death of a member, deferred member,  
23 or retirant.

24           (7) "Retirement board" means the board provided to administer  
25 this retirement system.

26           (8) "Retirement system" means the Michigan public school  
27 employees' retirement system provided for in this act.

1           Sec. 22. (1) The Michigan public school employees' retirement  
2 board is created in the department and shall consist of the  
3 superintendent of public instruction and 11 members appointed by  
4 the governor with the advice and consent of the senate as follows:

5           (a) Two members who are working as classroom teachers or as  
6 other certified school personnel.

7           (b) One nonteacher member who is working in a noncertified  
8 educational support position or a retirant who retired from a  
9 noncertified educational support position.

10          (c) One member who is a school system superintendent.

11          (d) One member who is working in a school system in a finance  
12 or operations management position, but who is not a school system  
13 superintendent.

14          (e) One retirant who retired from a classroom teacher  
15 position.

16          (f) One retirant who retired from a finance or operations  
17 management position.

18 ~~(g) One administrator or trustee of a community college, which~~  
19 ~~community college is a reporting unit.~~

20          (G) ~~(h) Two~~ **THREE** from the general public, 1 of which shall  
21 have experience in health insurance or actuarial science and 1 of  
22 which shall have experience in institutional investments. An  
23 individual appointed under this subdivision shall not be a member,  
24 deferred member, retirant, or retirement allowance beneficiary  
25 under this act.

26          (H) ~~(i)~~ One elected member of a reporting unit's board of  
27 control.

1           (2) One of the retirement board members under subsection (1)  
2 shall be a member who is an employee of a school district of the  
3 first class or a retirant who retired from a position as an  
4 employee of a school district of the first class. One of the  
5 retirant members of the retirement board shall be selected from the  
6 membership of the largest organization of retirants.

7           (3) The term of office of the retirement board members shall  
8 be 4 years. A vacancy of a member on the retirement board shall be  
9 filled in the same manner as the original appointment for the  
10 remainder of the unexpired term. A retirement board member shall  
11 continue to hold office until a successor is appointed and has  
12 qualified, but not to exceed an additional 4 years.

13           (4) The 7 members appointed and serving on the retirement  
14 board on July 1, 1997 shall have their respective terms extended by  
15 2 years and shall serve for the remainder of their extended terms.  
16 As each board member's term expires under this subsection, the new  
17 appointment shall be made in accordance with subsection (1). On  
18 January 1, 1997, 2 new individuals shall be appointed as members of  
19 the retirement board in accordance with subsection (1). The initial  
20 terms of office of these 2 new members shall expire on March 30,  
21 2001. On October 31, 1997, 2 new individuals shall be appointed as  
22 members of the retirement board in accordance with subsection (1).  
23 The initial terms of office of these 2 new members shall expire on  
24 March 30, 2000.

25           Sec. 41a. (1) For fiscal years that begin on or after March  
26 28, 1996, the retirement system shall determine a separate  
27 contribution rate for a reporting unit that is a university listed

1 in section 6(5). The retirement system shall determine the separate  
2 contribution rate in the manner prescribed in section 41, except  
3 that the unfunded actuarial accrued liability shall be amortized  
4 over 40 years beginning October 1, 1996 and ending on September 30,  
5 2036, with the payment schedule for universities being based on and  
6 applied to the combined payrolls of the universities' employees who  
7 are members and who were hired before January 1, 1996 and the  
8 universities' employees who would have been members on or after  
9 January 1, 1996, but for the enactment of ~~Act No. 272 of the Public~~  
10 ~~Acts of 1995-1995 PA 272~~. The amount of the unfunded accrued  
11 liability on which the separate contribution rate is determined  
12 shall be that amount which a reporting unit that is a university  
13 listed in section 6(5) is legally responsible for and is calculated  
14 by actuarial analysis. Any reduction in the unfunded liability of  
15 the system pursuant to governmental action affecting the entire  
16 system will be allocated to all reporting units including  
17 universities as determined by the system's actuary.

18       **(2) FOR FISCAL YEARS THAT BEGIN ON OR AFTER MARCH 28, 2008,**  
19 **THE RETIREMENT SYSTEM SHALL DETERMINE A SEPARATE CONTRIBUTION RATE**  
20 **FOR A REPORTING UNIT THAT IS A TAX SUPPORTED COMMUNITY OR JUNIOR**  
21 **COLLEGE. THE RETIREMENT SYSTEM SHALL DETERMINE THE SEPARATE**  
22 **CONTRIBUTION RATE IN THE MANNER PRESCRIBED IN SECTION 41, EXCEPT**  
23 **THAT THE UNFUNDED ACTUARIAL ACCRUED LIABILITY SHALL BE AMORTIZED**  
24 **OVER 40 YEARS BEGINNING OCTOBER 1, 2008 AND ENDING ON SEPTEMBER 30,**  
25 **2048, WITH THE PAYMENT SCHEDULE FOR TAX SUPPORTED COMMUNITY OR**  
26 **JUNIOR COLLEGE EMPLOYEES BEING BASED ON AND APPLIED TO THE COMBINED**  
27 **PAYROLLS OF THE TAX SUPPORTED COMMUNITY OR JUNIOR COLLEGE EMPLOYEES**



1 WHO ARE MEMBERS AND WHO WERE HIRED BEFORE JANUARY 1, 2008 AND THE  
2 TAX SUPPORTED COMMUNITY OR JUNIOR COLLEGE EMPLOYEES WHO WOULD HAVE  
3 BEEN MEMBERS ON OR AFTER JANUARY 1, 2008, EXCEPT FOR THE ENACTMENT  
4 OF THE AMENDATORY ACT THAT ADDED THIS SUBSECTION. THE AMOUNT OF THE  
5 UNFUNDED ACCRUED LIABILITY ON WHICH THE SEPARATE CONTRIBUTION RATE  
6 IS DETERMINED SHALL BE THAT AMOUNT WHICH A REPORTING UNIT THAT IS A  
7 TAX SUPPORTED COMMUNITY OR JUNIOR COLLEGE IS LEGALLY RESPONSIBLE  
8 FOR AND IS CALCULATED BY ACTUARIAL ANALYSIS. ANY REDUCTION IN THE  
9 UNFUNDED LIABILITY OF THE SYSTEM PURSUANT TO GOVERNMENTAL ACTION  
10 AFFECTING THE ENTIRE SYSTEM WILL BE ALLOCATED TO ALL REPORTING  
11 UNITS INCLUDING TAX SUPPORTED COMMUNITY OR JUNIOR COLLEGES AS  
12 DETERMINED BY THE SYSTEM'S ACTUARY.