

**HOUSE 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~~ **Except as otherwise provided in this subsection,**  
23 **beginning** with the state fiscal year ending September 30, 2013 and  
24 for each subsequent fiscal year, the unfunded actuarial accrued  
25 liability contribution rate applied to payroll must not exceed  
26 20.96% for a reporting unit that is not a university reporting  
27 unit. **For the state fiscal year ending September 30, 2025, the**  
28 **unfunded actuarial accrued liability contribution rate applied to**  
29 **payroll must not exceed 17.46% for a reporting unit that is not a**



1 university reporting unit. For the state fiscal year ending  
2 September 30, 2026, the unfunded actuarial accrued liability  
3 contribution rate applied to payroll must not exceed 17% for a  
4 reporting unit that is not a university reporting unit. For the  
5 state fiscal year ending September 30, 2027, the unfunded actuarial  
6 accrued liability contribution rate applied to payroll must not  
7 exceed 16% for a reporting unit that is not a university reporting  
8 unit. Beginning with the state fiscal year ending September 30,  
9 2028 and for each subsequent fiscal year, the unfunded actuarial  
10 accrued liability contribution rate applied to payroll must not  
11 exceed 15.21% for a reporting unit that is not a university  
12 reporting unit. Any additional unfunded actuarial accrued liability  
13 contributions as determined under this section for each fiscal year  
14 are to be paid by appropriation from the state school aid fund  
15 established by section 11 of article IX of the state constitution  
16 of 1963. Except as otherwise provided in this section and sections  
17 41a and 41b, the unfunded actuarial accrued liability contribution  
18 rate must be based on and applied to the combined payrolls of the  
19 employees who are members or qualified participants, or both.

20 (g) Beginning with the state fiscal year ending September 30,  
21 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  
28 act of 1979, 1979 PA 94, MCL 388.1836 to 388.1891.

29 (3) Before November 1 of each state fiscal year, the executive



1 secretary of the retirement board shall certify to the director of  
2 the department the aggregate compensation estimated to be paid  
3 public school employees for the state fiscal year.

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

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

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

26 (7) The director of the department may require evidence of  
27 correctness and may conduct an audit of the aggregate compensation  
28 that the director of the department considers necessary to  
29 establish its correctness.



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

6 (9) For an employer of an employee of a local public school  
7 district or an intermediate school district, for differences  
8 occurring in fiscal years beginning on or after October 1, 1993, a  
9 minimum of 20% of any difference between the estimated and the  
10 actual aggregate compensation and the estimated and the actual  
11 actuarial employer contribution rate described in subsection (6)  
12 must be paid by that employer in the next state fiscal year and a  
13 minimum of 25% of the remaining difference must be paid by that  
14 employer in each of the following 4 state fiscal years, or until  
15 100% of the remaining difference is submitted, whichever first  
16 occurs. For an employer of other public school employees, for  
17 differences occurring in fiscal years beginning on or after October  
18 1, 1991, a minimum of 20% of any difference between the estimated  
19 and the actual aggregate compensation and the estimated and the  
20 actual actuarial employer contribution rate described in subsection  
21 (6) must be paid by that employer in the next state fiscal year and  
22 a minimum of 25% of the remaining difference must be paid by that  
23 employer in each of the following 4 state fiscal years, or until  
24 100% of the remaining difference is submitted, whichever first  
25 occurs. In addition, interest must be included for each year that a  
26 portion of the remaining difference is carried forward. The  
27 interest rate must equal the actuarially assumed rate of investment  
28 return for the state fiscal year in which payment is made. This  
29 subsection does not apply in a fiscal year in which a deposit is



1 made under subsection (14).

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

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

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





1 (13) Beginning on September 30, 2006, the actuary used by the  
2 retirement board shall use a salary increase assumption that  
3 projects annual salary increases of 4%. In addition to the 4%, the  
4 retirement board shall use an additional percentage based on an  
5 age-related scale to reflect merit, longevity, and promotional  
6 salary increase. The actuary shall use this assumption until a  
7 change in the assumption is approved in writing by the retirement  
8 board and the director of the department.

9 (14) ~~For~~ **Except as otherwise provided in this subsection, for**  
10 fiscal years that begin on or after October 1, 2001, if the  
11 actuarial valuation prepared under this section demonstrates that  
12 as of the beginning of a fiscal year, and after all credits and  
13 transfers required by this act for the previous fiscal year have  
14 been made, the sum of the actuarial value of assets and the  
15 actuarial present value of future normal cost contributions exceeds  
16 the actuarial present value of benefits, the amount based on the  
17 annual level percent of payroll contribution rate under subsections  
18 (1) and (2) may be deposited into the health advance funding  
19 subaccount created by section 34. **Beginning in the fiscal year**  
20 **ending September 30, 2025 and each subsequent fiscal year, the**  
21 **following apply, as applicable:**

22 (a) **If the actuarial valuation prepared under this section**  
23 **demonstrates that as of the beginning of a fiscal year, and after**  
24 **all credits and transfers required by this act for the previous**  
25 **fiscal year have been made, the sum of the actuarial value of**  
26 **assets and the actuarial present value of future normal cost**  
27 **contributions is equal to or exceeds the actuarial present value of**  
28 **retiree health benefits, a reporting unit shall contribute only the**  
29 **normal costs for retiree health benefits provided under section 91.**



1           (b) If the actuarial valuation prepared under this section  
2 demonstrates that as of the beginning of a fiscal year, and after  
3 all credits and transfers required by this act for the previous  
4 fiscal year have been made, the sum of the actuarial value of  
5 assets and the actuarial present value of future normal cost  
6 contributions is less than the actuarial present value of retiree  
7 health benefits, a reporting unit shall contribute the unfunded  
8 actuarial accrued liability amount and the normal costs for retiree  
9 health benefits provided under section 91.

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

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

27           (17) Every April 1 following the periodic review of risk  
28 assumptions under subsection (16), the office of retirement  
29 services on behalf of the department and the state treasurer shall



1 collaborate to submit a report to the senate majority leader, the  
2 speaker of the house of representatives, the senate and house of  
3 representatives appropriations committees, and the senate and house  
4 fiscal agencies. A report required under this subsection must be  
5 published on the office of retirement services' website and include  
6 at least all of the following:

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

9 (i) 5%.

10 (ii) 25%.

11 (iii) 50%.

12 (iv) 75%.

13 (v) 95%.

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

16 (c) Mortality assumptions.

17 (d) Retirement age assumptions.

18 (e) Payroll growth assumptions.

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

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



1 growth assumption rate for a reporting unit that is not a  
 2 university reporting unit is zero, the payroll growth assumption  
 3 rate for a reporting unit that is not a university reporting unit  
 4 must be reduced by 50 basis points. Beginning with the state fiscal  
 5 year ending September 30, 2025 and for each subsequent state fiscal  
 6 year until the rate described in this subsection is zero, if the  
 7 pension and retiree health care unfunded actuarial accrued  
 8 liability contribution amount directly attributable to the 50 basis  
 9 points reduction under this subsection for the fiscal year is 7% or  
 10 more of the pension and retiree health care unfunded actuarial  
 11 accrued liability contribution amount in the preceding state fiscal  
 12 year, the office of retirement services may reduce the rate  
 13 described in this subsection by 25 basis points in that current  
 14 fiscal year instead of the 50 basis point reduction described in  
 15 this subsection. Beginning with the fiscal year ending September  
 16 30, 2022 and for each subsequent state fiscal year until the rate  
 17 described in this subsection is zero, the office of retirement  
 18 services and the retirement board may agree to reduce the rate  
 19 described in this subsection by any number of additional basis  
 20 points.

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

24 Sec. 43e. Except as otherwise provided in this section or  
 25 section 91a, each member who first became a member before September  
 26 4, 2012 shall contribute 3% of the member's compensation to the  
 27 appropriate funding account established under the public employee  
 28 retirement health care funding act, 2010 PA 77, MCL 38.2731 to  
 29 38.2747. **Except as otherwise provided in section 91a, beginning in**



1 the fiscal year ending September 30, 2025 and each subsequent  
2 fiscal year, for each member who first became a member before  
3 September 4, 2012, there is no required member contribution under  
4 this section. The member contributions under this section shall  
5 must be deducted by the employer and remitted as employer  
6 contributions in a manner that the retirement system shall  
7 determine. As used in this section, "funding account" means the  
8 appropriate irrevocable trust created in the public employee  
9 retirement health care funding act, 2010 PA 77, MCL 38.2731 to  
10 38.2747, for the deposit of funds and the payment of retirement  
11 health care benefits.

