

Policy Changes to Implement 2022 Public Acts

Prepared for the Michigan House and Senate General
Government Appropriations Subcommittees, the Joint
Committee on Administrative Rules, and the House
and Senate Fiscal Agencies

April 1, 2023



EXECUTIVE SUMMARY

The Department of Technology, Management and Budget, in accordance with Section 220 of Public Act 166 of 2022, has prepared this Policy Changes to Implement 2022 Public Acts report. The Act states:

“Sec. 220. Each department and agency shall report no later than April 1 on each specific policy change made to implement a public act affecting the department that took effect during the prior calendar year to the senate and house of representatives standing committees on appropriations subcommittees on general government, the joint committee on administrative rules, and the senate and house fiscal agencies.”

With the exception of appropriations bills, three acts impacted department activities that became law in calendar year 2022. There were no official policy changes required by these pieces of legislation, however following their enactment the Department took action to implement these acts where necessary. The following chart lists the changes made to implement each act as of March 31, 2023.

Please contact Bree Anderson Legislative Liaison, Department of Technology, Management and Budget at 517-256-7822 or andersonb24@michigan.gov for more information.

<i>2022 Public Act</i>	<i>Bill</i>	<i>Act Description</i>	<i>Departmental Changes</i>
184	HB 4375	<p>AN ACT to amend 1980 PA 300 “The Michigan Public School Employee Retirement Act”, entitled:</p> <p>“An act to provide a retirement system for the public school employees of this state; to create certain funds for this retirement system; to provide for the creation of a retirement board; to prescribe the powers and duties of the retirement board; to prescribe the powers and duties of certain state departments, agencies, officials, and employees; to authorize and make appropriations for the retirement system; to prescribe penalties and provide remedies; and to repeal acts and parts of acts,” by amending section 61 (MCL 38.1361), as amended by 2020 PA 267</p> <ul style="list-style-type: none"> • Sec. 61. to replace numerous existing criteria, restrictions, limitations, exemptions, and procedures for school retirees to return to work in a school setting and simultaneously draw a pension, with a requirement that the retiree not return to work before nine months had elapsed since retirement. The bill also removed a requirement that school employers pay into the retirement system a portion of rehired retirees' wages to support retiree health care benefits and pensions and would require school employers to report the rehiring of retirees to the Office of Retirement Services (ORS). In addition, it 'grandfathers-in' any existing retiree who is working at a reporting unit, which removes any earnings limitations or sunsets limiting how long that retiree may work during retirement. 	<p>In order to address and meet the requirements provided in PA 184 of 2022 DTMB’s Office of Retirement Services (ORS) provided directions and guidance to all reporting units of the MPSERS system and updated the public facing guidance and information on their website for members. Internally ORS made IT system changes to their systems for reporting of working after retirement for MPSERS members to reflect the new statutory timeframe.</p>

<i>2022 Public Act</i>	<i>Bill</i>	<i>Act Description</i>	<i>Departmental Changes</i>
217	HB 5765	<p>AN ACT to amend 1943 PA 240, entitled “An act to provide for a state employees’ retirement system; to create a state employees’ retirement board and prescribe its powers and duties; to establish certain funds in connection with the retirement system; to require contributions to the retirement system by and on behalf of members and participants of the retirement system; to create certain accounts and provide for expenditures from those accounts; to prescribe the powers and duties of certain state and local officers and employees and certain state departments and agencies; to prescribe and make appropriations for the retirement system; and to prescribe penalties and provide remedies,” by amending section 68c (MCL 38.68c), as amended by 2020 PA 314.</p> <ul style="list-style-type: none"> • Amend the State Employees' Retirement Act to specify that, until two years after the bill's effective date, a provision requiring a retiree under the State Employees' Retirement System (SERS) to forfeit his or her right to receive a retirement allowance during a period of State employment would not apply to a retiree hired by the Michigan Department of Corrections (MDOC) under certain circumstances. • Requires a retiree who is receiving a retirement allowance to agree to forfeit his or her right to receive that retirement allowance during a period of State employment. The System must stop payment of the retirement allowance to a retiree while he or she is employed with the State and must reinstate payment without recalculation when the period of employment ends. • Until two years after the bill's effective date, this requirement would not apply to a retiree if the MDOC hired the retiree to provide for the custody of individuals under the jurisdiction of MDOC, the retiree was hired in limited-term position and no benefits would be paid, and the retiree retired before January 1, 2022, and after a bona fide termination of employment. 	<p>In order to address and meet the requirements provided in of PA 217 of 2022 DTMB’s Office of Retirement Services (ORS) provided directions and guidance to all reporting units of the SERS system, updated the public facing guidance and information on their website for members. Internally ORS altered its process for reporting of working after retirement for SERS members to reflect the new statutory requirements.</p>

2022 Public Act	Bill	Act Description	Departmental Changes
220	HB 6357	<p>AN ACT to amend 1980 PA 300, entitled “An act to provide a retirement system for the public school employees of this state; to create certain funds for this retirement system; to provide for the creation of a retirement board; to prescribe the powers and duties of the retirement board; to prescribe the powers and duties of certain state departments, agencies, officials, and employees; to authorize and make appropriations for the retirement system; to prescribe penalties and provide remedies; and to repeal acts and parts of acts,” by amending section 41 (MCL 38.1341), as amended by 2018 PA 512.</p> <ul style="list-style-type: none"> • Amends the Public School Employees Retirement Act to do the following: • Suspend mandatory floors related to university payments toward unfunded accrued liabilities (UAL) for one year. • Requires the Office of Retirement Services (ORS) to reduce the payments universities must remit toward UAL, based on the deposit of an additional \$300.0 million into the Michigan Public School Employees' Retirement System (MPSERS) that occurred in fiscal year (FY) 2021-22 under Public Act (PA) 144 of 2022. • Accelerate the reduction in payroll growth assumption (i.e., accelerate the move to level dollar amortization payments applied to UAL). • The FY 2021-22 education budget (PA 144 of 2022) included an additional \$300.0 million in payments to MPSERS to reduce the UAL tied to the seven universities that were part of MPSERS; the appropriation was designed to reduce the universities' annual payments reflective of that additional payment. In addition, \$1.0 billion was appropriated to reduce the overall UAL in MPSERS tied to school districts and community colleges, and \$140.4 million was appropriated to accelerate the reduction in assumed payroll growth used by the State's actuary when calculating the payments schools and colleges must make on an annual basis. • The budget implementation statute requires ORS and the State's actuary to recognize the \$300.0 million in additional funding to reduce the UAL that is related to universities. Requires that universities' payments toward the UAL in FY 2022-23 be the "actuarially determined' contribution", rather than at least as much in FY 2021-22 (the floor). In this manner, payments by universities are expected to be roughly \$36.0 million lower than in FY 2021-22 	<p>In order to address and meet the requirements provided in of PA 220 of 2022 DTMB’s Office of Retirement Services (ORS) provided directions and guidance to all impacted university reporting units of the MSPERS system. Internally ORS worked with the SOM’s contracted actuarial firms to build awareness of the new Payroll Growth Assumption progression required by the statute and to document it appropriately in future assumptions.</p>

		<ul style="list-style-type: none">Requires ORS and the actuary to accelerate the reduction in payroll growth assumption rates. Under previous law, the rate of assumed payroll growth for FY 2022- 23 would be 2.5%; under this statute (and funded with the appropriation under PA 144 of 2022), the rate is 1.75%. For future years, the rate will decline between 25 and 50 basis points until reaching 0%. At that point, amortization payments toward the UAL would be 'level dollar' rather than 'level percent of payroll'.	
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