

**SUBSTITUTE FOR  
SENATE BILL NO. 911**

A bill to amend 1980 PA 300, entitled  
"The public school employees retirement act of 1979,"  
by amending sections 41 and 43e (MCL 38.1341 and 38.1343e), section  
41 as amended by 2023 PA 198 and section 43e as amended by 2012 PA  
300.

**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  
7 actuarial valuation must be made of the retirement system to



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

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

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

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

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

25 (ii) Divide the result of the calculation under subparagraph (i)  
26 by 1% of the aggregate amount of active members' valuation  
27 compensation.

28 (c) Except for the employee portion of the normal cost  
29 contribution rates for members under section 41b(2), beginning with



1 the state fiscal year ending September 30, 2018 and for each  
 2 subsequent fiscal year, the normal cost contribution rate must not  
 3 be less than the normal cost contribution rate in the immediately  
 4 preceding state fiscal year.

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

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

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

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

15 (C) Calculate the actuarial present value of assets on the  
 16 valuation date.

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

18 (E) Subtract from the result of the calculation under sub-  
 19 subparagraph (A) the result from the calculation under sub-  
 20 subparagraph (D).

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

25 (e) Except for the employee portion of the unfunded actuarial  
 26 accrued liability contribution rates for members under section  
 27 41b(2), beginning with the state fiscal year ending September 30,  
 28 2018 and for each subsequent fiscal year until the state fiscal  
 29 year ending September 30, 2021, the unfunded actuarial accrued



1 liability contribution rate must not be less than the unfunded  
2 actuarial accrued liability contribution rate in the preceding  
3 state fiscal year. Except as otherwise provided in this  
4 subdivision, beginning with the state fiscal year ending September  
5 30, 2022, and for each subsequent fiscal year until the unfunded  
6 actuarial accrued liability is fully paid, the unfunded actuarial  
7 accrued liability contribution amount due and payable must not be  
8 less than the unfunded actuarial accrued liability contribution  
9 amount due and payable in the preceding state fiscal year. **For the**  
10 **state fiscal year ending September 30, 2025, the unfunded actuarial**  
11 **accrued liability contribution due and payable must be equal to the**  
12 **actuarially determined contribution.** For a reporting unit that is a  
13 university reporting unit, for the state fiscal years ending  
14 September 30, 2023 and September 30, 2024, the unfunded actuarial  
15 accrued liability contribution due and payable must be equal to the  
16 actuarially determined contribution. For a reporting unit that is a  
17 university reporting unit, for the state fiscal years ending  
18 September 30, 2023 and September 30, 2024, the contribution must  
19 reflect the appropriations made under section 236h of the state  
20 school aid act of 1979, 1979 PA 94, MCL 388.1836h, as amended by  
21 2022 PA 144 and 2023 PA 103.

22 (f) Beginning with the state fiscal year ending September 30,  
23 2013 and for each subsequent fiscal year, the unfunded actuarial  
24 accrued liability contribution rate applied to payroll must not  
25 exceed 20.96% for a reporting unit that is not a university  
26 reporting unit. Any additional unfunded actuarial accrued liability  
27 contributions as determined under this section for each fiscal year  
28 are to be paid by appropriation from the state school aid fund  
29 established by section 11 of article IX of the state constitution



1 of 1963. Except as otherwise provided in this section and sections  
2 41a and 41b, the unfunded actuarial accrued liability contribution  
3 rate must be based on and applied to the combined payrolls of the  
4 employees who are members or qualified participants, or both.

5 (g) Beginning with the state fiscal year ending September 30,  
6 2016 and for each subsequent state fiscal year, the unfunded  
7 actuarial accrued liability contribution rate applied to the  
8 combined payroll, as provided in section 41a, must not exceed  
9 25.73% for a university reporting unit. Any additional unfunded  
10 actuarial accrued liability contributions as determined under this  
11 section for each fiscal year for university reporting units are to  
12 be paid by appropriation under article III of the state school aid  
13 act of 1979, 1979 PA 94, MCL 388.1836 to 388.1891.

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

18 (4) On the basis of the estimate under subsection (3), the  
19 annual actuarial valuation, and any adjustment required under  
20 subsection (6), the director of the department shall compute the  
21 amount due and payable to the retirement system and shall certify  
22 this amount to the reporting units.

23 (5) Except as provided in section 41b, the reporting units  
24 shall pay the amount certified under subsection (4) to the director  
25 of the department in equal payroll cycle installments for unfunded  
26 actuarial accrued liability contributions and payroll cycle  
27 installments for normal cost contributions.

28 (6) Not later than 90 days after the end of each state fiscal  
29 year, the executive secretary of the retirement board shall certify



1 to the director of the department and each reporting unit the  
2 actual aggregate compensation paid to public school employees  
3 during the preceding state fiscal year. On receipt of that  
4 certification, the director of the department may compute any  
5 adjustment required to the amount because of a difference between  
6 the estimated and the actual aggregate compensation and the  
7 estimated and the actual actuarial employer contribution rate. The  
8 difference, if any, must be paid as provided in subsection (9).  
9 This subsection does not apply in a fiscal year in which a deposit  
10 is made under subsection (14).

11 (7) The director of the department may require evidence of  
12 correctness and may conduct an audit of the aggregate compensation  
13 that the director of the department considers necessary to  
14 establish its correctness.

15 (8) A reporting unit shall forward employee and employer  
16 Social Security contributions and reports as required by the  
17 federal old-age, survivors, disability, and hospital insurance  
18 provisions of title II of the social security act, 42 USC 401 to  
19 434.

20 (9) For an employer of an employee of a local public school  
21 district or an intermediate school district, for differences  
22 occurring in fiscal years beginning on or after October 1, 1993, a  
23 minimum of 20% of any difference between the estimated and the  
24 actual aggregate compensation and the estimated and the actual  
25 actuarial employer contribution rate described in subsection (6)  
26 must be paid by that employer in the next state fiscal year and a  
27 minimum of 25% of the remaining difference must be paid by that  
28 employer in each of the following 4 state fiscal years, or until  
29 100% of the remaining difference is submitted, whichever first



1 occurs. For an employer of other public school employees, for  
2 differences occurring in fiscal years beginning on or after October  
3 1, 1991, a minimum of 20% of any difference between the estimated  
4 and the actual aggregate compensation and the estimated and the  
5 actual actuarial employer contribution rate described in subsection  
6 (6) must be paid by that employer in the next state fiscal year and  
7 a minimum of 25% of the remaining difference must be paid by that  
8 employer in each of the following 4 state fiscal years, or until  
9 100% of the remaining difference is submitted, whichever first  
10 occurs. In addition, interest must be included for each year that a  
11 portion of the remaining difference is carried forward. The  
12 interest rate must equal the actuarially assumed rate of investment  
13 return for the state fiscal year in which payment is made. This  
14 subsection does not apply in a fiscal year in which a deposit is  
15 made under subsection (14).

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

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



1 members after June 30, 2010, and before February 1, 2018, which  
2 rate may only be changed with the approval of the retirement board  
3 and the director of the department. Beginning on February 1, 2018,  
4 the actuary used by the retirement board shall assume a rate of  
5 return on investments of 6% per annum for investments associated  
6 with members who first became a member on or after February 1,  
7 2018, which rate may only be changed with the approval of the  
8 retirement board and the director of the department.

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

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

23 (14) For fiscal years that begin on or after October 1, 2001,  
24 if the actuarial valuation prepared under this section demonstrates  
25 that as of the beginning of a fiscal year, and after all credits  
26 and transfers required by this act for the previous fiscal year  
27 have been made, the sum of the actuarial value of assets and the  
28 actuarial present value of future normal cost contributions exceeds  
29 the actuarial present value of benefits, the amount based on the





1 annual level percent of payroll contribution rate under subsections  
2 (1) and (2) may be deposited into the health advance funding  
3 subaccount created by section 34.

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

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

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



1 (a) Forecasted rate of return on investments at all of the  
2 following probability levels:

3 (i) 5%.

4 (ii) 25%.

5 (iii) 50%.

6 (iv) 75%.

7 (v) 95%.

8 (b) The actual rate of return on investments for 10-, 15-, and  
9 20-year intervals.

10 (c) Mortality assumptions.

11 (d) Retirement age assumptions.

12 (e) Payroll growth assumptions.

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

15 (18) Except as otherwise provided in this subsection, for  
16 members who first became members before February 1, 2018, for the  
17 state fiscal year ending September 30, 2024, the pension and  
18 retiree health care payroll growth assumption rate for a reporting  
19 unit that is not a university reporting unit must be 0.75%. Except  
20 as otherwise provided in this subsection, for members who first  
21 became members before February 1, 2018, beginning with the state  
22 fiscal year ending September 30, 2025, and for each subsequent  
23 state fiscal year until the pension and retiree health care payroll  
24 growth assumption rate for a reporting unit that is not a  
25 university reporting unit is zero, the payroll growth assumption  
26 rate for a reporting unit that is not a university reporting unit  
27 must be reduced by 50 basis points. Beginning with the state fiscal  
28 year ending September 30, 2025 and for each subsequent state fiscal  
29 year until the rate described in this subsection is zero, if the



1 pension and retiree health care unfunded actuarial accrued  
2 liability contribution amount directly attributable to the 50 basis  
3 points reduction under this subsection for the fiscal year is 7% or  
4 more of the pension and retiree health care unfunded actuarial  
5 accrued liability contribution amount in the preceding state fiscal  
6 year, the office of retirement services may reduce the rate  
7 described in this subsection by 25 basis points in that current  
8 fiscal year instead of the 50 basis point reduction described in  
9 this subsection. Beginning with the fiscal year ending September  
10 30, 2022 and for each subsequent state fiscal year until the rate  
11 described in this subsection is zero, the office of retirement  
12 services and the retirement board may agree to reduce the rate  
13 described in this subsection by any number of additional basis  
14 points.

15 (19) As used in this section, "university reporting unit"  
16 means a reporting unit that is a university listed in the  
17 definition of public school employee under section 6.

18 Sec. 43e. Except as otherwise provided in this section or  
19 section 91a, each member who first became a member before September  
20 4, 2012 shall contribute 3% of the member's compensation to the  
21 appropriate funding account established under the public employee  
22 retirement health care funding act, 2010 PA 77, MCL 38.2731 to  
23 38.2747. **Except as otherwise provided in section 91a, beginning in**  
24 **the fiscal year ending September 30, 2025 and each subsequent**  
25 **fiscal year, for each member who first became a member before**  
26 **September 4, 2012, there is no required member contribution under**  
27 **this section.** The member contributions under this section ~~shall~~  
28 **must** be deducted by the employer and remitted as employer  
29 contributions in a manner that the retirement system shall



1 determine. As used in this section, "funding account" means the  
2 appropriate irrevocable trust created in the public employee  
3 retirement health care funding act, 2010 PA 77, MCL 38.2731 to  
4 38.2747, for the deposit of funds and the payment of retirement  
5 health care benefits.

