

HOUSE BILL No. 5314

October 18, 2005, Introduced by Reps. Wenke and Emmons and referred to the Committee on Higher Education and Career Preparation.

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
8 ~~Act 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, 2006.**

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~~
3 ~~of 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~~
10 ~~38.381 to 38.388 of the Michigan Compiled Laws~~ **1967 PA 156, MCL**
11 **38.381 TO 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~~

~~of the Public Acts of 1943, being sections 38.1 to 38.48 of the~~
~~Michigan Compiled Laws 1943 PA 240, MCL 38.1 TO 38.69,~~ for service
is paid to the retirement system. Service at Ferris state
university shall be creditable as prior service or membership
service only if the employee was employed at Ferris state
university on a full-time basis for 2 or more years after May 17,
1949. Until January 1, 1988, public school employee also includes a
person holding a Michigan teacher certificate and serving as an
employee of the Michigan high school athletic association, other
than a person whose effective date of employment with the Michigan
high school athletic association is on or after December 31, 1986.
Public school employee includes a public school employee on an
approved leave of absence. Public school employee does not include
a person who first becomes employed by a university described in
this subsection on or after January 1, 1996. **PUBLIC SCHOOL EMPLOYEE**
DOES NOT INCLUDE A PERSON WHO FIRST BECOMES EMPLOYED BY A TAX
SUPPORTED COMMUNITY OR JUNIOR COLLEGE ON OR AFTER JANUARY 1, 2006.

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

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

(3) Except as otherwise provided in this subsection, "reporting unit" means a public school district, intermediate school district, public school academy, tax supported community or junior college, or university, or an agency having employees on its payroll who are members of this retirement system. The reporting unit shall be the employer for purposes of this act. On and after January 1, 1996, reporting unit does not include a university, except to the extent that university has employees on its payroll who are members of this retirement system. **ON AND AFTER JANUARY 1, 2006, REPORTING UNIT DOES NOT INCLUDE A TAX SUPPORTED COMMUNITY OR JUNIOR COLLEGE EXCEPT TO THE EXTENT THAT THE COMMUNITY OR JUNIOR COLLEGE HAS EMPLOYEES ON ITS PAYROLL WHO ARE MEMBERS OF THE SYSTEM.**

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

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

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

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

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

Sec. 22. (1) The Michigan public school employees' retirement

board is created in the department and shall consist of the superintendent of public instruction and 11 members appointed by the governor with the advice and consent of the senate as follows:

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

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

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

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

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

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

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

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

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

(2) One of the retirement board members under subsection (1)

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

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

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

24 Sec. 41a. (1) For fiscal years that begin on or after March
25 28, 1996, the retirement system shall determine a separate
26 contribution rate for a reporting unit that is a university listed
27 in section 6(5). The retirement system shall determine the separate

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

17 **(2) FOR FISCAL YEARS THAT BEGIN ON OR AFTER MARCH 28, 2006,**
18 **THE RETIREMENT SYSTEM SHALL DETERMINE A SEPARATE CONTRIBUTION RATE**
19 **FOR A REPORTING UNIT THAT IS A TAX SUPPORTED COMMUNITY OR JUNIOR**
20 **COLLEGE. THE RETIREMENT SYSTEM SHALL DETERMINE THE SEPARATE**
21 **CONTRIBUTION RATE IN THE MANNER PRESCRIBED IN SECTION 41, EXCEPT**
22 **THAT THE UNFUNDED ACTUARIAL ACCRUED LIABILITY SHALL BE AMORTIZED**
23 **OVER 40 YEARS BEGINNING OCTOBER 1, 2006 AND ENDING ON SEPTEMBER 30,**
24 **2046, WITH THE PAYMENT SCHEDULE FOR TAX SUPPORTED COMMUNITY OR**
25 **JUNIOR COLLEGE EMPLOYEES WHO ARE MEMBERS AND WHO WERE HIRED BEFORE**
26 **JANUARY 1, 2006 AND THE TAX SUPPORTED COMMUNITY OR JUNIOR COLLEGE**
27 **EMPLOYEES WHO WOULD HAVE BEEN MEMBERS ON OR AFTER JANUARY 1, 2006,**

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