

# Michigan State Employees' Retirement System

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A Pension and Other Employee Benefit Trust Fund of the State of Michigan

## Summary Annual Report for Fiscal Year 2014



**Prepared by**  
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# About the Michigan State Employees' Retirement System

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This report is in compliance with Public Act 314 of 1965, as amended. The contents came from the complete Michigan State Employees' Retirement System 2014 Comprehensive Annual Financial Report (CAFR), an existing public data source available on our website at [www.michigan.gov/orsstatedb](http://www.michigan.gov/orsstatedb), and additional analysis performed after September 30, 2014.

The Michigan State Employees' Retirement System serves 56,615 retirees receiving monthly benefits, and 15,439 active members. State employee pensions are protected by Michigan's Constitution. The System's net assets are held in trust to meet future benefit payments.

The State Treasurer is the investment fiduciary and custodian of all investments of the System pursuant to State law.

## Michigan State Employees' Retirement System Service Providers

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A service provider is any individual, third-party agent or consultant, or other entity that receives direct or indirect compensation for consulting, investment management, brokerage, or custody services related to the system's assets.

Accel	Bivium Capital Partners	Cramer Rosenthal McGlynn
Advent	BlackRock Inc.	Credit Suisse Securities, LLC
AEW Capital Management	Blackstone Group	Credit Suisse/DLJ
Affinity	BNP Paribas	Crescent
Apax	BNY ConvergeX	DA Davidson & Co.
Apollo Global Management	Bridgepoint	Dalmore Capital Limited
Arboretum	Brockway Moran & Partners	Deutsche Bank
Ardian	Brookfield Asset Management Inc	Devon Self Storage
Ares	BTIG, Inc	Dodge & Cox
Argus	Capital Institutional Services	Domain Capital Advisors
Attucks Asset Management	Capri Capital Partners	Doughty Hanson
Austin Ventures	Carlyle	Dover Street
Avanath Capital Management	Castle Harlan	Drexel Hamilton
Avenue International	CCMP	Edens Limited Partnership
AXA	Centerbridge Capital Partners	EDF Ventures
Axiom-Asia	Cerberus	Essex Woodlands
Baillie Gifford International, LLC	CIM Group	First Tennessee Financial
Balfour Beatty Group	Citigroup Global Markets, Inc.	FirstMark Capital
Banc Funds	Clarion Partners	Fisher Investments
Bank of America/Merrill	Clarkston Capital Partners	Five Star Realty Partners
Bank of Montreal	Clarus	Flagship Ventures
Barclay's Capital	Clearstone	Fox Paine
Battery Ventures	CMEA	Franklin Templeton
BB&T Capital Markets	Cobalt Capital Partners	Freeman Spogli Equity Partners
BC European Capital	Coller Capital	Frontenac
Beacon Capital Partners	Columbia Management Investment	Gateway Capital
Bentall Kennedy	Advisors	GE Capital
Berkshire	CoStar Realty Information Inc.	Glencoe
BGC Partners	Cowen Group	Globespan

## Michigan State Employees' Retirement System Service Providers, continued

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Goldman Sachs	MFR Securities	Silver Lake
Green Equity Investors	MFS Institutional Advisors	Societe Generale
Grosvenor Capital Management	Mischler Financial Group	Southwest Securities
Grotech	Morgan Stanley	Sprout
GSO	MPM	State Street Bank
GW Capital, Inc.	Multi-Bank Securities	State Street Global Advisors
H.I.G.	New Leaf Ventures	Sterne Agee
Harbourvest	Nordic Capital	Stifel Nicolaus & Co
Healthcare Ventures	North Castle Partners	Stockbridge Capital Group
Heitman Capital Management	NorthPointe Capital	Stonepeak Advisors LLC
Henderson Global Investors	NV Partners	Sun Trust, Robinson, Humphrey
Hewitt Ennis Knupp	Oak Investment Partners	Susquehanna Intl Group
Huron	Oaktree	T Rowe Price Associates, Inc
Insight Venture Partners	One Liberty	TCW
InterWest Partners	OTA Ltd Partnership	The John Buck Company
Invesco Ltd	Paine & Partners	The Shansby Group
JAFCO	Paladin Realty Partners	TPG
JP Morgan Chase	Parthenon	Trilantic
JP Morgan Investment Management	Peninsula	True North Management Group
KBS Realty Advisors	Permira	Tullis Dickerson
Kelso	Philadelphia Financial Life Assurance Company	Turnbridge Capital Partners
Kensington Realty Advisors	Phoenix Equity Partners	UBS Securities
Kevin Miller Financial Services	Piper Jaffray	Unitas
Khosla	Primus	US Bank
KKR	Principal CMBS	Veritas Capital Partners
Kohlberg Kravis Roberts & Co	Principal Financial Group	Victory Capital Management
L&B Realty Advisors	Proprium Capital Partners	Vista Equity Partners
Landmark Realty Advisors	Providence Equity Partners	Warburg Pincus
LaSalle Investment Management	Prudential Investment Management	Wayne Co
Lazard Asset Management	Public Pension Capital	Weiss, Peck & Greer
Lightspeed Venture Partners	Pyramis Global Advisors	Wellington Management Company
Lion Capital	Questor	Wells Fargo Securities LLC
Lloyds Banking Group	Raymond James & Assoc	WestAm
Long Point Capital	RBC Capital Markets	Western National Group
Loomis Sayles & Company	RBS Greenwich	Windpoint
Los Angeles Capital Management	RFE	Winnington Capital Limited
Lowe Enterprises Investment Management	Rhone Partners	
Marathon Asset Management	Rialto Capital	
Matlin Patterson	Riverside	
Menlo Ventures	RW Baird	
Meritech	RW Pressprich & Co	
Merrill Lynch Pierce Fenner & Smith	Sanford C. Bernstein & Co, Inc.	
Mesirow Financial Inc	Seizert Capital Partners	
Metropolitan West Asset Management	SG Americas	

# Membership

Members of the system include employees of the State of Michigan and its noncentral agencies as listed below:

- Classified or unclassified state employees, including civil service employees, appointed officials in the executive branch, and employees of the legislature and judiciary branch.
- Employees who work for the Business Enterprise Program, Mackinac Island State Park, or Michigan State Bar and were hired before March 31, 1997.
- Employees hired before October 1, 1996, and employed by the American Legion, American Veterans, Disabled American Veterans, Marine Corps League, Military Order of the Purple Heart, Wayne County Clerk Recorders Court, Third Circuit Court, or 36th District Court.

Plan Membership and Retirement Allowances as of September 30, 2014	
Membership	FY 2014
Retirees and Beneficiaries Currently Receiving Benefits	
Regular Benefits	47,103
Survivor Benefits	7,001
Disability Benefits	3,511
<b>Total</b>	<b>57,615</b>
Current Employees	
Vested	15,057
Non-vested	382
<b>Total</b>	<b>15,439</b>
Inactive Employees	
Entitled to benefits and not yet receiving them	4,553
<b>Total All Members</b>	<b>77,607</b>
<i>Source: CAFR for the Fiscal Year ended September 30, 2014, p. 23.</i>	
Retirement Allowances	FY 2014
Average annual retirement allowance	\$ 21,042
Total annual retirement allowances being paid (in thousands)	\$ 1,212,333
<i>Source: Actuarial Valuation for the Fiscal Year ended September 30, 2014.</i>	

# Benefit Structures

Employees who began state employment before March 31, 1997, and did not choose to transfer to the Defined Contribution (DC) plan under Public Act 487 of 1996, are in the Defined Benefit (DB) plan.

Effective March 31, 1997, Public Act 487 of 1996 closed the DB plan to new members. All new employees become participants in the DC plan.

On December 15, 2011, the Governor signed Public Act 264 of 2011 into law. This law added provisions for DB plan members to increase, maintain, or stop their contributions to the pension fund. Those who stopped their contributions to the pension fund switched to a defined contribution plan for the remainder of their careers.

## Assets & Liabilities\*

System total assets as of September 30, 2014, were \$12.9 billion and were mostly comprised of cash, investments, and contributions due from employers.

Total liabilities as of September 30, 2014, were \$849 million and were comprised of accounts payable, deferred revenue, and obligations under securities lending.

System assets exceeded its liabilities at the close of fiscal year 2014 by \$12 billion. Total net assets held in trust for pension and Other Post-Employment Benefits (OPEB) increased \$1.4 billion from the previous year, primarily due to net investment gains.\*\*

<b>Assets &amp; Liabilities (in thousands)</b> <i>(combined pension and healthcare)</i>			
<b>Assets</b>	<b>FY 2014*</b>		<b>FY 2013**</b>
Cash	\$	134,291	\$ 187,774
Receivables		154,064	144,930
Securities Lending Collateral		791,755	669,859
Investments		11,801,653	10,469,023
<b>Total Assets</b>	<b>\$</b>	<b>12,881,763</b>	<b>\$ 11,471,585</b>
<b>Liabilities</b>	<b>FY 2014*</b>		<b>FY 2013**</b>
Accounts Payable and Other Liabilities	\$	29,574	\$ 33,264
Obligations Under Securities Lending		819,365	852,350
<b>Total Liabilities</b>		<b>848,939</b>	<b>\$ 885,614</b>
<b>Net Assets</b>	<b>\$</b>	<b>12,032,825</b>	<b>\$ 10,585,971</b>

\*Source: CAFR for the Fiscal Year ended September 30, 2014, p. 20.  
\*\*Source: CAFR for the Fiscal Year ended September 30, 2013, p. 20.

\* Liabilities in this context are exclusive of Unfunded Accrued Actuarial Liabilities (UAAL) for pension and health.

\*\* Source: CAFR for the Fiscal Year ended September 30, 2014, p. 17.

# Revenue and Expenditures

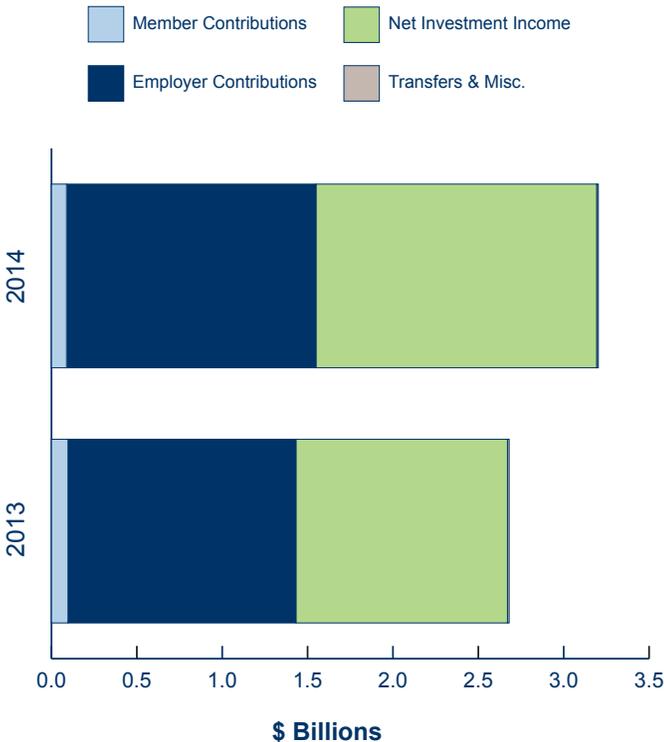
The reserves needed to finance pension and OPEB are accumulated through the collection of employer and employee contributions and through earnings on investments. Contributions and net investment income for fiscal year 2014 totaled approximately \$3.2 billion.

The primary expenses of the System include the payment of pension benefits to members and beneficiaries, payment for health, dental and vision benefits, refund of contributions to former members, and the cost of administering the System.\*

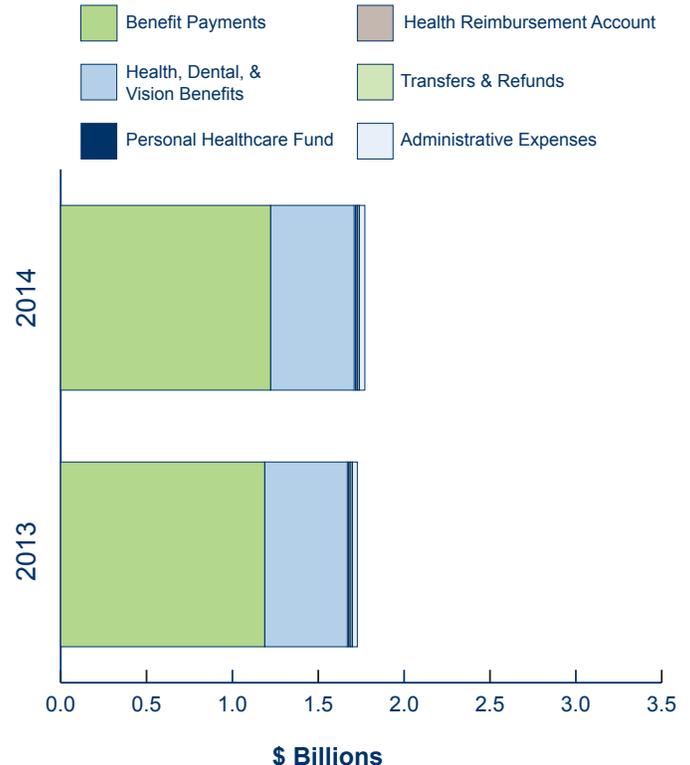
Additions & Deductions (in thousands) (combined pension and healthcare)				
Additions	FY 2014*		FY 2013**	
Member Contributions	\$	87,969	\$	96,625
Employer Contributions		1,460,984		1,334,708
Net Investment Income (loss)		1,644,891		1,239,318
Transfers and Misc. Income		102		682
<b>Total Additions</b>	<b>\$</b>	<b>3,193,946</b>	<b>\$</b>	<b>2,671,334</b>
Deductions	FY 2014*		FY 2013**	
Benefit Payments	\$	1,222,881	\$	1,187,911
Health, Dental, & Vision Benefits		487,643		481,264
Personal Healthcare Fund		3,908		4,433
Health Reimbursement Account		18		10
Transfers & Refunds		175		129
Administrative Expenses		32,467***		28,262***
<b>Total Deductions</b>	<b>\$</b>	<b>1,747,092</b>	<b>\$</b>	<b>1,702,009</b>
<b>Beginning of Year Assets</b>	\$	10,585,971	\$	9,616,647
<b>End of Year Net Assets</b>	\$	12,032,825	\$	10,585,971

\* Source: CAFR for the Fiscal Year ended September 30, 2014, p. 21  
 \*\* Source: CAFR for the Fiscal Year ended September 30, 2013, p. 21.  
 \*\*\* Reflects participation in federal programs that provide a federal subsidy for eligible healthcare claims, producing a net overall savings to the System.

## Revenue



## Expenditures

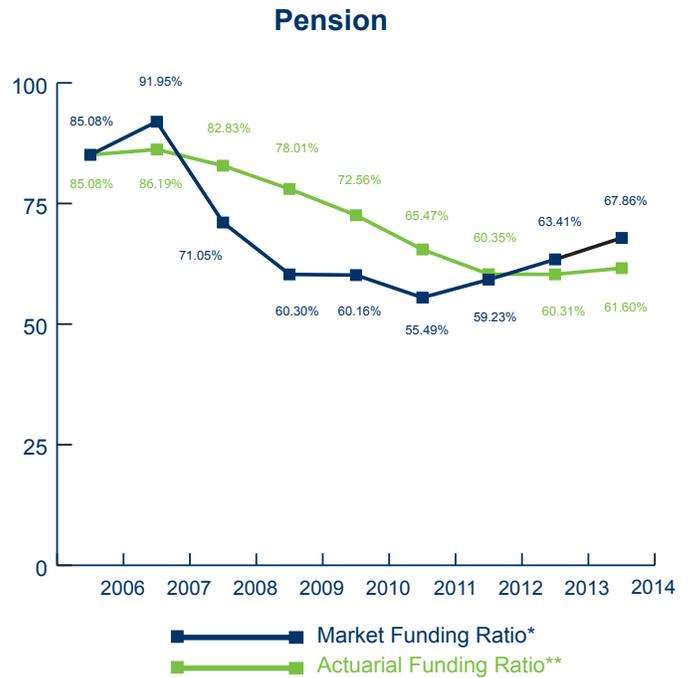


\* Source: CAFR for the Fiscal Year ended September 30, 2014, p. 18.

# Market Funded Ratios & Actuarial Funded Ratios

## Pension

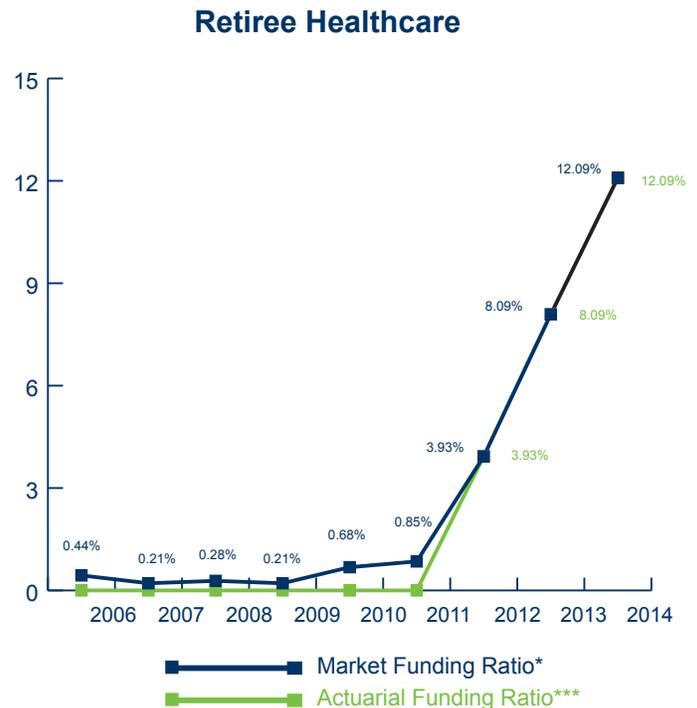
The market funding ratio is based only on the market value of assets at fiscal year end. The actuarial funding ratio incorporates a 5-year “smoothing” period that reduces volatility. The actuarial funding ratio is the common metric used by all pension plans nationwide. This smoothing process is used by almost every retirement system in the country; it helps avoid volatility in the pension systems’ funding requirements. As the economy improves, the funding ratio will also improve.



## Retiree Healthcare

Starting in 2012, the System began pre-funding retiree healthcare costs, which significantly decreased the liability and increased the asset levels. Pre-funding is a best practice that invests assets and allows investment returns to help fund the plan. Many states do not pre-fund. This reform puts Michigan on the leading edge of retirement funding practices.

Before 2012, the system was funded on a pay-as-you-go basis. While there were some assets set aside, these were counted in the market value, but not the actuarial value. Over time, as pre-funding and member contributions ramp up, the funding ratio will improve significantly.



\*Calculated on Market Value of Assets.

\*\*Source: CAFR for the Fiscal Year ended September 20, 2014, p. 91.

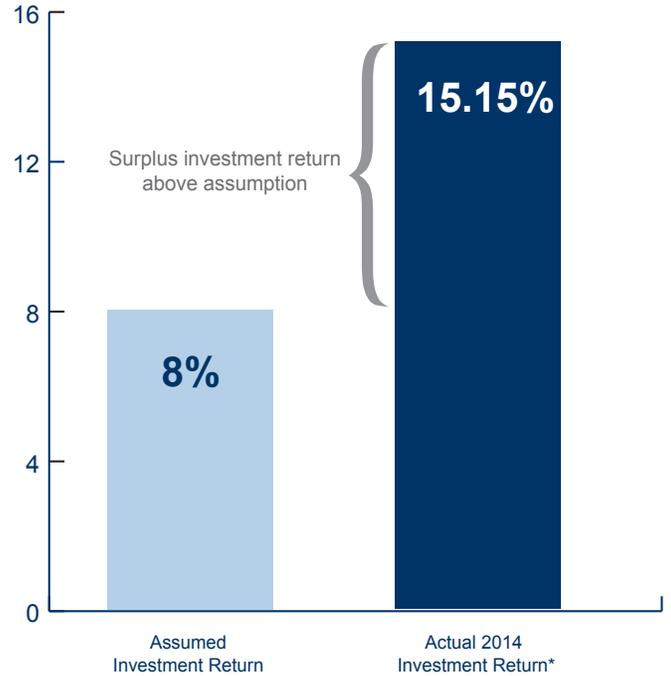
\*\*\*Source: CAFR for the Fiscal Year ended September 20, 2014, p. 45

# Discount Rates and Actual Investment Return

The State Treasurer administers all of the System's investments in accordance with the Public Employee Retirement System Investment Act, Public Act 314 of 1965. The main objective is maximizing the rate of return while meeting the actuarial assumptions through maintaining a diverse portfolio, eliminating unnecessary risks, and investing prudently.

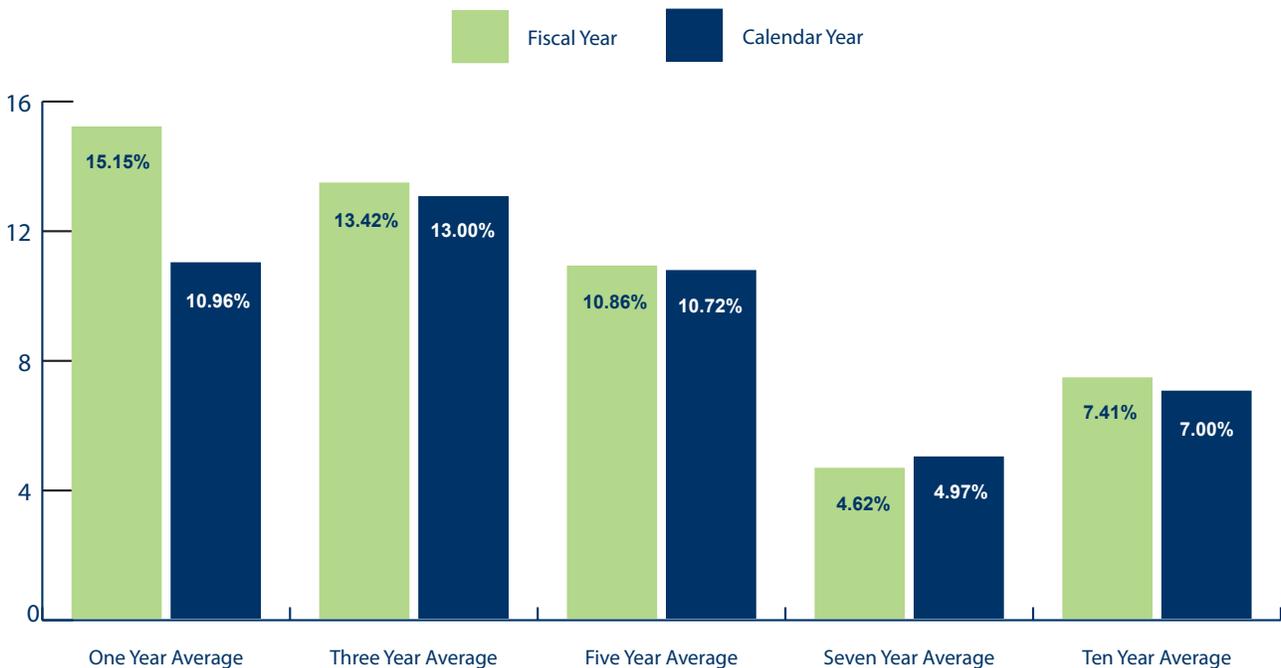
Contribution rates are determined by actuaries based in part on an assumed investment return each year. When investments exceed the assumed rates of return, as they did in 2014, this results in a gain for the System. The actual rate of investment return in FY 2014 was 15.15 percent\*, which is greater than the assumed rate of return.

## Investment Return Assumed and Actual for Fiscal Year 2014



\* Source: CAFR for the Fiscal Year ended September 30, 2014, p. 55

## Historical Investment Returns as of Fiscal Year 2014



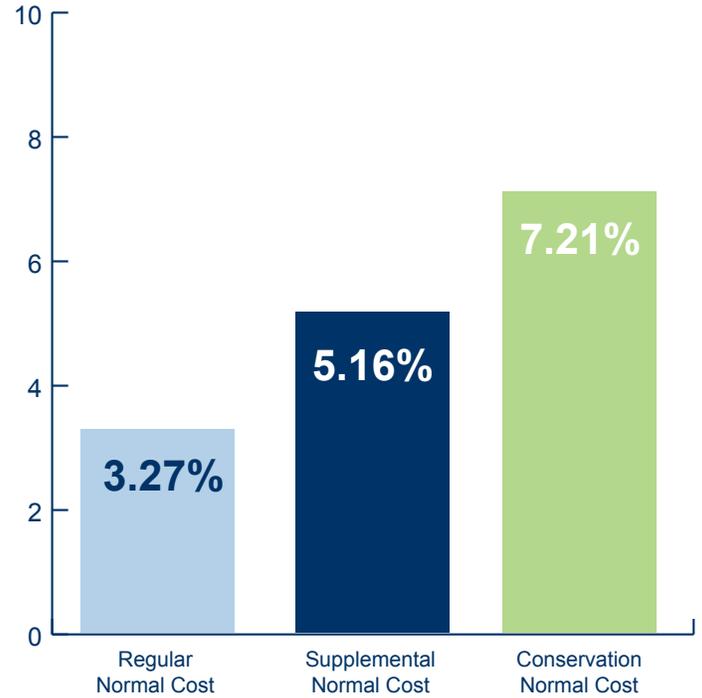
\* These figures are shown net of fees. Information shown in the CAFR is shown gross of fees.

# Member and Employer Contributions

## Definition of Normal Cost

Normal Cost is the actual cost of the retirement benefit a member earns each year, and is set using the assumed rate of investment return in addition to other actuarial assumptions. After member contributions are accounted for, the employer pays the remainder of the Normal Cost as shown here.

## Employer Pension Normal Cost Contribution Rates for Fiscal Year 2015\*



Member and Employer Pension Contributions	
<b>Member Contributions</b>	<b>Based on FY 2014 Actuarial Valuation</b>
Weighted Average	4%
<b>Employer Contributions</b>	<b>Based on FY 2014 Actuarial Valuation</b>
Computed Normal Cost of benefits expressed as a percentage of valuation payroll	3.44%
UAAL contribution rate expressed as a percentage of valuation payroll	61.45%*
Valuation Payroll	
For Defined Benefit employees	\$ 999,226,369**
Payroll associated with Defined Contribution employees	\$ 1,845,793,395
Total payroll used to collect UAAL	\$ 2,845,019,791
* If calculating this rate with the total payroll used to collect UAAL, the rate would be 21.58%. This is a better indication of how the contribution rate will be charged.	
**UAAL costs are spread over the payroll associated with both DB and DC employees.	

## Receipt of Employer Contributions

The statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the System's actuary and are based upon level-dollar value funding principles so the contribution rates do not have to increase over time. Differences between the Annual Required Contribution (ARC) and the actual contributions are the result of a timing difference between when the actuarial valuation is completed and the contributions are made.

# 2014 Pension Plan Expenditures

<b>Pension Plan Expenses for Fiscal Year Ended September 30, 2014*</b>		
<b>Administrative and Other Expenses</b>	<b>Dollars</b>	<b>% of Total</b>
<i>These expenditures are the administrative costs of running the retirement system, and are paid by DTMB-Office of Retirement Services and DTMB-Financial Services through an annual appropriation.</i>		
<b>Personnel Services</b>		
Staff Salaries	\$ 1,871,546	0.10424%
Retirement and Social Security	723,296	0.04028%
Other Fringe Benefits	249,858	0.01392%
<b>Total</b>	<b>\$ 2,844,700</b>	<b>0.15844%</b>
<b>Professional Services</b>		
Accounting	\$ 234,020	0.01303%
Actuarial	94,392	0.00526%
Attorney General	369,264	0.02057%
Audit	54,785	0.00305%
Consulting	15,170	0.00084%
Medical	151,348	0.00843%
<b>Total</b>	<b>\$ 918,979</b>	<b>0.05118%</b>
<b>Building and Equipment</b>		
Building Rentals	\$ 143,714	0.00800%
Equipment Purchase, Maintenance, and Rentals	\$5,584	0.00031%
<b>Total</b>	<b>\$ 149,298</b>	<b>0.00832%</b>
<b>Miscellaneous</b>		
Travel and Board Meetings (Excluding Travel and Education for Board Members)	\$ 5,769	0.00032%
Office Supplies	6,334	0.00035%
Postage, Telephone, and Other	469,626	0.02616%
Printing	56,065	0.00312%
Technological Support	2,479,835	0.13812%
<b>Subtotal</b>	<b>\$ 3,017,629</b>	<b>0.16807%</b>
Travel and Education for Board Members	48	0.00001%
<b>Total</b>	<b>\$ 3,017,677</b>	<b>0.16807%</b>
<b>Total Administrative and Other Expenses</b>	<b>\$ 6,930,654</b>	<b>0.38601%</b>
<b>Health, Dental &amp; Vision Fees</b>	<b>Dollars</b>	<b>% of Total</b>
<i>These expenditures are for self-insurance of the health, dental, and vision plans, and are paid from the retirement system's trust fund.</i>		
Staff Salaries	\$ 340,433	0.01896%
Health Fees	23,204,305	1.29238%
Dental Fees	1,739,800	0.09690%
Vision Fees	251,568	0.01401%
<b>Total Health, Dental &amp; Vision Fees</b>	<b>\$ 25,536,106</b>	<b>1.42225%</b>
<b>Investment Expenses</b>	<b>Dollars</b>	<b>% of Total</b>
<i>These expenditures are related to the Department of Treasury (Bureau of Investments) for managing the retirement system's assets, and are paid from the retirement system's trust fund.</i>		
Real Estate Operating Expenses	\$ 472,656	0.02632%
Securities Lending Expenses	13,441,561	0.74864%
<b>Other Investment Expenses</b>		
ORS-Investment Expenses	3,134,948	0.17460%
Custody Fees	210,085	0.01170%
Management Fees	30,517,697	1.69971%
Research Fees	\$589,570	0.03284%
<b>Total Investment Expenses</b>	<b>\$ 48,366,517</b>	<b>2.69381%</b>
<b>Benefits Paid to Members</b>	<b>Dollars</b>	<b>% of Total</b>
<i>These are the projected retirement benefits paid to members of the retirement system.</i>		
Retirement Benefits	\$ 1,222,881,091	68.10938%
Health Benefits	446,022,465	24.84159%
Dental/Vision Benefits	41,621,141	2.31812%
Personal Healthcare Fund	3,907,862	0.21765%
Health Reimbursement Account	17,902	0.00100%
Refunds of Member Contributions	174,553	0.00972%
<b>Total Payments to Members</b>	<b>\$ 1,714,625,014</b>	<b>95.49747%</b>
<b>Soft Dollar Expenses</b>	<b>Dollars</b>	<b>% of Total</b>
<i>These expenditures are for research provided by the retirement system's service providers and are incorporated into the brokerage fees and commissions.</i>		
<b>Bass Trading Int'l Group (BTIG)</b>		
High Tech Strat	\$ 18	0.00000%
Macro Mavens Newsletter	6,834	0.00038%
Welling on Wall Street	1,367	0.00008%
<b>Total Soft Dollar Expenditures</b>	<b>\$ 8,219</b>	<b>0.00046%</b>

\*Source: CAFR for the Fiscal Year ended September 30, 2014, 49-51.

# 2015 Budget for Pension Plan Expenditures

<b>Budget for Pension Plan Expenses for Fiscal Year Ending September 30, 2015</b>		
<b>Administrative and Other Expenses</b>	<b>Dollars</b>	<b>% of Total</b>
<i>These expenditures are the administrative costs of running the retirement system, and are paid by DTMB-Office of Retirement Services and DTMB-Financial Services through an annual appropriation.</i>		
<b>Personnel Services</b>		
Staff Salaries	\$ 2,049,343	0.11205%
Retirement and Social Security	819,764	0.04482%
Other Fringe Benefits	283,047	0.01548%
<b>Total</b>	<b>\$ 3,152,154</b>	<b>0.17235%</b>
<b>Professional Services</b>		
Accounting	\$ 244,846	0.01339%
Actuarial	87,532	0.00479%
Attorney General	278,358	0.01522%
Audit	55,000	0.00301%
Consulting	16,000	0.00087%
Medical	200,000	0.01094%
<b>Total</b>	<b>\$ 881,736</b>	<b>0.04821%</b>
<b>Building and Equipment</b>		
Building Rentals	\$ 158,451	0.00866%
Equipment Purchase, Maintenance, and Rentals	6,743	0.00037%
<b>Total</b>	<b>\$ 165,194</b>	<b>0.00903%</b>
<b>Miscellaneous</b>		
Travel and Board Meetings (Excluding Travel and Education for Board Members)	\$ 6,643	0.00036%
Office Supplies	8,902	0.00049%
Postage, Telephone, and Other	577,721	0.03159%
Printing	49,780	0.00272%
Technological Support	1,681,194	0.09192%
<b>Subtotal</b>	<b>\$ 2,324,240</b>	<b>0.12708%</b>
Travel and Education for Board Members	\$ 100	0.00001%
<b>Total Administrative and Other Expenses</b>	<b>\$ 6,523,424</b>	<b>0.35669%</b>
<b>Health, Dental &amp; Vision Fees</b>	<b>Dollars</b>	<b>% of Total</b>
<i>These expenditures are for self-insurance of the health, dental, and vision plans, and are paid from the retirement system's trust fund.</i>		
Staff Salaries	\$ 372,774	0.02038%
Health Fees	26,916,994	1.47177%
Dental Fees	1,809,392	0.09893%
Vision Fees	257,102	0.01406%
<b>Total Health, Dental &amp; Vision Fees</b>	<b>\$ 28,983,488</b>	<b>1.58476%</b>
<b>Investment Expenses</b>	<b>Dollars</b>	<b>% of Total</b>
<i>These expenditures are related to the Department of Treasury (Bureau of Investments) for managing the retirement system's assets, and are paid from the retirement system's trust fund.</i>		
Real Estate Operating Expenses	\$ 496,289	0.02714%
Securities Lending Expenses	1,979,631	0.10824%
<b>Other Investment Expenses</b>		
ORS-Investment Expenses	3,579,556	0.19572%
Custody Fees	242,435	0.01326%
Management Fees	32,043,582	1.75208%
Research Fees	619,049	0.03385%
<b>Total Investment Expenses</b>	<b>\$ 38,960,541</b>	<b>2.13028%</b>
<b>Benefits Paid to Members</b>	<b>Dollars</b>	<b>% of Total</b>
<i>These are the projected retirement benefits paid to members of the retirement system.</i>		
Retirement Benefits	\$ 1,261,129,315	68.95603%
Health Benefits	444,788,945	24.32017%
Dental/Vision Benefits	44,680,531	2.44304%
Personal Healthcare Fund	3,618,348	0.19784%
Health Reimbursement Account	38,909	0.00213%
Refunds of Member Contributions	157,318	0.00860%
<b>Total Payments to Members</b>	<b>\$ 1,754,413,366</b>	<b>95.92782%</b>
<b>Soft Dollar Expenses</b>	<b>Dollars</b>	<b>% of Total</b>
<i>These expenditures are for research provided by the retirement system's service providers and are incorporated into the brokerage fees and commissions.</i>		
<b>Bass Trading Int'l Group (BTIG)</b>		
High Tech Strategist	\$ 18	0.00000%
Macro Mavens Newsletter	6,834	0.00037%
Welling on Wall Street	1,367	0.00007%
<b>Total Soft Dollar Expenditures</b>	<b>\$ 8,219</b>	<b>0.00045%</b>

# Actuarial Assumptions

Actuarial valuations for both the pension and OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

<b>Actuarial Assumptions for Fiscal Year Ending September 30, 2014</b>	
Valuation Date	9/30/2013
Actuarial Cost Method	Entry Age, Normal
Amortization Method - Pension	Level Dollar, Closed
Amortization Method - OPEB	Level Percent of Payroll, Closed
Remaining Amortization Period	23 Years <sup>1</sup>
Asset Valuation Method - Pension	5-Year Smoothed Market
Asset Valuation Method - OPEB	Market
<b>Actuarial Assumptions FY 2014</b>	
Wage Inflation Rate	3.5%
Investment Rate of Return - Pension	8.0%
Investment Rate of Return - OPEB	8.0%
Projected Salary Increases	3.5 - 12.5%
Cost-of-Living Pension Adjustments	3% Annual Non-Compounded with Maximum Annual Increase of \$300 for those eligible
Healthcare Cost Trend Rate	9.0% Year 1 graded to 3.5% Year 10
Mortality - Pension	RP - 2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2015 projections scale BB. For retirees, 100% of the table rates were used. For active members, 50% of the table rates were used for males and females.
Mortality - OPEB	RP - 2000 Combined Health Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA (set forward 2 years for men, with 81% of male rates at ages 80-103 and 107% of the female rates)
<b>Other Assumptions OPEB Only<sup>2</sup> FY 2014</b>	
Opt out Assumption	10% of eligible participants are assumed to opt out of the retiree health plan
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents
<small><sup>1</sup> Based on the provision of GASB Statement Nos. 43 and 45 when the actuarial accrued liability for a defined benefit pension plan is underfunded or overfunded, the difference should be amortized over a period not to exceed thirty years for the fiscal periods beginning on or after June 15, 2006.</small>	
<small><sup>2</sup> Applies to individuals hired before January 1, 2012.</small>	
<small>Source: CAFR for the Fiscal Year ended September 30, 2014, p. 35.</small>	

## **Office Closures**

May 25 - Memorial Day  
July 3 - Independence Day  
September 7 - Labor Day

Our website is available seven days a week, even when our office is closed: [www.michigan.gov/orsstatedb](http://www.michigan.gov/orsstatedb)

### **Office of Retirement Services (ORS)**

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Office of Retirement Services  
**Director Phil Stoddard**

Printed by authority of 1965 P.A. 314, as amended.