

**SUBSTITUTE FOR
SENATE BILL NO. 648**

A bill to amend 1980 PA 300, entitled
"The public school employees retirement act of 1979,"
by amending the title and sections 4, 5, 30, 34, 36, 41, 41a, and
42 (MCL 38.1304, 38.1305, 38.1330, 38.1334, 38.1336, 38.1341,
38.1341a, and 38.1342), the title and sections 4, 34, and 41a as
amended by 1996 PA 488, sections 5 and 30 as amended by 1994 PA
272, section 36 as added by 1989 PA 194, section 41 as amended by
1996 PA 278, and section 42 as amended by 1996 PA 268, and by
adding sections 41c and 113.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1

TITLE

2

An act to provide a retirement system for the public school

3

employees of this state; to create certain funds for this

4

retirement system; to provide for the creation of a retirement

5

board within the department of management and budget; to

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1 prescribe the powers and duties of the retirement board; to
2 prescribe the powers and duties of certain state departments,
3 agencies, officials, and employees; TO PROVIDE FOR PAYMENTS BY
4 REPORTING UNITS AND SECURITY FOR THE PAYMENTS; TO PROVIDE FOR
5 APPROPRIATIONS; to prescribe penalties and provide remedies; and
6 to repeal acts and parts of acts.

7 Sec. 4. (1) "COMMENCEMENT DATE" MEANS THE DATE ON WHICH THE
8 DESIGNATED AMOUNT IN CASH IS DEPOSITED FROM THE MICHIGAN PUBLIC
9 SCHOOL EMPLOYEES PENSION FINANCE AUTHORITY INTO 1 OR MORE
10 ACCOUNTS, SUBACCOUNTS, RESERVES, OR FUNDS OF THE RETIREMENT
11 SYSTEM, PROVIDED THAT DATE IS BEFORE JANUARY 1, 1999 AND THAT
12 SUFFICIENT RESOLUTIONS HAVE BEEN ADOPTED AND SUBMITTED AS PRO-
13 VIDED IN SECTION 41C. IF THE DESIGNATED AMOUNT IN CASH IS NOT
14 DEPOSITED FROM THE MICHIGAN PUBLIC SCHOOL EMPLOYEES PENSION
15 FINANCE AUTHORITY INTO THE RETIREMENT SYSTEM BEFORE JANUARY 1,
16 1999, THE TIER 2 RETIREMENT PLAN SHALL NOT BE IMPLEMENTED.

17 (2) ~~-(1)-~~ "Compound interest" means interest compounded
18 annually on July 1 on the contributions on account as of the pre-
19 vious July 1 and computed at the rate of investment return deter-
20 mined under section 104a(1) for the last completed state fiscal
21 year.

22 (3) ~~-(2)-~~ "Contributory service" means credited service
23 other than noncontributory service.

24 (4) ~~-(3)-~~ "Deferred member" means a member who has ceased to
25 be a public school employee and has satisfied the requirements of
26 section 82 for a deferred vested service retirement allowance.

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1 (5) ~~-(4)-~~ "Department" means the department of management
2 and budget.

3 (6) "DESIGNATED AMOUNT" MEANS AN AMOUNT DETERMINED BY THE
4 STATE TREASURER WHICH SHALL BE NO MORE THAN \$1,000,000,000.00 AND
5 NO LESS THAN THE DIFFERENCE BETWEEN THE FOLLOWING, AS OF THE DES-
6 IGNATED DATE:

7 (A) THE ACTUARIAL ACCRUED LIABILITY FOR PENSION BENEFITS
8 ASSUMING A RATE OF RETURN ON INVESTMENTS OF 8.25% PER ANNUM, AS
9 DETERMINED BY THE ACTUARY USED ON SEPTEMBER 30, 1996 BY THE
10 RETIREMENT BOARD.

11 (B) THE FAIR MARKET VALUE OF THE ASSETS OF THE RETIREMENT
12 SYSTEM, AS DETERMINED BY THE STATE TREASURER.

13 (7) "DESIGNATED DATE" MEANS JUNE 30, 1997.

14 (8) ~~-(5)-~~ "Direct rollover" means a payment by the retire-
15 ment system to the eligible retirement plan specified by the
16 distributee.

17 (9) ~~-(6)-~~ "Distributee" includes a member or deferred
18 member. Distributee also includes the member's or deferred
19 member's surviving spouse or the member's or deferred member's
20 spouse or former spouse under an eligible domestic relations
21 order, with regard to the interest of the spouse or former
22 spouse.

23 (10) ~~-(7)-~~ Except as otherwise provided in this subsection,
24 "eligible retirement plan" means an individual retirement account
25 described in section 408(a) of the internal revenue code, an
26 individual retirement annuity described in section 408(b) of the
27 internal revenue code, an annuity plan described in section

1 403(a) of the internal revenue code, or a qualified trust
2 described in section 401(a) of the internal revenue code, that
3 accepts the distributee's eligible rollover distribution.
4 However, in the case of an eligible rollover distribution to a
5 surviving spouse, an eligible retirement plan means an individual
6 retirement account or an individual retirement annuity described
7 above.

8 (11) ~~—(8)—~~ "Eligible rollover distribution" means a distri-
9 bution of all or any portion of the balance to the credit of the
10 distributee. Eligible rollover distribution does not include any
11 of the following:

12 (a) A distribution made for the life or life expectancy of
13 the distributee or the joint lives or joint life expectancies of
14 the distributee and the distributee's designated beneficiary.

15 (b) A distribution for a specified period of 10 years or
16 more.

17 (c) A distribution to the extent that the distribution is
18 required under section 401(a)(9) of the internal revenue code.

19 (d) The portion of any distribution that is not includable
20 in federal gross income, determined without regard to the exclu-
21 sion for net unrealized appreciation with respect to employer
22 securities.

23 (12) ~~—(9)—~~ "Employee organization professional services
24 leave" or "professional services leave" means a leave of absence
25 that is renewed annually by the reporting unit so that a member
26 may accept a position with a public school employee organization
27 to which he or she belongs and which represents employees of a

1 reporting unit in employment matters. The member shall be
2 included in membership of the retirement system during a profes-
3 sional services leave if all of the conditions of section 71(5)
4 and (6) are satisfied.

5 (13) ~~—(10)—~~ "Employee organization professional services
6 released time" or "professional services released time" means a
7 portion of the school fiscal year during which a member is
8 released by the reporting unit from his or her regularly assigned
9 duties to engage in employment matters for a public school
10 employee organization to which he or she belongs. The member's
11 compensation received or service rendered, or both, as applica-
12 ble, by a member while on professional services released time
13 shall be reportable to the retirement system if all of the condi-
14 tions of section 71(5) and (6) are satisfied.

15 (14) ~~—(11)—~~ "Final average compensation" means the aggregate
16 amount of a member's compensation earned within the averaging
17 period in which the aggregate amount of compensation was highest
18 divided by the member's number of years, including any fraction
19 of a year, of credited service during the averaging period. The
20 averaging period shall be 36 consecutive calendar months if the
21 member contributes to the member investment plan; otherwise, the
22 averaging period shall be 60 consecutive calendar months. If the
23 member has less than 1 year of credited service in the averaging
24 period, the number of consecutive calendar months in the averag-
25 ing period shall be increased to the lowest number of consecutive
26 calendar months that contains 1 year of credited service.

1 (15) ~~-(12)-~~ "Health benefits" means hospital,
2 medical-surgical, and sick care benefits and dental, vision, and
3 hearing benefits for retirants, retirement allowance beneficia-
4 ries, and health insurance dependents provided pursuant to
5 section 91.

6 (16) ~~-(13)-~~ "Implementation date" means ~~July 1, 1997, if~~
7 ~~full actuarial funding of the pension benefits, as certified by~~
8 ~~the retirement board, occurs. If full actuarial funding of the~~
9 ~~pension benefits does not occur before July 1, 1997, implementa-~~
10 ~~tion date means the date established by the retirement board,~~
11 ~~which date shall be on or before January 1, 1998, if full actuar-~~
12 ~~ial funding of the pension benefits occurs before that date. If~~
13 ~~full actuarial funding of the pension benefits does not occur~~
14 ~~before January 1, 1998, the Tier 2 retirement plan shall not be~~
15 ~~implemented. The retirement board shall certify when full actu-~~
16 ~~arial funding of the pension benefits occurs, and the determina-~~
17 ~~tion shall be based upon the actuarial methods and assumptions in~~
18 ~~effect for the September 30, 1996 actuarial valuation. THE FIRST~~
19 ~~DAY OF THE CALENDAR MONTH THAT FIRST OCCURS AFTER THE EXPIRATION~~
20 ~~OF 120 DAYS AFTER THE COMMENCEMENT DATE.~~

21 (17) ~~-(14)-~~ "Internal revenue code" means the United States
22 internal revenue code of 1986.

23 ~~-(15)- "Member investment plan" means the program of member~~
24 ~~contributions described in section 43a.~~

25 Sec. 5. (1) "Member" means a public school employee, except
26 that member does not include any of the following:

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1 (a) A person enrolled in a neighborhood youth corps program
2 operated with funds from the federal office of economic
3 opportunity or a person enrolled in a comparable youth training
4 program designed to prevent high school dropouts and rehabilitate
5 high school dropouts operated by an intermediate school
6 district.

7 (b) A person enrolled in a transitional public employment
8 program and employed by a reporting unit.

9 (c) A person employed by a reporting unit while enrolled as
10 a full-time student in that same reporting unit.

11 (d) A person who elects to participate in the optional
12 retirement program under the optional retirement act of 1967,
13 ~~Act No. 156 of the Public Acts of 1967, as amended, being sec-~~
14 ~~tions 38.381 to 38.388 of the Michigan Compiled Laws~~ 1967 PA
15 156, MCL 38.381 TO 38.388.

16 (e) A retirant of this retirement system.

17 (f) A person, not regularly employed by a reporting unit,
18 who is employed by a reporting unit through a summer youth
19 employment program established pursuant to the Michigan youth
20 corps act, ~~Act No. 69 of the Public Acts of 1983, being sections~~
21 ~~409.221 to 409.229 of the Michigan Compiled Laws~~ 1983 PA 69, MCL
22 409.221 TO 409.229.

23 (g) A person, not regularly employed by a reporting unit,
24 who is employed by a reporting unit to administer a program
25 described in subdivision (f), (h), (i), (j), or (k).

26 (h) After September 30, 1983, a person, not regularly
27 employed by a reporting unit, who is employed by a reporting unit

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1 through participation in a program established pursuant to the
2 job training partnership act, Public Law 97-300, 96 Stat. 1322.

3 (i) A person, not regularly employed by a reporting unit,
4 who is employed by a reporting unit through participation in a
5 program established pursuant to the Michigan opportunity and
6 skills training program, first established under sections 12 to
7 23 of ~~Act No. 259 of the Public Acts of 1983~~ 1983 PA 259.

8 (j) A person, not regularly employed by a reporting unit,
9 who is employed by a reporting unit through participation in a
10 program established pursuant to the Michigan community service
11 corps program, first established under sections 25 to 35 of ~~Act~~
12 ~~No. 259 of the Public Acts of 1983~~ 1983 PA 259.

13 (k) A person, not regularly employed by a reporting unit,
14 who is employed by a reporting unit through participation in a
15 program established pursuant to the older American community
16 service employment program under the older American community
17 service employment act, title V of the older Americans act of
18 1965, Public Law 89-73, 42 U.S.C. 3056 to 3056i.

19 (2) "MEMBER INVESTMENT PLAN" MEANS THE PROGRAM OF MEMBER
20 CONTRIBUTIONS DESCRIBED IN SECTION 43A.

21 (3) ~~-(2)-~~ "Membership service" means service performed after
22 June 30, 1945.

23 (4) "MICHIGAN PUBLIC SCHOOL EMPLOYEES PENSION FINANCE
24 AUTHORITY" MEANS THE AUTHORITY ESTABLISHED PURSUANT TO THE
25 MICHIGAN PUBLIC SCHOOL EMPLOYEES PENSION FINANCE AUTHORITY ACT.

26 (5) ~~-(3)-~~ "Noncontributory plan" means the plan which began
27 between July 1, 1974 and July 1, 1977, in which the reporting

1 unit elected to discontinue withholding contributions from
2 employees' compensation.

3 (6) ~~-(4)-~~ "Noncontributory service" means credited service
4 rendered under the noncontributory plan.

5 (7) ~~-(5)-~~ "Nonteacher" means a person employed by a report-
6 ing unit who is not a teacher as defined in section ~~8(4)~~ 8.

7 Sec. 30. The reserve for employer contributions is the
8 account to which ~~reporting~~ THE FOLLOWING FUNDS ARE CREDITED:

9 (A) REPORTING unit payments, except payments for health
10 benefits. ~~are credited.~~

11 (B) FUNDS TRANSFERRED TO THE RETIREMENT SYSTEM FROM THE
12 MICHIGAN PUBLIC SCHOOL EMPLOYEES PENSION FINANCE AUTHORITY.

13 Sec. 34. (1) The reserve for health benefits is the account
14 to which payments of reporting units, subscriber co-payments, and
15 payments by the retirement system under section 136 for health
16 benefits are credited. Benefits payable pursuant to sections 91
17 and 136 shall be paid from the reserve for health benefits.

18 (2) THE HEALTH BENEFITS STABILIZATION SUBACCOUNT IS THE
19 ACCOUNT TO WHICH THE AMOUNTS TRANSFERRED PURSUANT TO SECTION
20 36(2) TO THE RESERVE FOR HEALTH BENEFITS ARE CREDITED. EXCEPT AS
21 OTHERWISE PROVIDED IN THIS SUBSECTION, NO AMOUNTS SHALL BE TRANS-
22 FERRED FROM THE HEALTH BENEFITS STABILIZATION SUBACCOUNT TO PAY
23 BENEFITS PURSUANT TO SUBSECTION (1) OR TO ANY OTHER RESERVE. THE
24 DIRECTOR OF THE DEPARTMENT MAY TRANSFER FROM THE HEALTH BENEFITS
25 STABILIZATION SUBACCOUNT TO THE RESERVE FOR EMPLOYER CONTRIBU-
26 TIONS PART OR ALL OF THE AMOUNT NECESSARY TO REDUCE OR ELIMINATE

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1 ANY UNFUNDED ACTUARIAL ACCRUED LIABILITY, AS DETERMINED UNDER
2 SECTIONS 41, 41A, AND 41C.

3 Sec. 36. (1) The reserve for undistributed investment
4 income is the account to which all income from the investment of
5 assets, all gifts and bequests received by the retirement system,
6 and all other money received ~~by~~ WITH RESPECT TO TIER 1 OF the
7 retirement system the disposition of which is not specifically
8 provided for is credited. ~~The~~ IN EACH FISCAL YEAR, THE retire-
9 ment board shall transfer from the reserve for undistributed
10 investment income all amounts necessary to credit the interest
11 required under this act to the reserve for employee contribu-
12 tions, the reserve for employer contributions, the reserve for
13 member investment plan, the reserve for retired benefit payments,
14 and the reserve for health benefits, ~~and~~ to fund the reserve
15 for administrative expenses, AND ANY SUPPLEMENTAL PAYMENTS
16 REQUIRED PURSUANT TO SECTION 104A.

17 (2) BEGINNING ON THE COMMENCEMENT DATE, IF THE ACTUARIAL
18 VALUATION PREPARED PURSUANT TO SECTIONS 41A AND 41C DEMONSTRATES
19 THAT AS OF THE BEGINNING OF A FISCAL YEAR THE SUM OF THE ACTUAR-
20 IAL VALUE OF ASSETS AND THE ACTUARIAL PRESENT VALUE OF FUTURE
21 NORMAL COST CONTRIBUTIONS EXCEEDS THE ACTUARIAL PRESENT VALUE OF
22 BENEFITS, AN AMOUNT EQUAL TO THE EXCESS SHALL BE CREDITED TO THE
23 HEALTH BENEFITS STABILIZATION SUBACCOUNT PURSUANT TO SECTION
24 34(2) AND SHALL BE DEBITED AGAINST THE RESERVE FOR EMPLOYER
25 CONTRIBUTIONS.

26 Sec. 41. (1) The annual level percentage of payroll
27 contribution rate to finance benefits being provided and to be

1 provided by the retirement system shall be determined by
2 actuarial valuation pursuant to subsection (2) upon the basis of
3 the risk assumptions that the retirement board and the department
4 adopt after consultation with the state treasurer and an
5 actuary. An annual actuarial valuation shall be made of the
6 retirement system in order to determine the actuarial condition
7 of the retirement system and the required contribution to the
8 retirement system. An annual actuarial gain-loss experience
9 study of the retirement system shall be made in order to deter-
10 mine the financial effect of variations of actual retirement
11 system experience from projected experience.

12 (2) The contribution rate for benefits payable in the event
13 of the death of a member before retirement or the disability of a
14 member shall be computed using a terminal funding method of
15 valuation. Except as otherwise provided in this subsection, the
16 contribution rate for other benefits shall be computed using an
17 individual projected benefit entry age normal cost method of
18 valuation. For the 1995-96 state fiscal year and for each subse-
19 quent fiscal year, the contribution rate for health benefits pro-
20 vided under section 91 shall be computed using a cash disburse-
21 ment method. The contribution rate for service likely to be
22 rendered in the current year, the normal cost contribution rate,
23 shall be equal to the aggregate amount of individual projected
24 benefit entry age normal costs divided by 1% of the aggregate
25 amount of active members' valuation compensation. ~~The~~ EXCEPT
26 AS OTHERWISE PROVIDED IN THIS SUBSECTION, THE contribution rate
27 for unfunded service rendered before the valuation date, the

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1 unfunded actuarial accrued liability contribution rate, shall be
2 the aggregate amount of unfunded actuarial accrued liabilities
3 divided by 1% of the actuarial present value over a period not to
4 exceed 50 years of projected valuation compensation, where
5 unfunded actuarial accrued liabilities are equal to the actuarial
6 present value of benefits, reduced by the actuarial present value
7 of future normal cost contributions and the actuarial value of
8 assets on the valuation date. AS OF THE COMMENCEMENT DATE, THE
9 CONTRIBUTION RATE FOR UNFUNDED SERVICE RENDERED BEFORE THE VALUA-
10 TION DATE, THE UNFUNDED ACTUARIAL ACCRUED LIABILITY CONTRIBUTION
11 RATE, SHALL BE CALCULATED AS PROVIDED IN SECTION 41C.

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

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

21 (5) The reporting units shall make payment of the amount
22 certified under subsection (4) to the director of the department
23 OR, IN THE CASE OF PAYMENTS MADE PURSUANT TO SECTIONS 41A(2)(A)
24 AND 41C(1)(A) TO THE MICHIGAN PUBLIC SCHOOL EMPLOYEES PENSION
25 FINANCE AUTHORITY, in 12 equal monthly installments.

26 (6) Not later than 90 days after termination of each state
27 fiscal year, the executive secretary of the retirement board

1 shall certify to the director of the department and each
2 reporting unit the actual aggregate compensation paid to public
3 school employees during the preceding state fiscal year. Upon
4 receipt of that certification, the director of the department
5 shall compute any adjustment required to the amount due to a dif-
6 ference between the estimated and the actual aggregate compensa-
7 tion and the estimated and the actual actuarial employer contri-
8 bution rate. The difference, if any, shall be paid as provided
9 in subsection (9).

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

14 (8) A reporting unit shall forward employee and employer
15 social security contributions and reports as required by the fed-
16 eral old-age, survivors, disability, and hospital insurance pro-
17 visions of title II of the social security act, chapter 531, 49
18 Stat. 620, 42 U.S.C. 401 to 405, 406 to 418, 420 to 423, 424a to
19 426-1, and 427 to 433.

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,
23 a minimum of 20% of the difference between the estimated and the
24 actual aggregate compensation and the estimated and the actual
25 actuarial employer contribution rate described in subsection
26 (6), if any, shall be paid by that employer in the next
27 succeeding state fiscal year and a minimum of 25% of the

1 remaining difference shall be paid by that employer in each of
2 the following 4 state fiscal years, or until 100% of the remain-
3 ing difference is submitted, whichever first occurs. For an
4 employer of other public school employees, for differences occur-
5 ring in fiscal years beginning on or after October 1, 1991, a
6 minimum of 20% of the difference between the estimated and the
7 actual aggregate compensation and the estimated and the actual
8 actuarial employer contribution rate described in subsection (6),
9 if any, shall be paid by that employer in the next succeeding
10 state fiscal year and a minimum of 25% of the remaining differ-
11 ence shall be paid by that employer in each of the following 4
12 state fiscal years, or until 100% of the remaining difference is
13 submitted, whichever first occurs. In addition, interest shall
14 be included for each year that a portion of the remaining differ-
15 ence is carried forward. The interest rate shall equal the actu-
16 arially assumed rate of investment return for the state fiscal
17 year in which payment is made.

18 (10) BEGINNING ON THE COMMENCEMENT DATE, ALL ASSETS HELD BY
19 THE RETIREMENT SYSTEM SHALL BE REASSIGNED THEIR FAIR MARKET
20 VALUE, AS DETERMINED BY THE STATE TREASURER, AS OF THE DESIGNATED
21 DATE, AND IN CALCULATING ANY UNFUNDED ACTUARIAL ACCRUED LIABILI-
22 TIES, ANY MARKET GAINS OR LOSSES INCURRED BEFORE THE DESIGNATED
23 DATE SHALL NOT BE CONSIDERED BY THE RETIREMENT SYSTEM'S
24 ACTUARIES.

25 (11) BEGINNING ON THE COMMENCEMENT DATE, FOR PURPOSES OF
26 DETERMINING UNFUNDED ACTUARIAL ACCRUED LIABILITIES, THE ACTUARY
27 USED BY THE RETIREMENT BOARD SHALL ASSUME A RATE OF RETURN ON

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1 INVESTMENTS OF 8.25% PER ANNUM, AS OF THE DESIGNATED DATE, WHICH
2 RATE MAY ONLY BE CHANGED WITH THE APPROVAL OF THE RETIREMENT
3 BOARD AND THE DIRECTOR OF THE DEPARTMENT.

4 (12) BEGINNING ON THE COMMENCEMENT DATE, FOR PURPOSES OF
5 DETERMINING UNFUNDED ACTUARIAL ACCRUED LIABILITIES, THE VALUE OF
6 ASSETS USED SHALL BE BASED ON A METHOD THAT SPREADS OVER A 5-YEAR
7 PERIOD THE DIFFERENCE BETWEEN ACTUAL AND EXPECTED RETURN OCCUR-
8 RING IN EACH YEAR AFTER THE DESIGNATED DATE AND SUCH METHODOLOGY
9 MAY ONLY BE CHANGED WITH THE APPROVAL OF THE RETIREMENT BOARD AND
10 THE DIRECTOR OF THE DEPARTMENT.

11 Sec. 41a. (1) For fiscal years that begin on or after March
12 28, 1996, AND SUBJECT TO SUBSECTION (2), the retirement system
13 shall determine a separate contribution rate for a reporting unit
14 that is a university listed in section 6(5). The retirement
15 system shall determine the separate contribution rate in the
16 manner prescribed in section 41, except that the unfunded actuar-
17 ial accrued liability shall be amortized over 40 years beginning
18 October 1, 1996 and ending on September 30, 2036, with the pay-
19 ment schedule for universities being based on and applied to the
20 combined payrolls of the universities' employees who are members
21 and who were hired before January 1, 1996 and the universities'
22 employees who would have been members on or after January 1,
23 1996, but for the enactment of ~~Act No. 272 of the Public Acts of~~
24 ~~1995~~ 1995 PA 272. The amount of the unfunded accrued liability
25 on which the separate contribution rate is determined shall be
26 that amount which a reporting unit that is a university listed in
27 section 6(5) is legally responsible for and is calculated by

1 actuarial analysis. Any reduction in the unfunded liability of
2 the system pursuant to governmental action affecting the entire
3 system will be allocated to all reporting units including univer-
4 sities as determined by the system's actuary.

5 (2) AS OF THE COMMENCEMENT DATE, IF A REPORTING UNIT
6 INCLUDED IN THIS SECTION HAS ADOPTED AND SUBMITTED TO THE STATE
7 TREASURER THE RESOLUTION DESCRIBED IN SUBSECTION (4) ON OR BEFORE
8 5 P.M. EASTERN DAYLIGHT TIME ON AUGUST 15, 1997, THEN THE SEPA-
9 RATE CONTRIBUTION RATE BEGINNING ON THE COMMENCEMENT DATE FOR THE
10 UNFUNDED ACTUARIAL ACCRUED LIABILITY SHALL BE EQUAL TO THE SUM OF
11 THE FOLLOWING:

12 (A) 1.32% OF THE COMBINED PAYROLLS OF THE UNIVERSITIES'
13 EMPLOYEES WHO ARE MEMBERS AND WHO WERE HIRED BEFORE JANUARY 1,
14 1996 AND THE UNIVERSITIES' EMPLOYEES WHO WOULD HAVE BEEN MEMBERS
15 ON OR AFTER JANUARY 1, 1996, BUT FOR THE ENACTMENT OF 1995 PA
16 272, OR SUCH GREATER PERCENTAGE NOT TO EXCEED 1.65% AS IS NECES-
17 SARY TO PAY DEBT SERVICE ON ANY BONDS OR NOTES ISSUED BY THE
18 MICHIGAN PUBLIC SCHOOL EMPLOYEES PENSION FINANCE AUTHORITY, AS
19 DETERMINED BY THE STATE TREASURER, PAYABLE TO THE MICHIGAN PUBLIC
20 SCHOOL EMPLOYEES PENSION FINANCE AUTHORITY AND PAYABLE BEGINNING
21 ON THE COMMENCEMENT DATE AND THEREAFTER ONLY UNTIL SUCH TIME THAT
22 ANY BONDS OR NOTES ISSUED BY THE MICHIGAN PUBLIC SCHOOL EMPLOYEES
23 PENSION FINANCE AUTHORITY ARE NO LONGER OUTSTANDING BUT IN ANY
24 EVENT NOT LATER THAN DECEMBER 31, 2037.

25 (B) A CONTRIBUTION RATE DETERMINED BY THE RETIREMENT SYSTEM
26 FOR ANY UNFUNDED SERVICE RENDERED BEFORE THE VALUATION DATE, THE
27 UNFUNDED ACTUARIAL ACCRUED LIABILITY CONTRIBUTION RATE, WHICH

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1 RATE SHALL BE DETERMINED IN THE SAME MANNER PRESCRIBED IN SECTION
2 41C(1)(B), EXCEPT THAT THE UNFUNDED ACTUARIAL ACCRUED LIABILITY
3 SHALL BE AMORTIZED OVER 40 YEARS BEGINNING OCTOBER 1, 1996 AND
4 ENDING ON SEPTEMBER 30, 2036, WITH THE PAYMENT SCHEDULE FOR UNI-
5 VERSITIES BEING BASED ON AND APPLIED TO THE COMBINED PAYROLLS OF
6 THE UNIVERSITIES' EMPLOYEES WHO ARE MEMBERS AND WHO WERE HIRED
7 BEFORE JANUARY 1, 1996, AND THE UNIVERSITIES' EMPLOYEES WHO WOULD
8 HAVE BEEN MEMBERS ON OR AFTER JANUARY 1, 1996, BUT FOR THE ENACT-
9 MENT OF 1995 PA 272.

10 (3) AS OF THE COMMENCEMENT DATE, IF A REPORTING UNIT
11 INCLUDED IN THIS SECTION HAS NOT ADOPTED AND SUBMITTED TO THE
12 STATE TREASURER THE RESOLUTION DESCRIBED IN SUBSECTION (4) ON OR
13 BEFORE 5 P.M. EASTERN DAYLIGHT TIME ON AUGUST 15, 1997, THEN THE
14 SEPARATE CONTRIBUTION RATE FOR THE UNFUNDED ACTUARIAL ACCRUED
15 LIABILITY SHALL BE EQUAL TO THE SUM OF:

16 (A) 3.88% OF THE COMBINED PAYROLLS OF THE UNIVERSITIES'
17 EMPLOYEES WHO ARE MEMBERS AND WHO WERE HIRED BEFORE JANUARY 1,
18 1996 AND THE UNIVERSITIES' EMPLOYEES WHO WOULD HAVE BEEN MEMBERS
19 ON OR AFTER JANUARY 1, 1996, BUT FOR THE ENACTMENT OF 1995 PA
20 272, PAYABLE THROUGH DECEMBER 31, 2037.

21 (B) A CONTRIBUTION RATE DETERMINED BY THE RETIREMENT SYSTEM
22 FOR ANY UNFUNDED SERVICE RENDERED BEFORE THE VALUATION DATE, THE
23 UNFUNDED ACTUARIAL ACCRUED LIABILITY CONTRIBUTION RATE, WHICH
24 RATE SHALL BE DETERMINED IN THE SAME MANNER PRESCRIBED IN SECTION
25 41C(1)(B), EXCEPT THAT THE UNFUNDED ACTUARIAL ACCRUED LIABILITY
26 SHALL BE AMORTIZED OVER 40 YEARS BEGINNING OCTOBER 1, 1996 AND
27 ENDING ON SEPTEMBER 30, 2036, WITH THE PAYMENT SCHEDULE FOR

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1 UNIVERSITIES BEING BASED ON AND APPLIED TO THE COMBINED PAYROLLS
2 OF THE UNIVERSITIES' EMPLOYEES WHO ARE MEMBERS AND WHO WERE HIRED
3 BEFORE JANUARY 1, 1996, AND THE UNIVERSITIES' EMPLOYEES WHO WOULD
4 HAVE BEEN MEMBERS ON OR AFTER JANUARY 1, 1996, BUT FOR THE ENACT-
5 MENT OF 1995 PA 272.

6 (4) THE RESOLUTION TO BE ADOPTED AND SUBMITTED BY A REPORT-
7 ING UNIT UNDER THIS SECTION IS AS FOLLOWS:

8 "WHEREAS, _____ (THE "REPORTING
9 UNIT") DESIRES TO HAVE THE CONTRIBUTION SET FORTH IN SECTION
10 41A(2) OF 1980 PA 300, MCL 38.1341A ("ACT 300").

11 WHEREAS, THE REPORTING UNIT DESIRES TO STATE ITS AGREEMENT
12 TO EXPRESSLY ASSUME THE LIABILITY FOR SUCH CONTRIBUTION.

13 WHEREAS, THE REPORTING UNIT IS AUTHORIZED TO ADOPT THIS
14 RESOLUTION.

15 NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

16 1. THE REPORTING UNIT AGREES THAT IT IS CONTRACTUALLY OBLI-
17 GATED TO PAY 1.32%, OR SUCH GREATER PERCENTAGE NOT TO EXCEED
18 1.65% AS IS NECESSARY TO PAY DEBT SERVICE ON ANY BONDS OR NOTES
19 ISSUED BY THE MICHIGAN PUBLIC SCHOOL EMPLOYEES PENSION FINANCE
20 AUTHORITY, AS DETERMINED BY THE STATE TREASURER, OF THE AGGREGATE
21 ANNUAL COMPENSATION OF ALL EMPLOYEES OF THE REPORTING UNIT TO THE
22 MICHIGAN PUBLIC SCHOOL EMPLOYEES PENSION FINANCE AUTHORITY (THE
23 "AUTHORITY") BEGINNING ON THE COMMENCEMENT DATE (AS DEFINED IN
24 ACT 300) AND THEREAFTER ONLY UNTIL SUCH TIME THAT ANY BONDS OR
25 NOTES ISSUED BY THE MICHIGAN PUBLIC SCHOOL EMPLOYEES PENSION
26 FINANCE AUTHORITY ARE NO LONGER OUTSTANDING, BUT IN NO EVENT
27 LATER THAN DECEMBER 31, 2037. THE REPORTING UNIT HEREBY WAIVES

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1 ALL DEFENSES TO THE NONPAYMENT OF THE FOREGOING OBLIGATION TO THE
2 AUTHORITY OR TO THE COLLECTION OF THE FOREGOING OBLIGATION BY THE
3 AUTHORITY.

4 2. THE REPORTING UNIT AGREES THAT THE OBLIGATION IN PARA-
5 GRAPH 1 ABOVE SHALL BE A CONTRACTUAL OBLIGATION PAYABLE FROM ANY
6 LEGALLY AVAILABLE FUNDS. THE REPORTING UNIT HEREBY PLEDGES ANY
7 STATE AID OR OTHER STATE APPROPRIATION FUNDS RECEIVED BY THE
8 REPORTING UNIT AS ADDITIONAL SECURITY FOR THE PAYMENT OF THE
9 OBLIGATION IN PARAGRAPH 1 ABOVE AND AUTHORIZES ANY AUTHORIZED
10 OFFICER OF THE REPORTING UNIT TO ENTER INTO A PLEDGE AND ADVANCE-
11 MENT AGREEMENT WITH THE AUTHORITY PURSUANT TO THIS PLEDGE.

12 3. THE REPORTING UNIT WAIVES ANY RIGHT OR INTEREST IT MAY
13 HAVE IN ANY LITIGATION BASED ON OR ARISING OUT OF ANY CLAIM OR
14 POTENTIAL CLAIM RELATING TO THE AMOUNT OF MONEY WHICH THE REPORT-
15 ING UNIT IS, OR MAY HAVE BEEN ENTITLED TO RECEIVE FOR CONTRIBU-
16 TIONS TO THE PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM THROUGH
17 THE COMMENCEMENT DATE (AS DEFINED IN ACT 300); AND ASSIGNS ANY
18 MONEY JUDGMENT OR AWARD IT MAY RECEIVE OR BE ENTITLED TO RECEIVE
19 AS A RESULT OF ANY SUCH CLAIM OR LITIGATION OR SETTLEMENT THEREOF
20 TO THE STATE OF MICHIGAN.

21 4. THE REPORTING UNIT DIRECTS ITS SECRETARY TO SUBMIT A
22 CERTIFIED COPY OF THIS RESOLUTION TO THE STATE TREASURER NO LATER
23 THAN 5 P.M. EASTERN DAYLIGHT TIME ON AUGUST 15, 1997, AND AGREES
24 THAT IT WILL NOT TAKE ANY ACTION TO AMEND OR RESCIND THIS RESOLU-
25 TION WITHOUT THE PRIOR WRITTEN CONSENT OF THE AUTHORITY.

26 5. ANY AUTHORIZED OFFICER OF THE REPORTING UNIT IS
27 AUTHORIZED TO EXECUTE ANY DOCUMENTS OR CERTIFICATES, OR TAKE SUCH

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20

1 OTHER ACTIONS, NECESSARY TO EFFECTUATE THE PURPOSES CONTEMPLATED
2 BY THIS RESOLUTION.

3 6. IF THE COMMENCEMENT DATE (AS DEFINED IN ACT 300) DOES
4 NOT OCCUR BEFORE JANUARY 1, 1999, THEN THIS RESOLUTION SHALL BE
5 NULL AND VOID.

6 7. IT IS CERTIFIED THAT ALL ACTS, CONDITIONS, AND ACTIONS
7 REQUIRED BY LAW FOR THE ADOPTION OF THIS RESOLUTION HAVE BEEN
8 DULY TAKEN BY THE REPORTING UNIT, AND THAT THIS RESOLUTION IS IN
9 FULL FORCE AND EFFECT.".

10 (5) EACH REPORTING UNIT INCLUDED IN THIS SECTION IS AUTHO-
11 RIZED TO ADOPT SUCH RESOLUTION AND ENTER INTO THE OBLIGATION
12 DESCRIBED IN THE RESOLUTION AND ENTER INTO AGREEMENTS, IF ANY,
13 REQUIRED BY THE MICHIGAN PUBLIC SCHOOL EMPLOYEES PENSION FINANCE
14 AUTHORITY TO IMPLEMENT THE RESOLUTION SET FORTH IN SUBSECTION
15 (4).

16 SEC. 41C. (1) AS OF THE COMMENCEMENT DATE, IF A REPORTING
17 UNIT, OTHER THAN REPORTING UNITS INCLUDED IN SECTION 41A, HAS
18 ADOPTED AND SUBMITTED TO THE STATE TREASURER THE RESOLUTION SET
19 FORTH IN SUBSECTION (4) ON OR BEFORE 5 P.M. EASTERN DAYLIGHT TIME
20 ON AUGUST 15, 1997, THEN THE CONTRIBUTION RATE FOR THAT REPORTING
21 UNIT FOR UNFUNDED SERVICE RENDERED BEFORE THE VALUATION DATE, THE
22 UNFUNDED ACTUARIAL ACCRUED LIABILITY CONTRIBUTION RATE, SHALL BE
23 THE AMOUNT EQUAL TO THE SUM OF THE FOLLOWING:

24 (A) 1% OF THE AGGREGATE ANNUAL COMPENSATION OF ALL EMPLOYEES
25 OF THE REPORTING UNIT WHO ARE MEMBERS OF THE RETIREMENT SYSTEM,
26 OR SUCH GREATER PERCENTAGE NOT TO EXCEED 1.25% AS IS NECESSARY TO
27 PAY DEBT SERVICE ON ANY BONDS OR NOTES ISSUED BY THE MICHIGAN

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21

1 PUBLIC SCHOOL EMPLOYEES PENSION FINANCE AUTHORITY, AS DETERMINED
2 BY THE STATE TREASURER. THE AMOUNT UNDER THIS SUBDIVISION IS
3 PAYABLE TO THE MICHIGAN PUBLIC SCHOOL EMPLOYEES PENSION FINANCE
4 AUTHORITY AND IS PAYABLE BEGINNING ON THE COMMENCEMENT DATE AND
5 THEREAFTER ONLY UNTIL SUCH TIME THAT ANY BONDS OR NOTES ISSUED BY
6 THE MICHIGAN PUBLIC SCHOOL EMPLOYEES PENSION FINANCE AUTHORITY
7 ARE NO LONGER OUTSTANDING, BUT IN NO EVENT LATER THAN DECEMBER
8 31, 2037.

9 (B) FOR ANY UNFUNDED ACTUARIAL ACCRUED LIABILITIES THAT MAY
10 FROM TIME TO TIME EXIST AFTER THE COMMENCEMENT DATE, THE AGGRE-
11 GATE AMOUNT OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES DIVIDED BY
12 1% OF THE ACTUARIAL PRESENT VALUE OVER A PERIOD NOT TO EXCEED 50
13 YEARS OF PROJECTED VALUATION COMPENSATION, WHERE UNFUNDED ACTUAR-
14 IAL ACCRUED LIABILITIES ARE EQUAL TO THE ACTUARIAL PRESENT VALUE
15 OF BENEFITS, REDUCED BY THE ACTUARIAL PRESENT VALUE OF FUTURE
16 NORMAL COST CONTRIBUTIONS, AND BY THE ACTUARIAL VALUE OF ASSETS
17 ON THE VALUATION DATE AND BY THE PAYMENTS, IF ANY, MADE FROM THE
18 HEALTH BENEFITS STABILIZATION SUBACCOUNT PURSUANT TO SECTION
19 34(2).

20 (2) AS OF THE COMMENCEMENT DATE, IF A REPORTING UNIT, OTHER
21 THAN REPORTING UNITS INCLUDED IN SECTION 41A, HAS NOT ADOPTED AND
22 SUBMITTED TO THE STATE TREASURER THE RESOLUTION SET FORTH IN SUB-
23 SECTION (4) ON OR BEFORE 5 P.M. EASTERN DAYLIGHT TIME ON AUGUST
24 15, 1997, THEN THE CONTRIBUTION RATE FOR THAT REPORTING UNIT FOR
25 UNFUNDED SERVICE RENDERED BEFORE THE VALUATION DATE, THE UNFUNDED
26 ACTUARIAL ACCRUED LIABILITY CONTRIBUTION RATE, SHALL BE THE
27 AMOUNT EQUAL TO THE SUM OF THE FOLLOWING:

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22

1 (A) 1.50% OF THE AGGREGATE ANNUAL COMPENSATION OF ALL
2 EMPLOYEES OF THE REPORTING UNIT WHO ARE MEMBERS OF THE RETIREMENT
3 SYSTEM, PAYABLE THROUGH DECEMBER 31, 2037.

4 (B) FOR ANY UNFUNDED ACTUARIAL ACCRUED LIABILITIES THAT MAY
5 FROM TIME TO TIME EXIST AFTER THE COMMENCEMENT DATE, THE AGGRE-
6 GATE AMOUNT OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES DIVIDED BY
7 1% OF THE ACTUARIAL PRESENT VALUE OVER A PERIOD NOT TO EXCEED 50
8 YEARS OF PROJECTED VALUATION COMPENSATION, WHERE UNFUNDED ACTUAR-
9 IAL ACCRUED LIABILITIES ARE EQUAL TO THE ACTUARIAL PRESENT VALUE
10 OF BENEFITS, REDUCED BY THE ACTUARIAL PRESENT VALUE OF FUTURE
11 NORMAL COST CONTRIBUTIONS, AND BY THE ACTUARIAL VALUE OF ASSETS
12 ON THE VALUATION DATE AND BY THE PAYMENTS, IF ANY, MADE FROM THE
13 HEALTH BENEFITS STABILIZATION SUBACCOUNT PURSUANT TO SECTION
14 34(2).

15 (3) FOR THE PURPOSES OF THIS ACT, SUFFICIENT RESOLUTIONS ARE
16 CONSIDERED TO EXIST IF 1 OF THE FOLLOWING REQUIREMENTS IS MET:

17 (A) IF, BEFORE 5 P.M. EASTERN DAYLIGHT TIME ON AUGUST 15,
18 1997, REPORTING UNITS WITH COMBINED PAYROLLS REPRESENTING 80% OR
19 MORE OF THE TOTAL PAYROLLS OF ALL REPORTING UNITS HAVE ADOPTED
20 AND SUBMITTED TO THE STATE TREASURER RESOLUTIONS MEETING THE
21 REQUIREMENTS OF SUBSECTION (4) OR SECTION 41A(4), AS
22 APPROPRIATE.

23 (B) IF, BEFORE AUGUST 20, 1997, THE STATE TREASURER DETER-
24 MINES AND CERTIFIES THAT A NUMBER OF REPORTING UNITS HAVE ADOPTED
25 AND SUBMITTED TO THE STATE TREASURER RESOLUTIONS MEETING THE
26 REQUIREMENTS OF SUBSECTION (4) OR SECTION 41A(4), AS APPROPRIATE,
27 SUFFICIENT TO PROVIDE REVENUES TO THE MICHIGAN PUBLIC SCHOOL

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23

1 EMPLOYEES PENSION FINANCE AUTHORITY TO PAY DEBT SERVICE ON BONDS
2 OR NOTES TO BE ISSUED BY THE MICHIGAN PUBLIC SCHOOL EMPLOYEES
3 PENSION FINANCE AUTHORITY.

4 (4) THE RESOLUTION TO BE ADOPTED AND SUBMITTED BY A REPORT-
5 ING UNIT UNDER THIS SECTION IS 1 OF THE FOLLOWING, AS
6 APPROPRIATE:

7 (A) FOR A REPORTING UNIT THAT IS A PUBLIC SCHOOL DISTRICT,
8 INTERMEDIATE SCHOOL DISTRICT, OR A PUBLIC SCHOOL ACADEMY, THE
9 RESOLUTION IS AS FOLLOWS:

10 "WHEREAS, _____ (THE "REPORTING
11 UNIT") DESIRES TO HAVE THE CONTRIBUTION SET FORTH IN SECTION
12 41C(1) OF 1980 PA 300, MCL 38.1341C ("ACT 300").

13 WHEREAS, THE REPORTING UNIT DESIRES TO STATE ITS AGREEMENT
14 TO EXPRESSLY ASSUME THE LIABILITY FOR SUCH CONTRIBUTION.

15 WHEREAS, THE REPORTING UNIT IS AUTHORIZED TO ADOPT THIS
16 RESOLUTION.

17 NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

18 1. THE REPORTING UNIT AGREES THAT IT IS CONTRACTUALLY OBLI-
19 GATED TO PAY 1%, OR SUCH GREATER PERCENTAGE NOT TO EXCEED 1.25%
20 AS IS NECESSARY TO PAY DEBT SERVICE ON ANY BONDS OR NOTES ISSUED
21 BY THE MICHIGAN PUBLIC SCHOOL EMPLOYEES PENSION FINANCE AUTHORI-
22 TY, AS DETERMINED BY THE STATE TREASURER, OF THE AGGREGATE ANNUAL
23 COMPENSATION OF ALL EMPLOYEES OF THE REPORTING UNIT TO THE
24 MICHIGAN PUBLIC SCHOOL EMPLOYEES PENSION FINANCE AUTHORITY (THE
25 "AUTHORITY") BEGINNING ON THE COMMENCEMENT DATE (AS DEFINED IN
26 ACT 300) AND THEREAFTER ONLY UNTIL SUCH TIME THAT ANY BONDS OR
27 NOTES ISSUED BY THE MICHIGAN PUBLIC SCHOOL EMPLOYEES PENSION

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24

1 FINANCE AUTHORITY ARE NO LONGER OUTSTANDING, BUT IN NO EVENT
2 LATER THAN DECEMBER 31, 2037. THE REPORTING UNIT HEREBY WAIVES
3 ALL DEFENSES TO THE NONPAYMENT OF THE FOREGOING OBLIGATION TO THE
4 AUTHORITY OR TO THE COLLECTION OF THE FOREGOING OBLIGATION BY THE
5 AUTHORITY.

6 2. THE REPORTING UNIT AGREES THAT THE OBLIGATION IN PARA-
7 GRAPH 1 ABOVE SHALL BE A FULL FAITH AND CREDIT GENERAL OBLIGATION
8 PAYABLE AS A FIRST BUDGET OBLIGATION FROM ANY FUNDS OF THE
9 REPORTING UNIT AVAILABLE THEREFOR OR FOR EACH REPORTING UNIT THAT
10 IS NOT A PUBLIC SCHOOL ACADEMY FROM GENERAL AD VALOREM TAXES
11 IMPOSED ON ALL TAXABLE PROPERTY IN THE REPORTING UNIT'S JURISDIC-
12 TION, SUBJECT TO APPLICABLE CONSTITUTIONAL AND STATUTORY TAX RATE
13 LIMITATIONS. THE REPORTING UNIT HEREBY PLEDGES ANY STATE AID OR
14 OTHER STATE APPROPRIATION FUNDS RECEIVED BY THE REPORTING UNIT AS
15 ADDITIONAL SECURITY FOR THE PAYMENT OF THE OBLIGATION IN PARA-
16 GRAPH 1 ABOVE AND AUTHORIZES ANY AUTHORIZED OFFICER OF THE
17 REPORTING UNIT TO ENTER INTO A PLEDGE AND ADVANCEMENT AGREEMENT
18 WITH THE AUTHORITY PURSUANT TO THIS PLEDGE.

19 3. THE REPORTING UNIT WAIVES ANY RIGHT OR INTEREST IT MAY
20 HAVE IN ANY LITIGATION BASED ON OR ARISING OUT OF ANY CLAIM OR
21 POTENTIAL CLAIM RELATING TO THE AMOUNT OF MONEY WHICH THE REPORT-
22 ING UNIT IS, OR MAY HAVE BEEN ENTITLED TO RECEIVE IN ANY YEAR
23 PURSUANT TO THE PROVISIONS OF THE STATE SCHOOL AID ACT OF 1979,
24 1979 PA 94, MCL 388.1601 TO 388.1772, OR BY REASON OF THE APPLI-
25 CATION OF SECTION 29 OF ARTICLE IX OF THE STATE CONSTITUTION OF
26 1963 RELATING TO SPECIAL EDUCATION, SPECIAL EDUCATION
27 TRANSPORTATION, DRIVER'S EDUCATION, BILINGUAL EDUCATION, SCHOOL

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25

1 LUNCH, OR CONTRIBUTIONS TO THE PUBLIC SCHOOL EMPLOYEES RETIREMENT
2 SYSTEM THROUGH THE COMMENCEMENT DATE (AS DEFINED IN ACT 300); AND
3 ASSIGNS ANY MONEY JUDGMENT OR AWARD IT MAY RECEIVE OR BE ENTITLED
4 TO RECEIVE AS A RESULT OF ANY SUCH CLAIM OR LITIGATION OR SETTLE-
5 MENT THEREOF TO THE STATE OF MICHIGAN.

6 4. THE REPORTING UNIT DIRECTS ITS SECRETARY TO SUBMIT A
7 CERTIFIED COPY OF THIS RESOLUTION TO THE STATE TREASURER NO LATER
8 THAN 5 P.M. EASTERN DAYLIGHT TIME ON AUGUST 15, 1997, AND AGREES
9 THAT IT WILL NOT TAKE ANY ACTION TO AMEND OR RESCIND THIS RESOLU-
10 TION WITHOUT THE PRIOR WRITTEN CONSENT OF THE AUTHORITY.

11 5. ANY AUTHORIZED OFFICER OF THE REPORTING UNIT IS AUTHO-
12 RIZED TO EXECUTE ANY DOCUMENTS OR CERTIFICATES, OR TAKE SUCH
13 OTHER ACTIONS, NECESSARY TO EFFECTUATE THE PURPOSES CONTEMPLATED
14 BY THIS RESOLUTION.

15 6. IF THE COMMENCEMENT DATE (AS DEFINED IN ACT 300) DOES
16 NOT OCCUR BEFORE JANUARY 1, 1999, THEN THIS RESOLUTION SHALL BE
17 NULL AND VOID.

18 7. IT IS CERTIFIED THAT ALL ACTS, CONDITIONS, AND ACTIONS
19 REQUIRED BY LAW FOR THE ADOPTION OF THIS RESOLUTION HAVE BEEN
20 DULY TAKEN BY THE REPORTING UNIT, AND THAT THIS RESOLUTION IS IN
21 FULL FORCE AND EFFECT."

22 (B) FOR A REPORTING UNIT THAT IS A TAX SUPPORTED COMMUNITY
23 OR JUNIOR COLLEGE OR A DISTRICT LIBRARY, THE RESOLUTION IS AS
24 FOLLOWS:

25 "WHEREAS, _____ (THE "REPORTING
26 UNIT") DESIRES TO HAVE THE CONTRIBUTION SET FORTH IN SECTION
27 41C(1) OF 1980 PA 300, MCL 38.1341C ("ACT 300").

1 WHEREAS, THE REPORTING UNIT DESIRES TO STATE ITS AGREEMENT
2 TO EXPRESSLY ASSUME THE LIABILITY FOR SUCH CONTRIBUTION.

3 WHEREAS, THE REPORTING UNIT IS AUTHORIZED TO ADOPT THIS
4 RESOLUTION.

5 NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

6 1. THE REPORTING UNIT AGREES THAT IT IS CONTRACTUALLY OBLI-
7 GATED TO PAY 1%, OR SUCH GREATER PERCENTAGE NOT TO EXCEED 1.25%
8 AS IS NECESSARY TO PAY DEBT SERVICE ON ANY BONDS OR NOTES ISSUED
9 BY THE MICHIGAN PUBLIC SCHOOL EMPLOYEES PENSION FINANCE AUTHORI-
10 TY, AS DETERMINED BY THE STATE TREASURER, OF THE AGGREGATE ANNUAL
11 COMPENSATION OF ALL EMPLOYEES OF THE REPORTING UNIT TO THE
12 MICHIGAN PUBLIC SCHOOL EMPLOYEES PENSION FINANCE AUTHORITY (THE
13 "AUTHORITY") BEGINNING ON THE COMMENCEMENT DATE (AS DEFINED IN
14 ACT 300) AND THEREAFTER ONLY UNTIL SUCH TIME THAT ANY BONDS OR
15 NOTES ISSUED BY THE MICHIGAN PUBLIC SCHOOL EMPLOYEES PENSION
16 FINANCE AUTHORITY ARE NO LONGER OUTSTANDING, BUT IN NO EVENT
17 LATER THAN DECEMBER 31, 2037. THE REPORTING UNIT HEREBY WAIVES
18 ALL DEFENSES TO THE NONPAYMENT OF THE FOREGOING OBLIGATION TO THE
19 AUTHORITY OR TO THE COLLECTION OF THE FOREGOING OBLIGATION BY THE
20 AUTHORITY.

21 2. THE REPORTING UNIT AGREES THAT THE OBLIGATION IN PARA-
22 GRAPH 1 ABOVE SHALL BE A FULL FAITH AND CREDIT GENERAL OBLIGATION
23 PAYABLE AS A FIRST BUDGET OBLIGATION FROM ANY FUNDS OF THE
24 REPORTING UNIT AVAILABLE THEREFOR OR FROM GENERAL AD VALOREM
25 TAXES IMPOSED ON ALL TAXABLE PROPERTY IN THE REPORTING UNIT'S
26 JURISDICTION, SUBJECT TO APPLICABLE CONSTITUTIONAL AND STATUTORY
27 TAX RATE LIMITATIONS. THE REPORTING UNIT HEREBY PLEDGES ANY

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1 STATE AID OR OTHER STATE APPROPRIATION FUNDS RECEIVED BY THE
2 REPORTING UNIT AS ADDITIONAL SECURITY FOR THE PAYMENT OF THE
3 OBLIGATION IN PARAGRAPH 1 ABOVE AND AUTHORIZES ANY AUTHORIZED
4 OFFICER OF THE REPORTING UNIT TO ENTER INTO A PLEDGE AND ADVANCE-
5 MENT AGREEMENT WITH THE AUTHORITY PURSUANT TO THIS PLEDGE.

6 3. THE REPORTING UNIT WAIVES ANY RIGHT OR INTEREST IT MAY
7 HAVE IN ANY LITIGATION BASED ON OR ARISING OUT OF ANY CLAIM OR
8 POTENTIAL CLAIM RELATING TO THE AMOUNT OF MONEY WHICH THE REPORT-
9 ING UNIT IS, OR MAY HAVE BEEN ENTITLED TO RECEIVE FOR CONTRIBU-
10 TIONS TO THE PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM THROUGH
11 THE COMMENCEMENT DATE (AS DEFINED IN ACT 300); AND ASSIGNS ANY
12 MONEY JUDGMENT OR AWARD IT MAY RECEIVE OR BE ENTITLED TO RECEIVE
13 AS A RESULT OF ANY SUCH CLAIM OR LITIGATION OR SETTLEMENT THEREOF
14 TO THE STATE OF MICHIGAN.

15 4. THE REPORTING UNIT DIRECTS ITS SECRETARY TO SUBMIT A
16 CERTIFIED COPY OF THIS RESOLUTION TO THE STATE TREASURER NO LATER
17 THAN 5 P.M. EASTERN DAYLIGHT TIME ON AUGUST 15, 1997, AND AGREES
18 THAT IT WILL NOT TAKE ANY ACTION TO AMEND OR RESCIND THIS RESOLU-
19 TION WITHOUT THE PRIOR WRITTEN CONSENT OF THE AUTHORITY.

20 5. ANY AUTHORIZED OFFICER OF THE REPORTING UNIT IS AUTHO-
21 RIZED TO EXECUTE ANY DOCUMENTS OR CERTIFICATES, OR TAKE SUCH
22 OTHER ACTIONS, NECESSARY TO EFFECTUATE THE PURPOSES CONTEMPLATED
23 BY THIS RESOLUTION.

24 6. IF THE COMMENCEMENT DATE (AS DEFINED IN ACT 300) DOES
25 NOT OCCUR BEFORE JANUARY 1, 1999, THEN THIS RESOLUTION SHALL BE
26 NULL AND VOID.

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1 7. IT IS CERTIFIED THAT ALL ACTS, CONDITIONS, AND ACTIONS
2 REQUIRED BY LAW FOR THE ADOPTION OF THIS RESOLUTION HAVE BEEN
3 DULY TAKEN BY THE REPORTING UNIT, AND THAT THIS RESOLUTION IS IN
4 FULL FORCE AND EFFECT."

5 (5) EACH REPORTING UNIT IS AUTHORIZED TO DO ALL OF THE
6 FOLLOWING:

7 (A) ADOPT THE RESOLUTION SET FORTH IN SUBSECTION (4).

8 (B) ENTER INTO AGREEMENTS, IF ANY, WITH THE MICHIGAN PUBLIC
9 SCHOOL EMPLOYEES PENSION FINANCE AUTHORITY TO IMPLEMENT OR GIVE
10 EFFECT TO THIS RESOLUTION.

11 (C) PLEDGE THE STATE AID AND FUNDS DESCRIBED IN THE RESOLU-
12 TION SET FORTH IN SUBSECTION (4).

13 (6) THE OBLIGATION OF A REPORTING UNIT DESCRIBED IN THE RES-
14 OLUTION SET FORTH IN SUBSECTION (4) IS NOT TO BE INCLUDED IN ANY
15 CALCULATION OF DEBT UNDER THE REVISED SCHOOL CODE, 1976 PA 451,
16 MCL 380.1 TO 380.1852, THE COMMUNITY COLLEGE ACT OF 1966, 1966
17 PA 331, MCL 389.1 TO 389.195, AND THE DISTRICT LIBRARY FINANCING
18 ACT, 1988 PA 265, MCL 397.281 TO 397.290, AND IS NOT SUBJECT TO
19 THE MUNICIPAL FINANCE ACT, 1943 PA 202, MCL 131.1 TO 139.3. THE
20 OBLIGATION DESCRIBED IN THE RESOLUTION SET FORTH IN SUBSECTION
21 (4) IS A FULL FAITH AND CREDIT GENERAL BUDGET OBLIGATION OF THE
22 REPORTING UNIT. FOR A REPORTING UNIT THAT IS NOT A PUBLIC SCHOOL
23 ACADEMY, THE OBLIGATION DESCRIBED IN THE RESOLUTION SET FORTH IN
24 SUBSECTION (4) IS A LIMITED TAX FULL FAITH AND CREDIT GENERAL
25 OBLIGATION PAYABLE AS A FIRST BUDGET OBLIGATION FROM ANY FUNDS OF
26 THE REPORTING UNIT AVAILABLE FOR THAT PURPOSE OR FROM GENERAL AD
27 VALOREM TAXES IMPOSED ON ALL TAXABLE PROPERTY IN THE REPORTING

1 UNIT'S JURISDICTION, SUBJECT TO APPLICABLE CONSTITUTIONAL AND
2 STATUTORY RATE LIMITATIONS.

3 Sec. 42. (1) Beginning with the 1994-95 state fiscal year,
4 a reporting unit shall contribute the entire percentage, deter-
5 mined under section 41(2), of the aggregate annual compensation
6 of all employees who are members under the noncontributory plan
7 as provided by section 63 to the reserve for employer contribu-
8 tions and to the reserve for health benefits. The reporting unit
9 contribution under this subsection is the exclusive obligation of
10 the reporting unit payable out of general budget resources of the
11 reporting unit, including funds available under local millage and
12 other local resources and from the state school aid allocation to
13 the reporting unit, and shall not be a separate obligation by
14 specific reimbursement or otherwise of this state.

15 (2) As authorized by resolution or other enabling act of its
16 governing body, the employer shall pick up all contributions of a
17 member made pursuant to section 43a for all compensation paid on
18 or after January 1, 1987 and reported to the retirement system.
19 Although considered contributions of a member for certain pur-
20 poses under this act, all contributions picked up shall be
21 treated as paid by the employer in lieu of contributions by the
22 employee. Contributions picked up as provided in this subsection
23 shall be paid from the same source of funds that is used for
24 paying compensation to the member. The employer may pick up
25 these contributions by either a reduction to the member's cash
26 salary, an offset against a future salary increase, or a
27 combination of a reduction in salary and offset against a future

1 salary increase. This subsection does not apply, and the
2 employer shall not deduct, offset, or remit contributions, until
3 the department receives notification from the United States
4 internal revenue service that contributions picked up shall not
5 be included as gross income of the member until they are distrib-
6 uted or made available to the member, retirant, retirement allow-
7 ance beneficiary, or refund beneficiary.

8 (3) The employer shall deduct from a member's compensation
9 the contributions for social security provided in ~~Act No. 205 of~~
10 ~~the Public Acts of 1951, being sections 38.851 to 38.871 of the~~
11 ~~Michigan Compiled Laws~~ 1951 PA 205, MCL 38.851 TO 38.871.
12 Contributions shall be made while the member remains a public
13 school employee. Each reporting unit official shall deduct the
14 social security contributions from the compensation of each
15 member for each payroll period after the date the employee
16 becomes a member. Social security contributions shall be made
17 notwithstanding that the minimum compensation provided by law is
18 changed. Each member is considered to have agreed to the contri-
19 butions prescribed in this subsection.

20 (4) Each reporting unit official shall forward member
21 investment plan contributions to the retirement system monthly.

22 (5) Each reporting unit official shall forward the entire
23 employer contribution required by this act to the retirement
24 system monthly.

25 (6) By January 11, April 11, July 11, and October 11 of each
26 year, each reporting unit official shall file with the executive
27 secretary of the retirement board a quarterly affidavit for the

1 preceding 3 months. The affidavit shall certify the aggregate
2 compensation that is reportable to the retirement system under
3 section 3a, sources of contributions, wages paid from federal
4 funds, and contributions required by law. Not later than July 11
5 of each year, a report shall be filed with the executive secre-
6 tary of the retirement board, which shall list the persons
7 employed, together with other information, including salary,
8 service, and contributions, required for retirement reporting
9 purposes.

10 (7) If a reporting unit fails to submit a report or contri-
11 butions, or both, according to the schedule established by the
12 retirement board, a late fee shall be paid by the reporting
13 unit. If the remittance of contributions is late, the late fee
14 shall include interest for each day that the remittance of con-
15 tributions is late. The retirement board periodically may estab-
16 lish the late fee, which shall not be less than \$25.00, and
17 interest charges, which shall not be less than 6% per annum.

18 (8) Upon written notice from the retirement board, the
19 superintendent of public instruction and the state treasurer
20 shall withhold payment of state funds, in part or in whole, pay-
21 able from the state school aid appropriation or higher education
22 appropriations to a reporting unit that fails to comply with this
23 section.

24 (9) EACH REPORTING UNIT MAY DIRECT THE STATE TREASURER TO DO
25 ANY OF THE FOLLOWING:

26 (A) WITHHOLD FROM ANY APPROPRIATION OR OTHER FUNDS DUE TO
27 THE REPORTING UNIT THE AMOUNT OF ANY PAYMENT DUE FROM THE

1 REPORTING UNIT TO THE MICHIGAN PUBLIC SCHOOL EMPLOYEES PENSION
2 FINANCE AUTHORITY.

3 (B) TRANSFER THE FUNDS DESCRIBED IN SUBDIVISION (A) TO THE
4 MICHIGAN PUBLIC SCHOOL EMPLOYEES PENSION FINANCE AUTHORITY.

5 (10) UPON WRITTEN NOTICE FROM THE MICHIGAN PUBLIC SCHOOL
6 EMPLOYEES PENSION FINANCE AUTHORITY, THE STATE TREASURER SHALL
7 WITHHOLD PAYMENT OF STATE FUNDS PAYABLE FROM THE STATE SCHOOL AID
8 APPROPRIATIONS, HIGHER EDUCATION APPROPRIATIONS, COMMUNITY COL-
9 LEGE APPROPRIATIONS, OR OTHER APPLICABLE STATE APPROPRIATIONS TO
10 A REPORTING UNIT TO THE EXTENT THAT A REPORTING UNIT'S FAILURE TO
11 COMPLY WITH THIS SECTION RESULTS IN A DEFICIENCY IN THE AMOUNT
12 REQUIRED TO BE TRANSFERRED BY THE REPORTING UNIT TO THE MICHIGAN
13 PUBLIC SCHOOL EMPLOYEES PENSION FINANCE AUTHORITY. THE STATE
14 TREASURER SHALL DEPOSIT THE AMOUNT OF SUCH DEFICIENCY FROM THE
15 FUNDS WITHHELD INTO THE MICHIGAN PUBLIC SCHOOL EMPLOYEES PENSION
16 FINANCE AUTHORITY.

17 (11) THE STATE TREASURER SHALL TRANSMIT TO THE MICHIGAN
18 PUBLIC SCHOOL EMPLOYEES PENSION FINANCE AUTHORITY, OR A TRUSTEE
19 DESIGNATED BY THE AUTHORITY, THE AMOUNT OF THE PAYMENT THAT IS
20 ASSIGNED OR PLEDGED UNDER AN AGREEMENT ENTERED INTO BY A REPORT-
21 ING UNIT ASSIGNING ALL OR A PORTION OF THE STATE FUNDS IT IS ELI-
22 GIBLE TO RECEIVE UNDER ANY APPLICABLE STATE APPROPRIATION ACT TO
23 THE MICHIGAN PUBLIC SCHOOL EMPLOYEES PENSION FINANCE AUTHORITY OR
24 PLEDGING SUCH AMOUNT FOR PAYMENT OF AN OBLIGATION IT INCURRED
25 WITH THE MICHIGAN PUBLIC SCHOOL EMPLOYEES PENSION FINANCE
26 AUTHORITY. NOTWITHSTANDING THE PAYMENT DATES PRESCRIBED FOR
27 DISTRIBUTIONS UNDER THE APPLICABLE APPROPRIATION ACT, THE STATE

SB 648, As Passed Senate, July 10, 1997

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1 TREASURER MAY ADVANCE ALL OR PART OF A PAYMENT THAT IS DEDICATED
2 FOR DISTRIBUTION TO A REPORTING UNIT OR FOR WHICH THE APPROPRIA-
3 TION AUTHORIZING THE PAYMENT TO A REPORTING UNIT HAS BEEN MADE,
4 UNDER THE TERMS OF AN AGREEMENT ENTERED INTO BY THE REPORTING
5 UNIT AND THE MICHIGAN PUBLIC SCHOOL EMPLOYEES PENSION FINANCE
6 AUTHORITY, TO THE EXTENT THE PAYMENT THAT THE REPORTING UNIT IS
7 ELIGIBLE TO RECEIVE HAS BEEN ASSIGNED TO OR PLEDGED FOR PAYMENT
8 OF AN OBLIGATION IT INCURRED WITH THE MICHIGAN PUBLIC SCHOOL
9 EMPLOYEES PENSION FINANCE AUTHORITY. THIS SUBSECTION DOES NOT
10 REQUIRE THE STATE TO MAKE AN APPROPRIATION TO ANY REPORTING UNIT
11 AND SHALL NOT BE CONSTRUED AS CREATING AN INDEBTEDNESS OF THE
12 STATE, AND ANY AGREEMENT MADE PURSUANT TO THIS SUBSECTION SHALL
13 CONTAIN A STATEMENT TO THAT EFFECT.

14 SEC. 113. THERE IS APPROPRIATED THE SUM OF \$2,000,000.00
15 FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1998 TO THE DEPARTMENT
16 FOR THE PURPOSE OF IMPLEMENTING TIER 2.