

MICHIGAN EDUCATION TRUST ACT (EXCERPT)
Act 316 of 1986

390.1433 Actuarial soundness of trust; ruling or opinion internal revenue service; answer from securities and exchange commission; making status of request known.

Sec. 13. (1) The trust shall be administered in a manner reasonably designed to be actuarially sound such that the assets of the trust will be sufficient to defray the obligations of the trust.

(2) In the accounting of the trust made pursuant to section 12, the trust board shall annually evaluate and cause to be evaluated by a nationally recognized actuary the actuarial soundness of the trust and determine the additional assets needed, if any, to defray the obligations of the trust. If there are not funds sufficient to ensure the actuarial soundness of the trust as determined by the nationally recognized actuary, the trust shall adjust payments of subsequent purchasers to ensure its actuarial soundness. If there are insufficient numbers of new purchasers to ensure the actuarial soundness of a plan of the trust, the available assets of the trust attributable to the plan shall be immediately prorated among the then existing contracts, and these shares shall be applied, at the option of the person to whom the refund is payable or would be payable under the contract upon termination of the contract, either towards the purposes of the contract for a qualified beneficiary or disbursed to the person to whom the refund is payable or would be payable under the contract upon termination of the contract.

(3) An advance tuition payment contract shall not be entered by the trust until the internal revenue service has issued a favorable ruling or opinion that the purchaser of the advance tuition payment contract will not be considered actually or constructively to be in receipt of income. If an unfavorable ruling or opinion with regard to this issue is rendered by the internal revenue service, the board shall present a report to the legislature outlining recommendations for the modification and continuance of the program, including a recommendation of whether the trust may offer contracts on behalf of itself to provide for the advance purchase of incremental portions of the number of credit hours necessary for a baccalaureate degree.

(4) Before entering into advance tuition payment contracts with purchasers, the state shall solicit answers to appropriate ruling requests from the securities and exchange commission regarding the application of federal security laws to the trust. No contracts shall be entered without the authority making known the status of the request.

History: 1986, Act 316, Imd. Eff. Dec. 23, 1986.