Office of Retirement Services
P.O. Box 30171
Lansing MI 48909-7671

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY,
MANAGEMENT & BUDGET

RICK SNYDER
GOVERNOR
JOHN E. NIXON, CPA
DIRECTOR
www.michigan.gov/ors
(800) 381-5111

Updated Employer Contribution Rates

In February, the Office of Retirement Services sent out contribution rates for FY 12-13, FY 13-14, and FY 14-FY 15. The rates shared at that time have not changed. This notification serves to update that letter and reformats the information for ease of use by separating out rates for active members and qualified participants from those for retirees and former qualified participants. Please discard the previous communication and use this new letter for purposes of reporting and paying employer retirement contributions.

The contribution rates due on member's wages for fiscal years 2014-15 are as follows. The rates apply to K-12 school districts, intermediate school districts, district libraries, charter schools/public school academies, and federal programs.

FY 2014-2015 Employer Contribution Rate - Effective October 1, 2014.

FY2014-15 Employer Contribution Rates: Active Members and Qualified Participants

		Basic/MIP With Premium Subsidy	Pension Plus With Premium Subsidy	Pension Plus PHF	Pension Plus to DC with PHF	Basic/MIP to DC With Premium Subsidy	Basic/MIP to DC With PHF	Basic/MIP With PHF
DB CONTRIBUTIONS								
PENSION CONTRIBUTIONS								
Pension Normal Cost		4.31%	3.23%	3.23%	0.00%	0.00%	0.00%	4.31%
Pension UAAL		17.40%	17.40%	17.40%	17.40%	17.40%	17.40%	17.40%
Pension Early Retirement Incentive		1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
Pension Total Rate		**23.07%**	**21.99%**	**21.99%**	**18.76%**	**18.76%**	**18.76%**	**23.07%**
HEALTH CONTRIBUTIONS								
Health Normal Cost		0.51%	0.51%	0.00%	0.00%	0.51%	0.00%	0.00%
Health UAAL		2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%
Health Total Rate		**2.71%**	**2.71%**	**2.20%**	**2.20%**	**2.71%**	**2.20%**	**2.20%**
DTL2 Records	**DB Contribution Total**	**25.78%**	**24.70%**	**24.19%**	**20.96%**	**21.47%**	**20.96%**	**25.27%**
DC CONTRIBUTIONS								
DC Employer Contributions		0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
Personal Healthcare Fund		0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%
DTL4 Records	**DC Contribution Total**	**0.00%**	**1.00%**	**3.00%**	**5.00%**	**4.00%**	**6.00%**	**2.00%**

Updated Employer Contribution Rates: K-12s, ISDs, Charter Schools/Public School Academies, District Libraries, and Federal Programs

FY2014-15 Employer Contribution Rates: Retirees and Former Qualified Participants Who Return to Work

		Retiree Basic/MIP With Premium Subsidy[1]	Retiree Pension Plus With Premium Subsidy[1,2]	Retiree Pension Plus PHF[1,2]	Retiree Pension Plus to DC with PHF[2]	Retiree Basic/MIP to DC With Premium Subsidy[1,2]	Retiree Basic/MIP to DC With PHF[1,2]	Retiree Basic/MIP With PHF[1,2]
DB CONTRIBUTIONS								
PENSION CONTRIBUTIONS								
Pension Normal Cost		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Pension UAAL		17.40%	17.40%	17.40%	17.40%	17.40%	17.40%	17.40%
Pension Early Retirement Incentive		1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
Pension Total Rate		**18.76%**	**18.76%**	**18.76%**	**18.76%**	**18.76%**	**18.76%**	**18.76%**
HEALTH CONTRIBUTIONS								
Health Normal Cost		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Health UAAL		2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%
Health Total Rate		**2.20%**	**2.20%**	**2.20%**	**2.20%**	**2.20%**	**2.20%**	**2.20%**
DTL2 Records	**DB Contribution Total**	**20.96%**	**20.96%**	**20.96%**	**20.96%**	**20.96%**	**20.96%**	**20.96%**
DC CONTRIBUTIONS								
DC Employer Contributions		0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
Personal Healthcare Fund		0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%
DTL4 Records	**DC Contribution Total**	**0.00%**	**1.00%**	**3.00%**	**5.00%**	**4.00%**	**6.00%**	**2.00%**

1) UAAL is charged for employees hired directly by a reporting unit in a critical shortage position, or as a substitute teacher. UAAL is also charged for an employee hired through a third party administrator as a substitute teacher, instructional coach, or school improvement facilitator.
2) UAAL is charged for employees who are qualified participants working in any position.

Definitions

DB - Defined Benefit plan with active and retired members. Members can retire and return to work. The employer may or may not have to pay UAAL on retirees who return to work according to PA 464 of 2012.

DC - Defined Contribution plan with qualified participants. There is no distinction between pre and post retirement qualified participants in the DC plan. If one of these employees are working, they are a qualified participant with employer DC pension or PHF contributions and UAAL per PA 300 of 2012.

Early Retirement Incentive Program: According to the Public Act 300 of 2012, the pension incentive from 2010 must be paid for over ten years. The payments began in FY 2012-13. The payment rate as a percentage of payroll is listed above as part of the pension rate.

Former Qualified Participant- an individual who was a qualified participant and who terminates employment.

Health Normal Cost: This portion of the contribution rate is determined each year by the retirement system's actuary and is charged as a percentage due on payroll. This represents the cost of pensions for active employees earning another year of service credit in the retirement system.

Health Unfunded Actuarial Accrued Liability (UAAL): This portion of the contribution rate is also determined each year by the retirement system's actuary and is charged as a percentage of payroll. The UAAL is the difference between the retirement system's assets and the health benefits accrued (for past service) to current and future retirees. Each year, a payment is made against the UAAL reflecting the amortization payment and interest. NOTE: PA 300 of 2012 caps the combined pension and healthcare UAAL at 20.96 percent of payroll.

P.A. 464:** Included are rates for retirees who return to employment under PA 464. These retirees are either former employees who retired as DB members or former employees who first converted to DC under PA 300 and 359 and then retired. Under PA 464, some retirees who return to work must be reported with employers making the UAAL portion of the contribution rate (20.96%). Employers must also make the DC and Personal Healthcare Fund (PHF) contribution for DC and/or PHF retirees who returned to work. ORS has provided additional guidance on PA 464, available on our website at ***www.michigan.gov/psru > Recent Correspondence > Employer Communications > February 28, 2013: PA 464 Retirees Returning to Work.

Pension Normal Cost: This portion of the contribution rate is determined each year by the retirement system's actuary and is charged as a percentage due on payroll. This represents the cost of pensions for active employees earning another year of service credit in the retirement system.

Pension Unfunded Actuarial Accrued Liability (UAAL): This portion of the contribution rate is also determined each year by the retirement system's actuary and is charged as a percentage of payroll. The UAAL is the difference between the retirement system's assets and the pensions accrued (for past service) to current and future retirees. Each year, a payment is made against the UAAL reflecting the amortization payment and interest. NOTE: PA 300 of 2012 caps the combined pension and healthcare UAAL at 20.96 percent of payroll.

PHF - Personal Healthcare Fund (PHF) is a defined contribution plan. A DB retiree with PHF is also a qualified participant in the DC plan. Employers pay PHF employer contributions and UAAL per PA 300 of 2012.

Qualified Participant- an individual who is a participant in the Defined Contribution (DC) plan and/or the Personal Healthcare Fund (PHF)