

THE PUBLIC SCHOOL EMPLOYEES RETIREMENT ACT OF 1979 (EXCERPT)
Act 300 of 1980
Article 2

38.1321 Public school employees' retirement system; creation.

Sec. 21.

A Michigan public school employees' retirement system is created for the public school employees of this state.

History: 1980, Act 300, Imd. Eff. Oct. 31, 1980

Popular Name: Act 300

38.1322 Public school employees' retirement board; creation; appointment, qualifications, and terms of members; vacancy.

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.
 - (h) Two 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.
 - (i) One elected member of a reporting unit's board of control.
- (2) One of the retirement board members under subsection (1) shall be a member who is an employee of a school district of the first class or a retirant who retired from a position as an employee of a school district of the first class. One of the retirant members of the retirement board shall be selected from the membership of the largest organization of retirants.
- (3) The term of office of the retirement board members shall be 4 years. A vacancy of a member on the retirement board shall be filled in the same manner as the original appointment for the remainder of the unexpired term. A retirement board member shall continue to hold office until a successor is appointed and has qualified, but not to exceed an additional 4 years.
- (4) The 7 members appointed and serving on the retirement board on July 1, 1997 shall have their respective terms extended by 2 years and shall serve for the remainder of their extended terms. As each board member's term expires under this subsection, the new appointment shall be made in accordance with subsection (1). On January 1, 1997, 2 new individuals shall be appointed as members of the retirement board in accordance with subsection (1). The initial terms of office of these 2 new members shall expire on March 30, 2001. On October 31, 1997, 2 new individuals shall be appointed as members of the retirement board in accordance with subsection (1). The initial terms of office of these 2 new members shall expire on March 30, 2000.

History: 1980, Act 300, Imd. Eff. Oct. 31, 1980 ;-- Am. 1989, Act 194, Imd. Eff. Aug. 25, 1989 ;-- Am. 1996, Act 488, Eff. Mar. 31, 1997 ;-- Am. 1997, Act 143, Imd. Eff. Nov. 19, 1997

Compiler's Notes: Section 2 of Act 488 of 1996 provides: "Section 2. If any section or part of a section of this act is for any reason held to be invalid or unconstitutional, the holding does not affect the validity of the remaining sections of this act or the act in its entirety." For the abolishment and replacement of the requirement under subsection (2) that one member of the Michigan public school employees' retirement board be a retired employee of a school district in the first class, see E.R.O. No. 2024-2, compiled at MCL 16.735.

Popular Name: Act 300

38.1323 Retirement board; oath; conducting business at public meeting; notice of meeting; quorum; failure to attend scheduled meetings; availability of writings to public.

Sec. 23.

(1) A member of the retirement board, upon appointment, shall take an oath of office, which shall be filed immediately in the office of the secretary of state.

(2) The business which the retirement board may perform shall be conducted at a public meeting of the retirement board held in compliance with Act No. 267 of the Public Acts of 1976, as amended, being sections 15.261 to 15.275 of the Michigan Compiled Laws. Public notice of the time, date, and place of the meeting shall be given in the manner required by Act No. 267 of the Public Acts of 1976, as amended. A majority of the retirement board constitutes a quorum for the transaction of business at a meeting of the board. A member of the retirement board who fails to attend 3 consecutive regularly scheduled meetings of the board, without valid excuse, shall be considered as having resigned from retirement board membership, and the retirement board shall declare the member's office vacated as of the date of adoption of a proper resolution.

(3) A writing prepared, owned, used, in the possession of, or retained by the retirement board in the performance of an official function shall be made available to the public in compliance with Act No. 442 of the Public Acts of 1976, as amended, being sections 15.231 to 15.246 of the Michigan Compiled Laws.

History: 1980, Act 300, Imd. Eff. Oct. 31, 1980

Popular Name: Act 300

38.1324 Retirement board; compensation and expenses.

Sec. 24.

The per diem compensation of the retirement board and the schedule for reimbursement of expenses incurred in attending meetings of the retirement board and in performing the required services of the members shall be established annually by the legislature.

History: 1980, Act 300, Imd. Eff. Oct. 31, 1980

Popular Name: Act 300

38.1325 Retirement board; rights, authority, and discretion; rules; limitation; study period; information to be provided to certain universities.

Sec. 25.

(1) The board shall have only the rights, authority, and discretion in the proper discharge of its duties provided in this act and former 1945 PA 136.

(2) The retirement board may promulgate rules pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328, for the implementation and administration of this act. The retirement board shall not promulgate rules for the establishment, implementation, administration, operation, investment, or distribution of a Tier 2 retirement plan.

(3) Beginning September 1, 2012, the retirement system shall commence a 12-month study period under this subsection. As soon as possible during the study period, the retirement system shall provide to central Michigan university, Ferris state university, Lake Superior state university, Michigan technological university, northern Michigan university, western Michigan university, and eastern Michigan university information and cooperation requested by the universities for the purpose of allowing the universities to study and prepare for the

implementation of new retiree health care coverage benefit design options for members who retire from the universities. The information to be provided by the retirement system to the universities shall also include information sufficient to allow the universities to do all of the following:

(a) Review the annual cost to the retirement system over each of the past 5 years of the health care coverage benefits provided by the retirement system to the retired members of the universities, calculated on a cash disbursement method.

(b) Compare the cost to the universities cost under subdivision (a) with that of the aggregate cost of all reporting units during the past 5 years, calculated on a cash disbursement basis.

(c) Prepare and submit the results of the study under this subsection to the retirement system, along with any proposed recommendations on possible changes to the scope and design of the health benefits available through the retirement system to members who retire from the universities identified in this subsection. The retirement system shall submit written confirmation to the universities within 180 days that the retirement system has received the results of the study and any recommendations under this subdivision, has reviewed and responded to the study and any recommendations, and has submitted a copy of the study and any recommendations to the retirement board for a discussion of the implementation of any recommendations.

History: 1980, Act 300, Imd. Eff. Oct. 31, 1980 ;-- Am. 1996, Act 488, Eff. Mar. 31, 1997 ;-- Am. 1997, Act 143, Imd. Eff. Nov. 19, 1997 ;-- Am. 2010, Act 75, Imd. Eff. May 19, 2010 ;-- Am. 2012, Act 300, Imd. Eff. Sept. 4, 2012

Compiler's Notes: Act 136 of 1945, referred to in this section, was repealed by Act 300 of 1980. Section 2 of Act 488 of 1996 provides: "Section 2. If any section or part of a section of this act is for any reason held to be invalid or unconstitutional, the holding does not affect the validity of the remaining sections of this act or the act in its entirety." Enacting section 1 of Act 75 of 2010 provides: "Enacting section 1. If any section or part of a section of this act is for any reason held to be invalid or unconstitutional, the holding does not affect the validity of the remaining sections of this act or the act in its entirety." Enacting section 2 of Act 300 of 2012 provides: "Enacting section 2. (1) If the office of retirement services in the department of technology, management, and budget receives notification from the United States internal revenue service that any section or any portion of a section of this amendatory act will cause the retirement system to be disqualified for tax purposes under the internal revenue code, then the portion that will cause the disqualification does not apply." (2) The provisions of this amendatory act are severable. If any part of this amendatory act is declared invalid or unconstitutional, that declaration shall not affect the remaining part of this amendatory act."

Popular Name: Act 300

Admin Rule: R 38.1101 et seq. of the Michigan Administrative Code.

38.1326 State treasurer as treasurer of retirement system; investment authority; fiduciary responsibility; disposition of funds.

Sec. 26.

(1) This section does not apply to Tier 2.

(2) The state treasurer shall be treasurer of the retirement system and shall have investment authority, including the custodianship of the funds of the retirement system, and shall have fiduciary responsibility with regard to the investment of funds of the retirement system.

(3) The state treasurer shall deposit the funds of the retirement system in the same manner and subject to the law governing the deposit of state funds by the treasurer. Income earned by the retirement system's funds shall be credited to the respective reserves under this act that earned the income.

History: 1980, Act 300, Imd. Eff. Oct. 31, 1980 ;-- Am. 1989, Act 194, Imd. Eff. Aug. 25, 1989 ;-- Am. 1996, Act 488, Eff. Mar. 31, 1997 ;-- Am. 1997, Act 143, Imd. Eff. Nov. 19, 1997 ;-- Am. 2010, Act 75, Imd. Eff. May 19, 2010

Compiler's Notes: Section 2 of Act 488 of 1996 provides: "Section 2. If any section or part of a section of this act is for any reason held to be invalid or unconstitutional, the holding does not affect the validity of the remaining sections of this act or the act in its entirety." Enacting section 1 of Act 75 of 2010 provides: "Enacting section 1. If any section or part of a section of this act is for any reason held to be invalid or unconstitutional, the holding does not affect the validity of the remaining sections of this act or the act in its entirety."

Popular Name: Act 300

38.1327 Warrants.

Sec. 27.

The retirement system shall draw its warrants upon the state treasurer, payable out of reserves of the retirement system, for the payment of retirement allowances, the refund of accumulated contributions as provided in this act, and the payment of salaries and other expenses necessary in the administration of the retirement system. The payment of retirement allowances shall be in equal monthly installments.

History: 1980, Act 300, Imd. Eff. Oct. 31, 1980 ;-- Am. 1989, Act 194, Imd. Eff. Aug. 25, 1989

Popular Name: Act 300

38.1328 Summary of fiscal transactions; contents; description of retirement benefits; information to be posted on internet website and sent via electronic mail; database.

Sec. 28.

(1) By April 15 of each year, the department shall furnish to the governor, the legislature, each retirement allowance recipient, and each member a summary of the fiscal transactions of the retirement system for the last completed fiscal year. The summary shall contain at least the following information from the financial and actuarial statements:

(a) A statement of assets and liabilities.

(b) A statement of investments by, and amount earned in, each category.

(c) A statement of revenues and expenditures.

(d) In addition to other disclosures required under this act that are based on expected returns on assets, a disclosure of the market-value discount rate that is used in calculating system liabilities and funded status of the system. The retirement system shall use the individual projected benefit entry age normal cost method of valuation when making the disclosure required in this subdivision.

(e) A disclosure of the funded status of the system that is based on the market value of assets with no smoothing. The retirement system shall use the individual projected benefit entry age normal cost method of valuation when making the disclosure required in this subdivision.

(f) A 5-year projection of the annual level percentage of payroll contribution rate required of reporting units under this act.

(g) Using the market-value discount rate disclosed under subdivision (d), a disclosure of the normal cost contribution rate.

(h) Other information the department or the retirement board considers necessary.

(2) The department shall furnish sufficient copies of a description of retirement benefits under this act to each reporting unit for the purpose of distribution to each of its employees as often as the department considers necessary, but not less than once every 3 years. The description shall contain the information the department considers necessary.

(3) By April 15 of each year, the department shall post on its internet website the information required under subsection (1) and shall send the information via electronic mail to each retirement allowance recipient and each member for which it has an electronic mail address.

(4) The department shall collect and maintain an electronic mail address for retirement allowance recipients and members under this act. In conjunction with the center for educational performance and information in the state budget office, the department shall develop and maintain a database of electronic mail addresses for retirement allowance recipients and members under this act. The department shall allow the department of education to access the electronic mail database developed and maintained under this subsection on an as-needed basis. The electronic mail addresses of individuals in the database under this subsection are confidential and are not subject to the disclosure requirements of the freedom of information act, 1976 PA 442, MCL 15.231 to 15.246.

History: 1980, Act 300, Imd. Eff. Oct. 31, 1980 ;-- Am. 1989, Act 194, Imd. Eff. Aug. 25, 1989 ;-- Am. 2012, Act 300, Imd. Eff. Sept. 4, 2012

Compiler's Notes: Enacting section 2 of Act 300 of 2012 provides: "Enacting section 2. (1) If the office of retirement services in the department of technology, management, and budget receives notification from the United States internal revenue service that any section or any portion of a section of this amendatory act will cause the retirement system to be disqualified for tax purposes under the internal revenue code, then the portion that will cause the disqualification does not apply." (2) The provisions of this amendatory act are severable. If any part of this amendatory act is declared invalid or unconstitutional, that declaration shall not affect the remaining part of this amendatory act."

Popular Name: Act 300

38.1329 Reserve for employee contributions; individual subaccounts; refund, payment, or transfer of accumulated contributions.

Sec. 29.

The reserve for employee contributions is the account in which member contributions made under the contributory retirement plan and other member payments as provided by statute shall be accumulated. The retirement board shall provide for the maintenance of an individual subaccount for each member of the retirement system showing the amount of the member's contributions together with regular interest accumulations on the amount. The contributions refunded to a member upon the member's withdrawal from service or paid to the member's legal representative, estate, or refund beneficiary in event of the member's or former member's death shall be paid from the reserve for employee contributions. Accumulated contributions not refunded to a member or paid to the member's or former member's legal representative, estate, or refund beneficiary shall be transferred from the reserve for employee contributions to the reserve for employer contributions. The accumulated contributions of a member, upon retirement or upon death if a retirement allowance is payable, shall be transferred from the reserve for employee contributions to the reserve for retired benefit payments.

History: 1980, Act 300, Imd. Eff. Oct. 31, 1980 ;-- Am. 1989, Act 194, Imd. Eff. Aug. 25, 1989

Popular Name: Act 300

38.1330 Reserve for employer contributions.

Sec. 30.

The reserve for employer contributions is the account to which reporting unit payments, except payments for health benefits are credited.

History: 1980, Act 300, Imd. Eff. Oct. 31, 1980 ;-- Am. 1985, Act 91, Imd. Eff. July 10, 1985 ;-- Am. 1989, Act 194, Imd. Eff. Aug. 25, 1989 ;-- Am. 1994, Act 272, Imd. Eff. July 11, 1994

Popular Name: Act 300

38.1331 Reserve for administrative expenses.

Sec. 31.

The reserve for administrative expenses is the account from which the expenses of the administration of the retirement system, exclusive of amounts payable as retirement allowances and other benefits provided in this act, shall be paid. An amount determined necessary by the retirement board and the department to cover the expenses of administering this act shall be transferred annually from the reserve for undistributed investment income to the reserve for administrative expenses.

History: 1980, Act 300, Imd. Eff. Oct. 31, 1980 ;-- Am. 1989, Act 194, Imd. Eff. Aug. 25, 1989

Popular Name: Act 300

38.1332 General fund.

Sec. 32.

The retirement board may establish a general fund. Revenue not clearly payable to other funds shall be deposited in the general fund. Disbursements from this fund shall be made as authorized by the retirement board.

History: 1980, Act 300, Imd. Eff. Oct. 31, 1980
Popular Name: Act 300

38.1333 Reserve for member investment plan; remittance of member contributions; individual subaccounts; refund, payment, or transfer of accumulated contributions.

Sec. 33.

The reserve for member investment plan is the account into which are remitted member contributions as provided in section 43a. The retirement board shall provide for the maintenance of an individual subaccount for each member showing the amount of the member's contributions together with compound interest accumulation on that amount. Member investment plan accumulated contributions refunded to a member upon a member's withdrawal from service or paid to the member's legal representative, estate, or refund beneficiary in the event of the member's or former member's death shall be paid from the reserve for member investment plan. Member investment plan accumulated contributions not refunded to a member or paid to the member's or former member's legal representative, estate, or refund beneficiary shall be transferred from the reserve for member investment plan to the reserve for employer contributions. The member investment plan accumulated contributions of a member, upon retirement or upon death if a retirement allowance is payable, shall be transferred from the reserve for member investment plan to the reserve for retired benefit payments.

History: Add. 1985, Act 91, Imd. Eff. July 10, 1985 ;-- Am. 1989, Act 194, Imd. Eff. Aug. 25, 1989
Popular Name: Act 300

38.1334 Reserve for health benefits; payments; health advance; funding subaccount; transfer to reserve for employer contributions; conditions.

Sec. 34.

(1) The reserve for health benefits is the account to which payments of reporting units for health benefits are credited. Benefits payable pursuant to section 91 shall be paid from the reserve for health benefits. The assets and any earnings on the assets contained in the reserve for health benefits and the health advance funding subaccount are not to be treated as pension assets for any purpose.

(2) The health advance funding subaccount is the account to which amounts transferred pursuant to section 41 are credited. Except as otherwise provided in this section, any amounts received in the health advance funding subaccount and accumulated earnings on those amounts shall not be expended until the actuarial accrued liability for health benefits under section 91 is at least 100% funded. The department may expend funds or transfer funds to another account to expend for health benefits under section 91 if the actuarial accrued liability for health benefits under section 91 is at least 100% funded. For each fiscal year that begins after the first fiscal year in which the actuarial accrued liability for health benefits under section 91 is at least 100% funded by the health advance funding subaccount, the amounts may be expended or credited to fund health benefits provided under section 91 as provided in section 41(2).

(3) Notwithstanding any other provision of this section, the department may transfer amounts from the health advance funding subaccount to the reserve for employer contributions established in section 30 if the department does both of the following:

(a) At least 45 days before the intended transfer, submits a request to the chairs of the senate and house appropriations committees and, at least 15 days before the intended transfer, obtains the approval of both the senate and house appropriations committees.

(b) Ensures that the request submitted to the senate and house appropriations committees contains an actuarial valuation prepared pursuant to section 41 that demonstrates that as of the beginning of a fiscal year, and after all credits and transfers required by this act for the previous fiscal year have been made, the sum of the actuarial value of assets and the actuarial present value of future normal cost contributions does not exceed the actuarial present value of benefits.

History: Add. 1985, Act 91, Imd. Eff. July 10, 1985 ;-- Am. 1989, Act 194, Imd. Eff. Aug. 25, 1989 ;-- Am. 1994, Act 272, Imd. Eff. July 11, 1994 ;-- Am. 1996, Act 488, Eff. Mar. 31, 1997 ;-- Am. 1997, Act 143, Imd. Eff. Nov. 19, 1997 ;-- Am. 2002, Act 94, Imd. Eff. Mar. 27, 2002

Compiler's Notes: Section 2 of Act 488 of 1996 provides: "Section 2. If any section or part of a section of this act is for any reason held to be invalid or unconstitutional, the holding does not affect the validity of the remaining sections of this act or the act in its entirety."

Popular Name: Act 300

38.1335 Reserve for retired benefit payments.

Sec. 35.

The reserve for retired benefit payments is the account from which all retirement allowances and refunds pursuant to section 85(6) shall be paid. After receipt of each annual actuarial valuation as provided in section 41, the balance in the reserve for retired benefit payments shall be brought into balance with the actuarial present value of retirement allowances to be paid after the end of the fiscal year to retirants and retirement allowance beneficiaries in receipt of retirement allowances at the end of the fiscal year, by a transfer between the reserve for employer contributions and the reserve for retired benefit payments.

History: Add. 1989, Act 194, Imd. Eff. Aug. 25, 1989

Popular Name: Act 300

38.1336 Reserve for undistributed investment income; pension stabilization subaccount.

Sec. 36.

(1) Except as otherwise provided in this section, the reserve for undistributed investment income is the account to which all income from the investment of assets, all gifts and bequests received by the retirement system, and all other money received by the retirement system the disposition of which is not specifically provided for is credited. The retirement board shall determine the income, interest, and dividends attributable to the health advance funding subaccount created by section 34(2). The income, interest, and dividends attributable to the health advance funding subaccount shall be credited to the health advance funding subaccount. In each fiscal year, the retirement board shall transfer from the reserve for undistributed investment income all amounts necessary to credit the interest required under this act to the reserve for employee contributions, the reserve for employer contributions, the reserve for member investment plan, the reserve for retired benefit payments, and the reserve for health benefits, to fund the reserve for administrative expenses, and any supplemental payments required pursuant to section 104a.

(2) The pension stabilization subaccount is the account to which the amounts transferred pursuant to subsection (3) to the reserve for undistributed investment income are credited. Except as otherwise provided in this subsection, no amounts shall be transferred from the stabilization subaccount to any other reserve. The director of the department may transfer part or all of the pension stabilization subaccount to the reserve for employer contributions. After the department has transferred the entire balance of the pension stabilization subaccount to the reserve for employer contributions created by section 30, the pension stabilization subaccount created by this subsection shall be closed and subsection (3) shall no longer apply.

(3) Beginning on the designated date, if the actuarial valuation prepared pursuant to sections 41 and 41a demonstrates that as of the beginning of a fiscal year, and after all credits and transfers required by this act for the previous fiscal year have been made, the sum of the actuarial value of assets and the actuarial present value of future normal cost contributions exceeds the actuarial present value of benefits, an amount equal to the excess shall be credited to the pension stabilization subaccount pursuant to subsection (2) and shall be debited against the reserve for employer contributions.

History: Add. 1989, Act 194, Imd. Eff. Aug. 25, 1989 ;-- Am. 1997, Act 143, Imd. Eff. Nov. 19, 1997 ;-- Am. 2002, Act 94, Imd. Eff. Mar. 27, 2002

Popular Name: Act 300