

**SUBSTITUTE FOR  
HOUSE BILL NO. 6378**

A bill to amend 1980 PA 300, entitled  
"The public school employees retirement act of 1979,"  
by amending sections 41, 42, and 42a (MCL 38.1341, 38.1342, and  
38.1342a), section 41 as amended by 2018 PA 181, section 42 as  
amended by 2017 PA 92, and section 42a as added by 2018 PA 328, and  
by adding sections 43h, 43i, and 43j.

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

1       Sec. 41. (1) The annual level percentage of payroll  
2 contribution rates to finance benefits being provided and to be  
3 provided by the retirement system must be determined by actuarial  
4 valuation under subsection (2) on the basis of the risk assumptions  
5 that the retirement board and the department adopt after  
6 consultation with the state treasurer and an actuary. An annual

1 actuarial valuation must be made of the retirement system to  
2 determine the actuarial condition of the retirement system and the  
3 required contribution to the retirement system. An annual actuarial  
4 gain-loss experience study of the retirement system must be made to  
5 determine the financial effect of variations of actual retirement  
6 system experience from projected experience.

7 (2) Except as otherwise provided in sections 41a and 41b, the  
8 annual contribution rates for benefits are subject to all of the  
9 following:

10 (a) Except as otherwise provided in this subdivision, the  
11 contribution rate for benefits must be computed using an individual  
12 projected benefit entry age normal cost method of valuation. If the  
13 contributions described in section 43e are determined by a final  
14 order of a court of competent jurisdiction for which all rights of  
15 appeal have been exhausted to be unconstitutional and the  
16 contributions are not deposited into the appropriate funding  
17 account referenced in section 43e, the contribution rate for health  
18 benefits provided under section 91 must be computed using a cash  
19 disbursement method.

20 (b) Subject to subdivision (c), the contribution rate for  
21 service likely to be rendered in the current year, the normal cost  
22 contribution rate, for reporting units must be determined as  
23 follows:

24 (i) Calculate the aggregate amount of individual projected  
25 benefit entry age normal costs.

26 (ii) Divide the result of the calculation under subparagraph

27 (i) by 1% of the aggregate amount of active members' valuation

1 compensation.

2 (c) Except for the employee portion of the normal cost  
3 contribution rates for members under section 41b(2), beginning with  
4 the state fiscal year ending September 30, 2018 and for each  
5 subsequent fiscal year, the normal cost contribution rate must not  
6 be less than the normal cost contribution rate in the immediately  
7 preceding state fiscal year.

8 (d) Subject to subdivision (e), the contribution rate for  
9 unfunded service rendered before the valuation date, the unfunded  
10 actuarial accrued liability contribution rate, must be determined  
11 as follows:

12 (i) Calculate the aggregate amount of unfunded actuarial  
13 accrued liabilities of reporting units as follows:

14 (A) Calculate the actuarial present value of benefits for  
15 members attributable to reporting units.

16 (B) Calculate the actuarial present value of future normal  
17 cost contributions of reporting units.

18 (C) Calculate the actuarial present value of assets on the  
19 valuation date.

20 (D) Add the results of sub-subparagraphs (B) and (C).

21 (E) Subtract from the result of the calculation under sub-  
22 subparagraph (A) the result from the calculation under sub-  
23 subparagraph (D).

24 (ii) Subject to subsection (18), divide the result of the  
25 calculation under subparagraph (i) by 1% of the actuarial present  
26 value over a period not to exceed 50 years of projected valuation  
27 compensation.

1 (e) Except for the employee portion of the unfunded actuarial  
2 accrued liability contribution rates for members under section  
3 41b(2), beginning with the state fiscal year ending September 30,  
4 2018 and for each subsequent fiscal year until the state fiscal  
5 year ending September 30, 2021, the unfunded actuarial accrued  
6 liability contribution rate must not be less than the unfunded  
7 actuarial accrued liability contribution rate in the immediately  
8 preceding state fiscal year. Beginning with the state fiscal year  
9 ending September 30, 2022, and for each subsequent fiscal year  
10 until the unfunded actuarial accrued liability is paid off, the  
11 unfunded actuarial accrued liability contribution sum due and  
12 payable must not be less than the unfunded actuarial accrued  
13 liability contribution sum due and payable in the immediately  
14 preceding state fiscal year.

15 (f) Beginning with the state fiscal year ending September 30,  
16 2013 and for each subsequent fiscal year, the unfunded actuarial  
17 accrued liability contribution rate applied to payroll must not  
18 exceed 20.96% for a reporting unit that is not a university  
19 reporting unit. Any additional unfunded actuarial accrued liability  
20 contributions as determined under this section for each fiscal year  
21 are to be paid by appropriation from the state school aid fund  
22 established by section 11 of article IX of the state constitution  
23 of 1963. Except as otherwise provided in this section ~~7-section~~ **AND**  
24 **SECTIONS** 41a ~~7-and section~~ 41b, the unfunded actuarial accrued  
25 liability contribution rate must be based on and applied to the  
26 combined payrolls of the employees who are members or qualified  
27 participants, or both.

1 ~~—— (g) Beginning with the state fiscal year ending September 30,~~  
2 ~~2020 and for each subsequent fiscal year, for a reporting unit that~~  
3 ~~is not a university reporting unit, tax supported community or~~  
4 ~~junior college, public school academy, or district library as that~~  
5 ~~term is defined in section 69g, the unfunded actuarial accrued~~  
6 ~~liability contribution rate determined under subdivision (d) must~~  
7 ~~be applied to the reporting unit's payroll, as adjusted under~~  
8 ~~subdivision (h).~~

9 ~~—— (h) Beginning with the state fiscal year ending September 30,~~  
10 ~~2020, the payroll for which the unfunded actuarial accrued~~  
11 ~~liability contribution rate is applied for a reporting unit~~  
12 ~~described in subdivision (g) must be adjusted by the growth rate of~~  
13 ~~the reporting unit's payroll plus purchased services in the~~  
14 ~~previous fiscal years based on methods as determined by the~~  
15 ~~retirement system and in consultation with the system's actuary.~~  
16 ~~The adjusted payroll under this subdivision must become the basis~~  
17 ~~on which the contribution rate provided under subdivision (d) for~~  
18 ~~each subsequent state fiscal year is determined for a reporting~~  
19 ~~unit described in subdivision (g).~~

20 **(G)** ~~(i)~~ Beginning with the state fiscal year ending September  
21 30, 2016 and for each subsequent state fiscal year, the unfunded  
22 actuarial accrued liability contribution rate applied to the  
23 combined payroll, as provided in section 41a, must not exceed  
24 25.73% for a university reporting unit. Any additional unfunded  
25 actuarial accrued liability contributions as determined under this  
26 section for each fiscal year for university reporting units are to  
27 be paid by appropriation under article III of the state school aid

1 act of 1979, 1979 PA 94, MCL 388.1836 to 388.1891.

2 (3) Before November 1 of each year, the executive secretary of  
3 the retirement board shall certify to the director of the  
4 department the aggregate compensation estimated to be paid public  
5 school employees for the current state fiscal year.

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

11 (5) Except as provided in section 41b, the reporting units  
12 shall pay the amount certified under subsection (4) to the director  
13 of the department in equal payroll cycle installments for unfunded  
14 actuarial accrued liability contributions and payroll cycle  
15 installments for normal cost contributions.

16 (6) Not later than 90 days after termination of each state  
17 fiscal year, the executive secretary of the retirement board shall  
18 certify to the director of the department and each reporting unit  
19 the actual aggregate compensation paid to public school employees  
20 during the preceding state fiscal year. On receipt of that  
21 certification, the director of the department may compute any  
22 adjustment required to the amount because of a difference between  
23 the estimated and the actual aggregate compensation and the  
24 estimated and the actual actuarial employer contribution rate. The  
25 difference, if any, must be paid as provided in subsection (9).  
26 This subsection does not apply in a fiscal year in which a deposit  
27 occurs under subsection (14).

1           (7) The director of the department may require evidence of  
2 correctness and may conduct an audit of the aggregate compensation  
3 that the director of the department considers necessary to  
4 establish its correctness.

5           (8) A reporting unit shall forward employee and employer  
6 Social Security contributions and reports as required by the  
7 federal old-age, survivors, disability, and hospital insurance  
8 provisions of title II of the social security act, 42 USC 401 to  
9 434.

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

1 the following 4 state fiscal years, or until 100% of the remaining  
2 difference is submitted, whichever first occurs. In addition,  
3 interest must be included for each year that a portion of the  
4 remaining difference is carried forward. The interest rate must  
5 equal the actuarially assumed rate of investment return for the  
6 state fiscal year in which payment is made. This subsection does  
7 not apply in a fiscal year in which a deposit occurs under  
8 subsection (14).

9 (10) Beginning on September 30, 2006, all assets held by the  
10 retirement system must be reassigned their fair market value, as  
11 determined by the state treasurer, as of September 30, 2006, and in  
12 calculating any unfunded actuarial accrued liabilities, any market  
13 gains or losses incurred before September 30, 2006 may not be  
14 considered by the retirement system's actuaries.

15 (11) Except as otherwise provided in this subsection,  
16 beginning on September 30, 2006, the actuary used by the retirement  
17 board shall assume a rate of return on investments of 8% per annum,  
18 as of September 30, 2006, which rate may only be changed with the  
19 approval of the retirement board and the director of the  
20 department. Beginning on July 1, 2010, the actuary used by the  
21 retirement board shall assume a rate of return on investments of 7%  
22 per annum for investments associated with members who first became  
23 members after June 30, 2010, and before February 1, 2018, which  
24 rate may only be changed with the approval of the retirement board  
25 and the director of the department. Beginning on February 1, 2018,  
26 the actuary used by the retirement board shall assume a rate of  
27 return on investments of 6% per annum for investments associated



1 with members who first became a member on or after February 1,  
2 2018, which rate may only be changed with the approval of the  
3 retirement board and the director of the department.

4 (12) Beginning on September 30, 2006, the value of assets used  
5 must be based on a method that spreads over a 5-year period the  
6 difference between actual and expected return occurring in each  
7 year after September 30, 2006, and the methodology may only be  
8 changed with the approval of the retirement board and the director  
9 of the department.

10 (13) Beginning on September 30, 2006, the actuary used by the  
11 retirement board shall use a salary increase assumption that  
12 projects annual salary increases of 4%. In addition to the 4%, the  
13 retirement board shall use an additional percentage based on an  
14 age-related scale to reflect merit, longevity, and promotional  
15 salary increase. The actuary shall use this assumption until a  
16 change in the assumption is approved in writing by the retirement  
17 board and the director of the department.

18 (14) For fiscal years that begin on or after October 1, 2001,  
19 if the actuarial valuation prepared under this section demonstrates  
20 that as of the beginning of a fiscal year, and after all credits  
21 and transfers required by this act for the previous fiscal year  
22 have been made, the sum of the actuarial value of assets and the  
23 actuarial present value of future normal cost contributions exceeds  
24 the actuarial present value of benefits, the amount based on the  
25 annual level percent of payroll contribution rate under subsections  
26 (1) and (2) may be deposited into the health advance funding  
27 subaccount created by section 34.

1           (15) Notwithstanding any other provision of this act, if the  
2 retirement board establishes an arrangement and fund as described  
3 in section 6 of the public employee retirement benefit protection  
4 act, 2002 PA 100, MCL 38.1686, the benefits that are required to be  
5 paid from that fund must be paid from a portion of the employer  
6 contributions described in this section or other eligible funds.  
7 The retirement board shall determine the amount of the employer  
8 contributions or other eligible funds that must be allocated to  
9 that fund and deposit that amount in that fund before it deposits  
10 any remaining employer contributions or other eligible funds in the  
11 pension fund.

12           (16) The retirement board and the department shall conduct and  
13 review an experience investigation study and adopt risk assumptions  
14 on which actuarial valuations are to be based after consultation  
15 with the actuary and the state treasurer. The experience  
16 investigation study must be completed and risk assumptions must be  
17 periodically reviewed at least once every 5 years.

18           (17) Every April 1 following the periodic review of risk  
19 assumptions under subsection (16), the office of retirement  
20 services on behalf of the department and the state treasurer shall  
21 collaborate to submit a report to the senate majority leader, the  
22 speaker of the house of representatives, the senate and house of  
23 representatives appropriations committees, and the senate and house  
24 fiscal agencies. A report required under this subsection must be  
25 published on the office of retirement services's website and  
26 include at least all of the following:

27           (a) Forecasted rate of return on investments at all of the

1 following probability levels:

2 (i) 5%.

3 (ii) 25%.

4 (iii) 50%.

5 (iv) 75%.

6 (v) 95%.

7 (b) The actual rate of return on investments for 10-, 15-, and  
8 20-year intervals.

9 (c) Mortality assumptions.

10 (d) Retirement age assumptions.

11 (e) Payroll growth assumptions.

12 (f) Any other assumptions that have a material impact on the  
13 financial status of the retirement system.

14 (18) Except as otherwise provided in this subsection, for  
15 members who first became members before February 1, 2018, beginning  
16 with the state fiscal year ending September 30, 2022 and for each  
17 subsequent state fiscal year until the pension and retiree health  
18 care payroll growth assumption rate for a reporting unit that is  
19 not a university reporting unit is zero, the payroll growth  
20 assumption rate for a reporting unit that is not a university  
21 reporting unit must be reduced by 50 basis points. Beginning with  
22 the state fiscal year ending September 30, 2025 and for each  
23 subsequent state fiscal year until the rate described in this  
24 subsection is zero, if the pension and retiree health care unfunded  
25 actuarial accrued liability contribution sum directly attributable  
26 to the 50 basis points reduction under this subsection for the  
27 current fiscal year is 7% or more of the pension and retiree health

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1 care unfunded actuarial accrued liability contribution sum in the  
 2 immediately preceding state fiscal year, the office of retirement  
 3 services may reduce the rate described in this subsection by 25  
 4 basis points in that current fiscal year instead of the 50 basis  
 5 point reduction described in this subsection. **[BEGINNING WITH THE FISCAL  
 YEAR ENDING SEPTEMBER 30, 2022 AND FOR EACH SUBSEQUENT STATE FISCAL YEAR  
 UNTIL THE RATE DESCRIBED IN THIS SUBSECTION IS ZERO, THE OFFICE OF  
 RETIREMENT SERVICES AND THE RETIREMENT BOARD MAY AGREE TO REDUCE THE RATE  
 DESCRIBED IN THIS SUBSECTION BY ANY NUMBER OF ADDITIONAL BASIS POINTS.]**

6 (19) As used in this section, ÷

7 ~~—— (a) "Payroll plus purchased services" includes functions 1xx,~~  
 8 ~~2xx, and 45x, and object codes 1xxx, 31xx, 33xx, and 41xx, as~~  
 9 ~~defined in the most recent "Michigan Public School Accounting~~  
 10 ~~Manual Bulletin 1022" as of July 13, 2017, and is equal to the~~  
 11 ~~total of salaries, professional and technical services,~~  
 12 ~~elient/pupil transportation, and repairs and maintenance services~~  
 13 ~~expenditures, including the charges incurred in the general,~~  
 14 ~~special education, and vocational education funds for the benefit~~  
 15 ~~of the current fiscal year, whether paid or unpaid.~~

16 ~~—— (b) "University "UNIVERSITY reporting unit" means a reporting~~  
 17 ~~unit that is a university listed in the definition of public school~~  
 18 ~~employee under section 6.~~

19 Sec. 42. (1) Beginning with the state fiscal year ending  
 20 September 30, 1995 and subject to section 41b, a reporting unit  
 21 shall contribute the entire amount determined under section 41 to  
 22 the reserve for employer contributions and to the reserve for  
 23 health benefits. The reporting unit contribution under this  
 24 subsection is the exclusive obligation of the reporting unit  
 25 payable out of general budget resources of the reporting unit,  
 26 including funds available under local millage and other local  
 27 resources and from the state school aid allocation to the reporting

1 unit, and is not a separate obligation by specific reimbursement or  
2 otherwise of this state.

3 (2) As authorized by resolution or other enabling act of its  
4 governing body, the employer shall pick up all contributions of a  
5 member made under section 43a for all compensation paid after  
6 December 31, 1986 and reported to the retirement system. Although  
7 considered contributions of a member for certain purposes under  
8 this act, all contributions picked up must be treated as paid by  
9 the employer in lieu of contributions by the employee.

10 Contributions picked up as provided in this subsection must be paid  
11 from the same source of funds that is used for paying compensation  
12 to the member. The employer may pick up these contributions by  
13 either a reduction to the member's cash salary, an offset against a  
14 future salary increase, or a combination of a reduction in salary  
15 and offset against a future salary increase. This subsection does  
16 not apply, and the employer shall not deduct, offset, or remit  
17 contributions, until the department receives notification from the  
18 United States Internal Revenue Service that contributions picked up  
19 will not be included as gross income of the member until they are  
20 distributed or made available to the member, retirant, retirement  
21 allowance beneficiary, or refund beneficiary.

22 (3) The employer shall deduct from a member's compensation the  
23 contributions for ~~social security~~ **SOCIAL SECURITY** provided in 1951  
24 PA 205, MCL 38.851 to 38.871. Contributions must be made while the  
25 member remains a public school employee. Each reporting unit  
26 official shall deduct the ~~social security~~ **SOCIAL SECURITY**  
27 contributions from the compensation of each member for each payroll

1 period after the date the employee becomes a member. Social  
2 ~~security~~**SECURITY** contributions must be made notwithstanding that  
3 the minimum compensation provided by law is changed. Each member is  
4 considered to have agreed to the contributions prescribed in this  
5 subsection.

6 (4) Each reporting unit official shall forward member  
7 contributions to the retirement system on a schedule and in a  
8 manner determined by the retirement system.

9 (5) Each reporting unit official shall forward the entire  
10 employer contribution required by this act to the retirement system  
11 on a schedule and in a manner determined by the retirement system.

12 (6) Each reporting unit official shall submit to the  
13 retirement system a report that includes the information for  
14 retirement purposes, including, but not limited to, persons  
15 employed, retirants performing services at a reporting unit who are  
16 employed by an entity other than the reporting unit or who are  
17 independent contractors, wages or amounts paid, hours, and  
18 contributions required under this act. The report must include the  
19 information on a pay period basis and must be submitted to the  
20 retirement system on a schedule and in a manner determined by the  
21 retirement system. The superintendent for a reporting unit or the  
22 chief administrator for a reporting unit that does not have a  
23 superintendent shall complete an annual certification that gives  
24 authorization for the employees of the reporting unit to report the  
25 information to the retirement system.

26 (7) If a reporting unit fails to submit a report or  
27 contributions, or both, according to the schedule established by

1 the retirement board, the reporting unit shall pay a late fee. If  
2 the remittance of contributions is late, the late fee must include  
3 interest for each day that the remittance of contributions is late.  
4 The retirement board periodically may establish the late fee, which  
5 must not be less than \$25.00, and interest charges, which must not  
6 be less than 6% per annum.

7 **(8) ~~IF~~SUBJECT TO SUBSECTION (9), IF** a reporting unit fails to  
8 correct errors on a report before the errors are discovered by the  
9 retirement system or if the errors are intentional, the reporting  
10 unit shall pay the late fee and interest charges as described in  
11 ~~this~~ subsection (7) for each day that the report is in error,  
12 unless reasonable cause is shown to the satisfaction of the  
13 retirement system.

14 **(9) IF THE RETIREMENT BOARD DETERMINES THAT A REPORTING UNIT**  
15 **HAS COMMITTED AN INTENTIONAL ERROR OR OMISSION THAT INCLUDES A**  
16 **FAILURE TO SUBMIT CONTRIBUTIONS REQUIRED BY THIS ACT, THE TOTAL**  
17 **ASSESSMENT OF DAILY LATE FEES AND DAILY INTEREST CHARGES UNDER**  
18 **SUBSECTION (8) MUST NOT EXCEED THE REPORTING UNIT'S DELINQUENT**  
19 **CONTRIBUTION BALANCE ASSOCIATED WITH THE ERROR OR OMISSION, OR THE**  
20 **REPORTING UNIT'S EMPLOYER CONTRIBUTION BALANCE FOR THE PREVIOUS**  
21 **SCHOOL FISCAL YEAR, WHICHEVER IS LESS. SUBJECT TO SUBSECTION (11),**  
22 **IF THE RETIREMENT BOARD DETERMINES THAT A REPORTING UNIT HAS**  
23 **COMMITTED AN INTENTIONAL ERROR OR OMISSION THAT DOES NOT INCLUDE A**  
24 **FAILURE TO SUBMIT CONTRIBUTIONS REQUIRED BY THIS ACT, THE TOTAL**  
25 **ASSESSMENT OF DAILY LATE FEES AND DAILY INTEREST CHARGES UNDER**  
26 **SUBSECTION (8) MUST NOT EXCEED 100% OF THE REPORTING UNIT'S**  
27 **EMPLOYER CONTRIBUTIONS FOR THE PREVIOUS SCHOOL FISCAL YEAR.**

1           **(10)** ~~(8)~~—On written notice from the retirement board, the  
 2 superintendent of public instruction and the state treasurer shall  
 3 withhold payment of state funds, in part or in whole, payable from  
 4 the state school aid appropriation or higher education  
 5 appropriations to a reporting unit that fails to comply with this  
 6 section.

7           **(11) ERRORS OR OMISSIONS RELATING TO THE REPORTING OF SERVICE**  
 8 **RENDERED BY AN INDIVIDUAL EMPLOYED BY A TAX SUPPORTED COMMUNITY OR**  
 9 **JUNIOR COLLEGE WHILE ENROLLED AS A PART-TIME STUDENT IN THAT SAME**  
 10 **TAX SUPPORTED COMMUNITY OR JUNIOR COLLEGE FOR A SCHOOL FISCAL YEAR**  
 11 **BEFORE THE 2018-2019 SCHOOL FISCAL YEAR ARE NOT SUBJECT TO THE**  
 12 **ASSESSMENT OF DAILY LATE FEES AND DAILY INTEREST PENALTIES UNDER**  
 13 **SUBSECTION (8) BUT ARE SUBJECT TO THE PAYMENT OF REGULAR LATE FEES**  
 14 **AND REGULAR INTEREST UNDER SUBSECTION (7) .**

15           **(12) AS USED IN THIS SECTION, AN "INTENTIONAL" ERROR OR**  
 16 **OMISSION INCLUDES, BUT IS NOT LIMITED TO, THE FOLLOWING:**

17           **(A) A KNOWING AND WILLFUL REPRESENTATION THAT SERVICE WAS**  
 18 **PERFORMED IF THE SERVICE WAS NOT PERFORMED.**

19           **(B) A KNOWING AND WILLFUL SUBMISSION OF A REPORT THAT CONTAINS**  
 20 **MATERIAL MISREPRESENTATIONS OR FALSIFICATIONS, OR THE KNOWING AND**  
 21 **WILLFUL FAILURE TO SUBMIT A REQUIRED REPORT.**

22           **(C) ANY OTHER KNOWING AND WILLFUL ACT OR OMISSION OF A FALSE,**  
 23 **FRAUDULENT, OR MISLEADING NATURE UNDERTAKEN TO GAIN COMPLIANCE OR**  
 24 **THE APPEARANCE OF COMPLIANCE WITH THIS ACT.**

25           Sec. 42a. (1) ~~Not later than 60 days after the effective date~~  
 26 ~~of the amendatory act that added this section,~~ **BY AUGUST 31, 2018,**  
 27 each reporting unit that is a tax supported community or junior



1 college shall submit a report to the office of retirement services  
2 with the information necessary for the retirement system to  
3 complete the report under subsection (2), as determined by the  
4 retirement system.

5 (2) ~~Not later than 90 days after the effective date of the~~  
6 ~~amendatory act that added this section,~~ **BY SEPTEMBER 30, 2018,** the  
7 office of retirement services shall submit a report to the senate  
8 and house of representatives committees on education. The report  
9 required under this subsection must include all of the following  
10 information, based on information included in the reports submitted  
11 to the retirement system under subsection (1), for each reporting  
12 unit that is a tax supported community or junior college:

13 (a) For each of the 4 school fiscal years preceding the state  
14 fiscal year ending September 30, 2018, the number of individuals  
15 employed by the tax supported community or junior college while  
16 enrolled as a part-time student in that same tax supported  
17 community or junior college.

18 (b) For each of the 4 school fiscal years preceding the state  
19 fiscal year ending September 30, 2018, the amount of reporting unit  
20 contributions the tax supported community or junior college  
21 contributed under section 42 associated with an individual employed  
22 by the tax supported community or junior college while enrolled as  
23 a part-time student in that same tax supported community or junior  
24 college.

25 (c) For each of the 4 school fiscal years preceding the state  
26 fiscal year ending September 30, 2018, the amount of reporting unit  
27 contributions the tax supported community or junior college failed

1 to contribute under section 42, if any, associated with an  
2 individual employed by the tax supported community or junior  
3 college while enrolled as a part-time student in that same tax  
4 supported community or junior college.

5 (3) SUBJECT TO SECTIONS 43H AND 43I, EACH REPORTING UNIT SHALL  
6 MAKE APPROPRIATE ADJUSTMENTS AND CORRECTIONS TO ITS REPORTING AND  
7 CREDITING OF SERVICE TO CORRESPOND WITH THE INFORMATION CONTAINED  
8 IN THE REPORT UNDER THIS SECTION, IN A TIME AND MANNER DETERMINED  
9 BY THE RETIREMENT SYSTEM.

10 SEC. 43H. (1) AN INDIVIDUAL WHO WAS FIRST EMPLOYED BY A  
11 REPORTING UNIT THAT IS A TAX SUPPORTED COMMUNITY COLLEGE OR JUNIOR  
12 COLLEGE BEFORE JULY 1, 2014, AND WHO DID NOT PREVIOUSLY HAVE THAT  
13 SERVICE REPORTED BY A REPORTING UNIT ON HIS OR HER BEHALF, MAY  
14 CLAIM AND THEREAFTER BE CREDITED WITH THE SERVICE ONLY IF ALL OF  
15 THE FOLLOWING APPLY:

16 (A) THE INDIVIDUAL IS DESCRIBED IN SECTION 5(1)(P).

17 (B) THE INDIVIDUAL FILES A WRITTEN APPLICATION WITH THE  
18 RETIREMENT BOARD AFTER JANUARY 1, 2019 BUT NOT LATER THAN 5 P.M.  
19 EASTERN STANDARD TIME ON JANUARY 31, 2020 IN A METHOD DETERMINED BY  
20 THE RETIREMENT SYSTEM. A WRITTEN APPLICATION SUBMITTED BY AN  
21 INDIVIDUAL UNDER THIS SUBDIVISION IS IRREVOCABLE.

22 (C) THE INDIVIDUAL FULFILLS THE TERMS OF ANY BILLING STATEMENT  
23 ISSUED BY THE RETIREMENT SYSTEM THAT CORRESPONDS WITH THE AMOUNT  
24 THE INDIVIDUAL WOULD HAVE CONTRIBUTED ACCORDING TO THE SCHEDULE  
25 GOVERNING CONTRIBUTIONS IN EFFECT AT THE TIME OF THAT SERVICE, PLUS  
26 REGULAR INTEREST ON THE CONTRIBUTIONS. THE RETIREMENT SYSTEM MAY  
27 DETERMINE THE TIME AND MANNER OF PAYMENT OF THE TOTAL AMOUNT UNDER

1 THIS SUBDIVISION.

2 (2) AN INDIVIDUAL WHO SATISFIES THE CONDITIONS OF SUBSECTION  
3 (1) MUST HAVE SERVICE CREDITED IN AN AMOUNT COMMENSURATE WITH THE  
4 CONTRIBUTIONS REMITTED UNDER SUBSECTION (1) IN A TIME AND MANNER AS  
5 DETERMINED BY THE RETIREMENT SYSTEM.

6 (3) AN INDIVIDUAL DESCRIBED IN SECTION 5(1)(P) WHO WAS FIRST  
7 EMPLOYED BY A REPORTING UNIT THAT IS A TAX SUPPORTED COMMUNITY OR  
8 JUNIOR COLLEGE BEFORE JULY 1, 2014 AND WHO DOES NOT SATISFY THE  
9 CONDITIONS OF SUBSECTION (1) SHALL FORFEIT ANY CLAIM TO RECEIVE  
10 CREDIT FOR THAT SERVICE UNLESS THE INDIVIDUAL CAN DEMONSTRATE TO  
11 THE SATISFACTION OF THE BOARD THAT A REASONABLE PERSON IN THE SAME  
12 CIRCUMSTANCE AS THE INDIVIDUAL WOULD NOT HAVE ADEQUATE NOTICE OF  
13 THE APPLICATION DEADLINE UNDER SUBSECTION (1)(B).

14 (4) SUBJECT TO SECTION 43I, THE RETIREMENT SYSTEM SHALL  
15 DETERMINE AND ASSESS A SUPPLEMENTAL EMPLOYER CONTRIBUTION FOR EACH  
16 REPORTING UNIT THAT IS A TAX SUPPORTED COMMUNITY OR JUNIOR COLLEGE  
17 THAT CORRESPONDS WITH SERVICE CLAIMED UNDER SUBSECTION (1).

18 (5) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, ON  
19 PAYMENT BY A REPORTING UNIT OF THE CONTRIBUTIONS ASSESSED UNDER  
20 SUBSECTION (4), A REPORTING UNIT'S FINANCIAL OBLIGATION FOR SERVICE  
21 CLAIMED UNDER SUBSECTION (1) IS CONSIDERED SATISFIED IN FULL. IF  
22 ANY SERVICE IS THEREAFTER CLAIMED ON THE BASIS OF LACK OF ADEQUATE  
23 NOTICE UNDER SUBSECTION (3), THE REPORTING UNIT SHALL PAY THE  
24 CONTRIBUTIONS ASSESSED IN A TIME AND MANNER AS DETERMINED BY THE  
25 RETIREMENT SYSTEM.

26 (6) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT, SERVICE  
27 OTHERWISE CREDITABLE UNDER THIS SECTION THAT IS NOT CLAIMED IN THE

1 MANNER PROVIDED UNDER THIS SECTION IS CONSIDERED NOT REPORTABLE.

2 SEC. 43I. (1) THE RETIREMENT SYSTEM SHALL DETERMINE AND ASSESS  
3 A SUPPLEMENTAL EMPLOYER CONTRIBUTION FOR EACH REPORTING UNIT THAT  
4 IS A TAX SUPPORTED COMMUNITY OR JUNIOR COLLEGE ON THE BASIS OF  
5 INFORMATION REPORTED BY THE REPORTING UNIT UNDER SECTION 42A, AND  
6 PAYROLL DATA REPORTED TO THE RETIREMENT SYSTEM BY THE REPORTING  
7 UNIT. THE CONTRIBUTION DETERMINED AND ASSESSED UNDER THIS SECTION  
8 MUST TAKE INTO ACCOUNT ALL OF THE FOLLOWING:

9 (A) THE EXTENT TO WHICH THE REPORTING UNIT REMITTED EMPLOYER  
10 CONTRIBUTIONS AND RELATED RETIREMENT INFORMATION FOR INDIVIDUALS  
11 EMPLOYED BY THE REPORTING UNIT WHILE ENROLLED AS A PART-TIME  
12 STUDENT IN THAT SAME REPORTING UNIT FOR EACH OF THE 4 SCHOOL FISCAL  
13 YEARS PRECEDING THE STATE FISCAL YEAR ENDING SEPTEMBER 30, 2018.

14 (B) THE CONTRIBUTION RATE MUST BE CALCULATED IN THE MANNER  
15 PROVIDED BY SECTION 42.

16 (2) THE RETIREMENT SYSTEM SHALL DETERMINE AND ASSESS A  
17 SUPPLEMENTAL EMPLOYER CONTRIBUTION FOR EACH REPORTING UNIT THAT IS  
18 A TAX SUPPORTED COMMUNITY OR JUNIOR COLLEGE ON THE BASIS OF SERVICE  
19 CREDIT CLAIMED UNDER SECTION 43H FOR THE TIME PERIOD AND PAYROLL  
20 DATA REPORTED TO THE RETIREMENT SYSTEM BY THE REPORTING UNIT. IN  
21 MAKING ITS DETERMINATION UNDER THIS SUBSECTION, THE RETIREMENT  
22 SYSTEM SHALL TAKE INTO ACCOUNT ALL OF THE FOLLOWING:

23 (A) THE AMOUNT AND DURATION OF SERVICE CLAIMED.

24 (B) THE RETIREMENT PLAN ELECTION MADE BY AN ELIGIBLE  
25 INDIVIDUAL, AS APPLICABLE.

26 (3) THE CONTRIBUTION RATE FOR SERVICE UNDER SUBSECTION (2)  
27 MUST BE CALCULATED IN THE MANNER PROVIDED BY SECTION 42.

1           (4) ON PAYMENT BY A REPORTING UNIT OF THE SUPPLEMENTAL  
2 EMPLOYER CONTRIBUTION RATE ASSESSED UNDER THIS SECTION, THE  
3 REPORTING UNIT'S FINANCIAL OBLIGATION FOR THE SERVICE IS CONSIDERED  
4 SATISFIED IN FULL.

5           SEC. 43J. (1) THERE IS APPROPRIATED FOR THE FISCAL YEAR ENDING  
6 SEPTEMBER 30, 2019, \$650,000.00 TO THE OFFICE OF RETIREMENT  
7 SERVICES IN THE DEPARTMENT OF TECHNOLOGY, MANAGEMENT, AND BUDGET  
8 FOR ADMINISTRATION OF THE CHANGES UNDER THE AMENDATORY ACT THAT  
9 ADDED THIS SECTION.

10           (2) THE APPROPRIATION AUTHORIZED IN SUBSECTION (1) IS A WORK  
11 PROJECT APPROPRIATION AND ANY UNENCUMBERED OR UNALLOTTED FUNDS ARE  
12 CARRIED FORWARD INTO THE FOLLOWING FISCAL YEAR. THE FOLLOWING IS IN  
13 COMPLIANCE WITH SECTION 451A(1) OF THE MANAGEMENT AND BUDGET ACT,  
14 1984 PA 431, MCL 18.1451A:

15           (A) THE PURPOSE OF THE PROJECT IS TO ADMINISTER CHANGES UNDER  
16 THE AMENDATORY ACT THAT ADDED THIS SECTION.

17           (B) THE WORK PROJECT WILL BE ACCOMPLISHED THROUGH A PLAN  
18 UTILIZING INTERAGENCY AGREEMENTS, EMPLOYEES, AND CONTRACTS.

19           (C) THE TOTAL ESTIMATED COMPLETION COST OF THE WORK PROJECT IS  
20 \$650,000.00.

21           (D) THE ESTIMATED COMPLETION DATE FOR THE WORK PROJECT IS  
22 SEPTEMBER 30, 2020.