



**MICHIGAN OFFICE OF
RETIREMENT SERVICES**
Big Plans. Small Steps.

Summary Annual Report

for the Michigan Public School Employees' Retirement System, a pension and
other post-employment benefits trust fund of the State of Michigan
fiscal year ended Sept. 30, 2023

Prepared by
Michigan Department of Technology, Management and Budget,
Office of Retirement Services

A message from the executive director



Executive Director Anthony Estell

The Department of Technology, Management and Budget (DTMB), Office of Retirement Services (ORS) is pleased to present the Summary Annual Report for the Michigan Public School Employees' Retirement System (MPSERS), henceforth referred to as the System, for the fiscal year (FY) ended Sept. 30, 2023.

ORS provides retirement and related retiree healthcare plans to help more than 690 public school employers attract, retain, and reward a highly qualified workforce.

ORS is able to cost-effectively provide these benefits to retirees. In the latest report from CEM Benchmarking, the total Defined Benefit (DB) pension administration cost was \$71 per active member and retiree. This was \$37 below the peer average of \$108 per active member and retiree.

Average admin. cost

\$71 per member/
retiree

Accomplishments

HIPAA training module

The main goal of the federal Health Insurance Portability and Accountability Act (HIPAA) is to strike a balance between making the flow of healthcare information easier and protecting patients' privacy. As technology advances, it transforms healthcare delivery and the interactions with customers and vendors. While advancements bring benefits, they also present challenges protecting customers' privacy and security. ORS updated its internal HIPAA training module. The goal was to help staff retain knowledge better, foster a culture of compliance, and enable proficient customer privacy and security. The training incorporates content clarity, custom examples that relate directly to ORS work, interactive activities designed to mimic real-world scenarios, and additional resources. Any ORS staff assigned HIPAA training on or after May 18, 2023, are using the new module.

IRS Form W-4P and Form W-4R updates

The IRS updated *Form W-4P (Withholding Certificate for Periodic Pension or Annuity Payments)* for 2022, delaying required use until Jan. 1, 2023. For retirees receiving pensions, annuities (including commercial annuities), and certain other deferred compensation, *Form W-4P* tells payers the amount of federal income tax to withhold from payment(s). In addition, IRS moved withholding elections for nonperiodic payments and eligible rollover distributions to its new *Form W-4R (Withholding Certificate for Nonperiodic Payments and Eligible Rollover Distributions)*. ORS made numerous updates, including on federal tax withholding screens for the Clarety account database for retirees in its five retirement systems; two screens in the miAccount application — apply for retirement (federal tax) and retiree federal tax withholding; and ORS paper forms and letters providing federal tax entries. ORS communicated the changes

on ORS websites, via emails and letters sent to retirees, through Customer Service representatives, and Facebook and X, formerly known as Twitter social media. For retirees who didn't update federal withholdings by Dec. 9, 2022, ORS made those IRS default withholdings of single or married filing separately. Changes made after that overrode the default.

Modernization

ORS has begun a modernization project to replace legacy applications. The project aims to deliver a new technology platform that is wholly integrated and enables agility in our tools to deliver better customer experiences and outcomes. The efforts are focused on creating a technology ecosystem that enables us to deliver retirement services to customers, employers, and ORS staff. Among the components being modernized are the customer relationship management platform, our line of business application, self-service platforms for employers and customers, and communication tools.

NICE CXone call center solution

ORS upgraded its Customer Service and Employer Reporting call center operations from the Genesys-Cisco phone platform to the NICE CXone (NICE) cloud-based solution. The replacement includes interactive voice response (IVR), callback requests, workforce management (WFM), call recording, and quality management. The upgrade to NICE was effective Oct. 26, 2022. Testing for NICE started in August 2022, with more than 160 defects identified, remediated, and re-tested. More flexible than the former platform, NICE provides a one-platform solution instead of multiple applications with the previous Genesys-Cisco on-premises platform. In addition, NICE allows for improved security with implementation of the single sign-on process. ORS continues to learn and grow with the technology enhancement for its call center interactions.

Accomplishments, continued

Public Act 4 of 2023 — Michigan retirement tax repeal

On March 7, 2023, Michigan Gov. Gretchen Whitmer signed into law a phase-out of the state pension tax previously implemented in 2012. Under Public Act (PA) 4 of 2023, retirees may choose between current deductible limits on pensions or retirement income or new limits being put in place starting with 2023 state income taxes filed in 2024. ORS and the Michigan Department of Treasury continue working to provide further details to impacted retirees. The law takes effect 90 days after the Michigan Legislature's 2023 session ends. To help inform, ORS provided charts and FAQs outlining changes on website landing pages for the Michigan Public School Employees' Retirement System (MPERS), State Employees' Retirement System (SERS), Judges' Retirement System (JRS), and Michigan State Police Retirement System (SPRS). To communicate impacts, ORS sent emails and letters to affected retirees; published information in the *Connections* newsletter for defined benefits recipients; and shared updated rules with ORS partners. In addition, ORS updated its employer information website and internal-use common responses and solution finder content for call center representatives. ORS also posted information on social media.

SECURE 2.0 Act

The Setting Every Community Up for Retirement Enhancement (SECURE) 2.0 Act of 2022 makes changes to qualified retirement plans and Individual Retirement Accounts (IRAs) to expand coverage, increase retirement savings, and simplify retirement plan rules. The federal law, effective Dec. 29, 2022, enhances the SECURE Act of 2019. Some initial provisions, including increases in age for required minimum distributions for participants and spousal beneficiaries, are already in effect;

others go into effect in 2024, 2025, and 2026. ORS works with Voya Financial, the State of Michigan 401(k) and 457 Plans recordkeeper; the state's Human Resource Management Network; and the Office of Financial Management on changes to information technology systems, policies, websites, communications, and forms affecting SERS, MPERS, SPRS, and JRS. ORS is publicizing the changes in newsletters to active employees in the four retirement systems and to MPERS employers, on websites, and through ORS social media channels.

Self Leadership

ORS is using Blanchard Exchange's Self Leadership program to empower staff and make a difference in the quality of engagements and work. Kicked off in late January 2023, the program is running through December 2023. The focus is for all ORS staff to become more proactive asking for direction and support, challenge assumed constraints, and take action in areas they are empowered to do so. The goals are to foster shared terms for development and performance, improve workplace conversations, build trust, boost self-reliance, and raise productivity. The program augments the Situational Leadership II program ORS has embraced since 2018. The self-directed coursework takes about two hours to complete, with assignments, videos, stories, and games. Staff use the principles in one-on-one meetings and progress reports. To bolster matters, the ORS intranet offers a self-leadership awareness series and informational posters are up at ORS offices.

Strategic Initiative Process

The Health Initiative Strategic Plan is an effort to improve healthcare outcomes and keep coverage affordable for MPERS members and school districts. It also helps ensure the system's long-

term financial stability. A new benefit design package for the system's 2024 healthcare coverages was approved in July 2023 by the Michigan Public School Employees' Retirement Board and the Department of Technology, Management & Budget director. Historically, the Master Healthcare Plan has strived to maintain alignment between Medicare and the non-Medicare plans. However, with the move to Medicare Advantage, ORS saw less alignment because of federal Centers for Medicare & Medicaid Services requirements. Also, coverage differences emerged for preventative services, retail health clinics, and 90-day retail pharmacy prescriptions. Aligning benefits provides more coverage options for non-Medicare members and simplifies matters. In addition, the Plan was modernized to include dental plan updates, a specialty copay card solution, and increased vision plan benefit frequency.

Video initiative

ORS invested in video for the fiscal year 2023, hiring a new video lead and upgrading equipment. The results include a five-minute video for new members of the MPERS titled "Choosing Your Retirement Plan"; four short *Ask the Expert* videos for the *Proactive* and *Connections* newsletters and social media; and an internal technical assessment presentation for ORS modernization efforts. All are new benchmarks for ORS, which is using more video because of increased interest and industry trends. The MPERS video was shot July 2023 in an Okemos, Michigan elementary school, with the topic chosen from surveying new hires in 2021. The project involved 80 minutes of footage; three days of editing; and follow-up for the finished product. The lead for the ORS Customer Education video line of business team has a degree in video and was a broadcast journalist.

Women & Retirement

ORS and Voya Financial created a multi-platform campaign titled Women & Retirement that ran from November 2021 to October 2022. Showing how women can better prepare to achieve their retirement goals, the campaign was recognized with the National Association of Government Defined Contribution Administrators 2023 Leadership Award for Participant Education & Communication. Content was organized around several foundational facts: women enter the workforce later, are more likely to take time off as a caregiver, tend to live longer, and, on average, spend more years in retirement than men. A November 2022 survey and review showed the campaign's impact. Voya had 4,499 webinar attendees and 1,156 one-on-one appointments during the campaign period, increases of 48% and 31%, respectively. The Women & Retirement landing page was the ORS website's second longest-viewed in 2022 and was among the top 20 most-visited ORS webpages in fiscal year 2023.

Honors

Government Finance Officers Association Award

The Government Finance Officers Association of the United States and Canada awarded the System with the Certificate of Achievement for Excellence in Financial Reporting for our FY 2022 annual comprehensive financial report (ACFR). This marks the 32nd consecutive year ORS has received this prestigious award.

Public Pension Standards Award

ORS was awarded the 2023 Standards Award from the Public Pension Coordinating Council's (PPCC) Standards Program for both funding and administration. ORS has received this award every year since 2004. The PPCC Standards reflect expectations for public retirement system management and administration and serve as a benchmark for all DB public plans to be measured.

About MPSERS

This report is issued in compliance with the Public Employee Retirement System Investment Act, 1965 PA 314, and the Public School Employees Retirement Act, 1980 PA 300, both as amended. The contents come from the complete MPSERS 2023 ACFR, available on our website at Michigan.gov/ORSSchools, the annual actuarial valuations as of Sept. 30, 2023, the 5-year Actuarial Experience Study covering the period of Oct. 1, 2017, through Sept. 30, 2022, and additional analysis performed after Sept. 30, 2023.

Public school employees' pensions are protected by Michigan's Constitution. The System's net assets are held in trust to meet future benefit payments. ORS also administers the State of Michigan 401(k) and 457 Plans for employees hired after June 30, 2010.

The State of Michigan Investment Board is the investment fiduciary and custodian of all investments of the System pursuant to state law.

Executive summary

The present value of assets as of Sept. 30, 2023, was \$78.4 billion for pension and other post-employment benefits (OPEB), and the total actuarial accrued liability (AAL) was \$105.6 billion resulting in a total unfunded actuarial accrued liability (UAAL) of \$27.2 billion.

The System's assets increased by \$3.9 billion in FY 2023. Asset increases were primarily due to contributions from employers and employees and positive investment returns. The AAL for pension and OPEB decreased by \$4.0 billion primarily due to revisions in actuarial assumptions.

The pension funding ratio increased by 4.50 percentage points. The OPEB funding ratio improved by 27.72 percentage points due to contributions from employers and employees, healthcare costs being lower than expectations, and other favorable actuarial experience.

Statement of assets and liabilities

FY 2023	Pension ¹	OPEB ²
AAL	\$95,804,069,521	\$9,842,932,820
Present value of assets	\$65,903,917,134	\$12,495,501,870
UAAL	\$29,900,152,387	\$(2,652,569,050)
Funding ratio	68.80%	126.95%
FY 2022	Pension ³	OPEB ⁴
AAL	\$98,142,074,408	\$11,508,140,360
Present value of assets	\$63,074,990,603	\$11,419,552,510
UAAL	\$35,067,083,805	\$88,587,850
Funding ratio	64.30%	99.23%

1. MPSERS Pension Actuarial Valuation for the FY ended Sept. 30, 2023, Page B-1.
2. MPSERS OPEB Actuarial Valuation for the FY ended Sept. 30, 2023, Page A-2.
3. MPSERS Pension Actuarial Valuation for the FY ended Sept. 30, 2022, Page B-1.
4. MPSERS OPEB Actuarial Valuation for the FY ended Sept. 30, 2022, Page A-2.

Membership

Members of this DB Plan include employees of:

- K-12 public school districts.
- Intermediate school districts.
- District libraries.
- Public school academies/charter schools.
- Community colleges.

In some instances, membership includes certain employees who began working for the following universities before Jan. 1, 1996:

- Central Michigan University.
- Eastern Michigan University.
- Ferris State University.
- Lake Superior State University.
- Michigan Technological University.
- Northern Michigan University.
- Western Michigan University.

Plan membership and retirement allowances as of Sept. 30, 2023	
Membership¹	
Retirees and beneficiaries currently receiving benefits	
Regular benefits	200,440
Survivor benefits	20,272
Disability benefits	5,375
Total	226,087
Current employees	
Vested	84,797
Non-vested	67,439
Total²	152,236
Inactive employees	
Entitled to benefits and not yet receiving them	17,699
Total plan members	396,022
Retirement allowances³	
Average annual retirement allowance	\$24,542
Total annual retirement allowances being paid (in thousands)	\$5,548,627
<small>1. Pension Actuarial Valuation for the FY ended Sept. 30, 2023, Page D-1. 2. Includes DB Members who converted to the Defined Contribution (DC) plan. Employees hired after September 3, 2012 and elected to participate in only the DC plan are not included. 3. Pension Actuarial Valuation for the FY ended Sept. 30, 2023, Page D-2.</small>	

Assets and liabilities

The System's total assets on a market basis as of Sept. 30, 2023, were \$78.5 billion, mostly composed of investments but also securities lending collateral, receivables, and cash.

Total liabilities as of Sept. 30, 2023, were \$2.8 billion and include accounts payable, unearned revenue, and obligations under securities lending.

Total net assets held in trust for pension and OPEB increased by \$5.9 billion from the previous year.

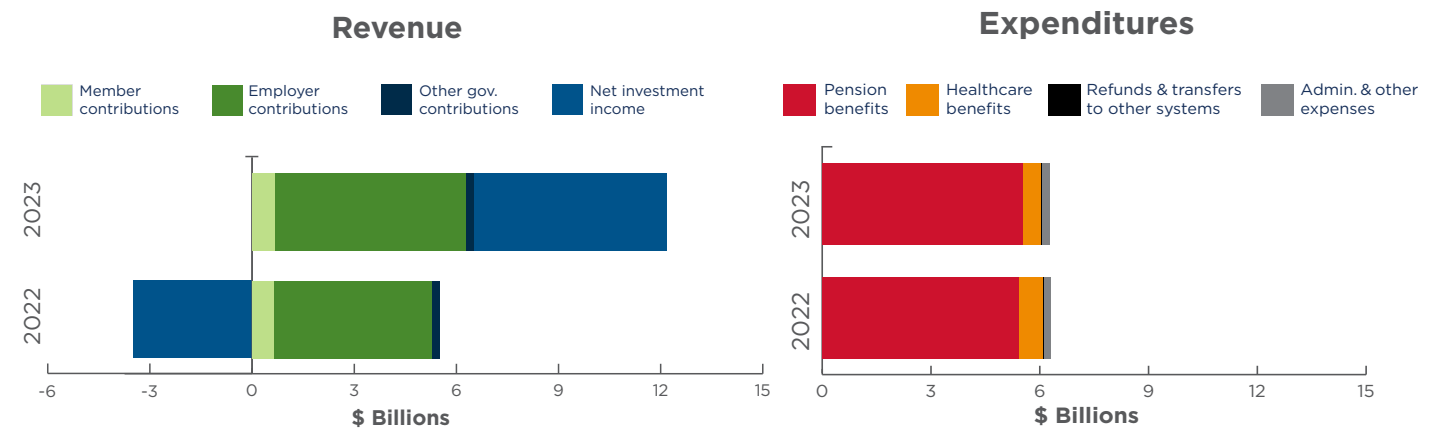
Assets and liabilities ¹ (dollars in thousands) (combined pension and OPEB ²)		
Assets	FY 2022	FY 2023
Cash	\$ 248,310	\$ 276,643
Receivables	630,762	578,243
Investments	69,214,878	75,153,844
Securities lending collateral	2,518,454	2,540,650
Total assets	\$ 72,612,403	\$ 78,549,381
Liabilities	FY 2022	FY 2023
Unearned revenue	\$ 18,017	\$ 6,822
Accounts payable and other liabilities	260,612	261,775
Obligations under securities lending	2,518,454	2,540,650
Total liabilities	2,797,083	2,809,247
Net assets	\$ 69,815,320	\$ 75,740,134
<small>1. ACFR for the FY ended Sept. 30, 2023, Page 18. 2. Liabilities in this context are exclusive of AAL for pension and OPEB. The sum total of all the line items may not equal the total due to rounding.</small>		

Revenue and expenditures, change in net assets

The reserves needed to finance pension and OPEB are accumulated through the collection of employer and employee contributions including earnings on investments.

Contributions and net investment income for FY 2023 totaled \$12.2 billion. The primary expenses of the System include the payment of pension benefits to members and beneficiaries, payment for health, dental, and vision benefits, and the cost of administering the System.

Additions and deductions ¹ (dollars in thousands)		
Additions	FY 2022	FY 2023
Member contributions	\$ 640,007	\$ 652,879
Employer contributions	4,614,787	5,625,704
Other governmental contributions	251,589	214,638
Net investment income (loss)	(3,469,867)	5,698,975
Miscellaneous income	168	162
Total additions	\$ 2,036,685	\$ 12,192,358
Deductions	FY 2022	FY 2023
Pension benefits	\$ 5,424,331	\$ 5,534,949
Healthcare benefits	643,218	492,671
Refunds and transfers to other systems	33,331	34,215
Administrative and other expenses	194,838	205,709
Total deductions	\$ 6,295,718	\$ 6,267,545
Net position	FY 2022	FY 2023
Net increase (decrease) in net position	\$ (4,259,032)	\$ 5,924,813
Beginning of year	74,074,353	69,815,321
End of year	\$ 69,815,320	\$ 75,740,134
<small>1. ACFR for the FY ended Sept. 30, 2023, Page 19.</small>		



2023 plan expenditures

Plan expenses for FY ended Sept. 30, 2023 ¹	
Pension plan administrative and other expenses	Dollars in thousands
These expenditures are the administrative costs of running the System and are paid by DTMB; ORS; and DTMB, Financial Services through an annual appropriation.	
Personnel services	
Staff salaries	\$ 6,609
Retirement and Social Security	3,709
Other fringe benefits	1,392
Subtotal	\$ 11,709
Professional services	
Accounting	\$ 2,064
Actuarial	464
Attorney general	381
Audit	549
Consulting	2,107
Medical	302
Subtotal	\$ 5,867
Building and equipment	
Building rentals	\$ 967
Equipment purchase, maintenance, and rentals	20
Subtotal	\$ 988
Miscellaneous	
Travel and board meetings (excluding travel and education for board members)	\$ 10
Office supplies	6
Postage, telephone, and other	1,178
Printing	238
Technological support	15,202
Subtotal	16,634
Travel and education for board members	1
Total administrative and other expenses	\$ 35,200

2023 plan expenditures, continued

Health, dental, and vision expenses	Dollars in thousands
These expenditures are for the self-insurance of the health, dental, and vision plans and are paid from the System's trust fund.	
Health fees	\$ 164,813
Dental fees	5,504
Vision fees	191
Total health, dental, and vision expenses	\$ 170,509
Investment expenses	Dollars in thousands
These expenditures are related to the Treasury, Bureau of Investments (BOI) for managing the System's assets, and are paid from the System's trust fund.	
Real estate operating expenses	\$ -
Securities lending expenses	119,643
Other investment expenses	
ORS investment expenses	334,173
Custody fees	1,585
Management fees	277,819
Research fees	9,807
Total investment expenses	\$ 743,027
Benefits paid to members	Dollars in thousands
These were the retirement benefits paid to members of the System during the FY.	
Retirement benefits	\$ 5,534,949
Health benefits	415,902
Dental and vision benefits	76,770
Refunds of member contributions	34,215
Total payments to members	\$ 6,061,836
Total of all sections	\$ 7,010,572
1. DTMB, Financial Services report and Treasury, BOI report. The sum total of all the line items may not equal the total due to rounding.	

2024 budget for plan expenditures

Budget for plan expenses for FY ending Sept. 30, 2024¹	
Pension plan administrative and other expenses	Dollars in thousands
These expenditures are the administrative costs of running the System and are paid by DTMB, ORS, and DTMB, Financial Services through an annual appropriation.	
Personnel services	
Staff salaries	\$ 7,438
Retirement and Social Security	3,176
Other fringe benefits	1,372
Subtotal	\$ 11,986
Professional services	
Accounting	\$ 1,982
Actuarial	425
Attorney general	427
Audit	527
Consulting	2,381
Medical	233
Subtotal	\$ 5,974
Building and equipment	
Building rentals	\$ 1,053
Equipment purchase, maintenance, and rentals	26
Subtotal	\$ 1,079
Miscellaneous	
Travel and board meetings (excluding travel and education for board members)	\$ 6
Office supplies	8
Postage, telephone, and other	1,205
Printing	201
Technological support	17,456
Subtotal	18,876
Travel and education for board members	2
Total administrative and other expenses	\$ 37,918

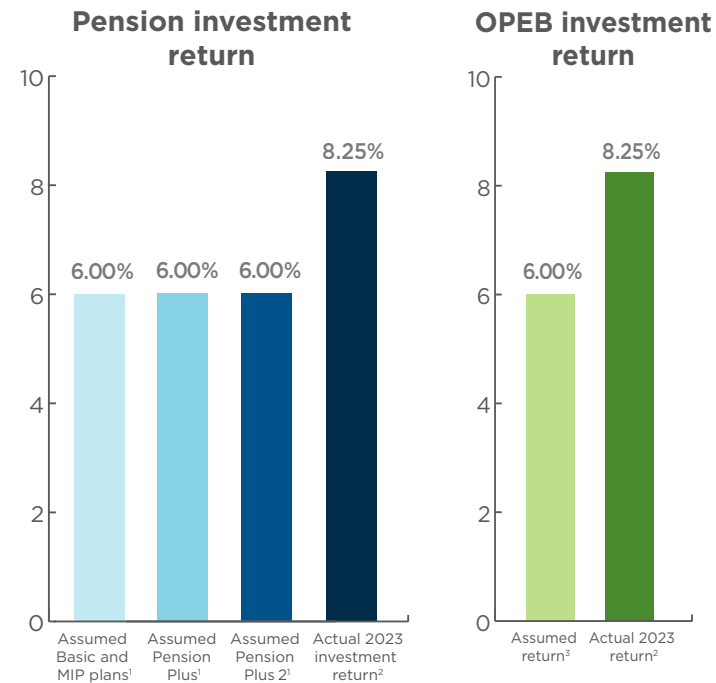
2024 budget, continued

Health, dental, and vision expenses	Dollars in thousands
These expenditures are for self-insurance of the health, dental, and vision plans, and are paid from the System's trust fund.	
Health fees	\$ 171,406
Dental fees	5,669
Vision fees	192
Total health, dental, and vision expenses	\$ 177,267
Investment expenses	Dollars in thousands
These expenditures are related to the Treasury, BOI for managing the System's assets and are paid from the System's trust fund.	
Real estate operating expenses	\$ -
Securities lending expenses	120,839
Other investment expenses	
ORS investment expenses	337,515
Custody fees	1,680
Management fees	302,823
Research fees	10,886
Total investment expenses	\$ 773,743
Benefits paid to members	Dollars in thousands
These are the projected retirement benefits paid to members of the System.	
Retirement benefits	\$ 5,645,648
Health benefits	465,810
Dental and vision benefits	79,073
Refunds of member contributions	35,242
Total payments to members	\$ 6,225,773
Total of all sections	\$ 7,214,701
1. DTMB, Financial Services report and Treasury, BOI report. The sum total of all the line items may not equal the total due to rounding.	

Assumed and actual investment returns

The Michigan Department of Treasury, BOI administers all of the System's investments in accordance with the Public Employee Retirement System Investment Act, PA 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.

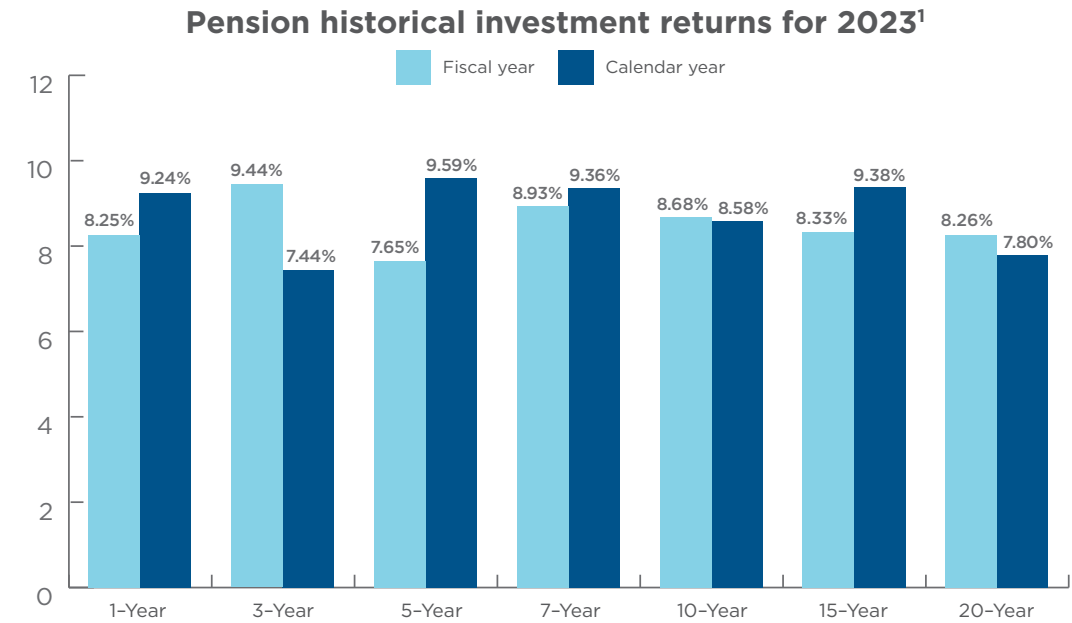
The assumed rate of return (AROR) is a key assumption used by the plan actuary in determining the employer contribution rates each year. The AROR for the Basic and MIP plans, Pension Plus, and Pension Plus 2 remained at 6.00%. OPEB remained at 6.00%. The ARORs for all MPSERS plans are provided in the charts in this section. The actual rate of investment return for the pension plan in FY 2023 was 8.25%. The actual rate of investment return for OPEB was 8.25%.



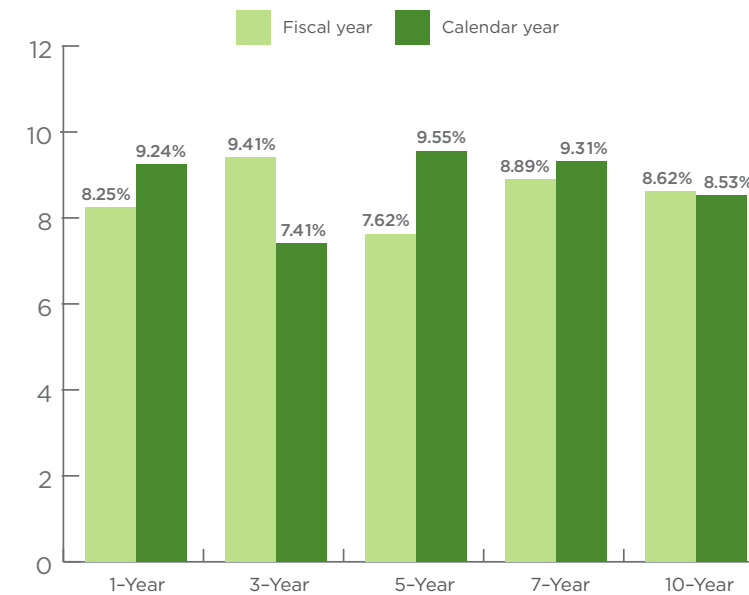
1. MPSERS Pension Actuarial Valuation for the FY ended Sept. 30, 2023, pages C3-C8.
2. Treasury, BOI report.
3. MPSERS OPEB Actuarial Valuation, for the FY ended Sept. 30, 2023, Page D-3.

Historical investment returns

Starting in FY 2013, the System began pre-funding OPEB. As the plan matures, 15- and 20-year investment returns will be reported. Historical investment returns for both pension and OPEB are presented in the following charts.



OPEB historical investment returns for 2023¹



1. Treasury, BOI report. These figures are shown net of fees. Information shown in the ACFR is shown gross of fees.

Forecasted investment returns

The distribution of annual returns presented below is based upon the target asset allocation and the capital market assumptions from various investment firms used by the plan actuary in the 5-Year Experience Study. The results are based upon a price inflation assumption of 2.35%.

The expected annual investment return is 7.94%. The median of the distribution, that is the return that is expected to be achieved 50% of the time, is 7.16%.

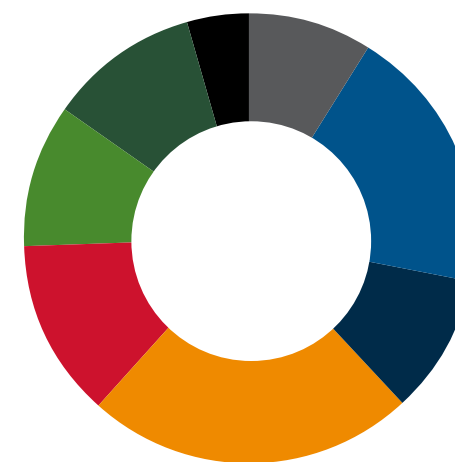
Percentile	1	2	3	4	5	10	15	20	25	30
95th	30.61%	23.25%	20.13%	18.30%	17.07%	14.08%	12.78%	12.01%	11.48%	11.10%
75th	16.22%	13.49%	12.30%	11.59%	11.12%	9.94%	9.43%	9.12%	8.91%	8.76%
50th	7.16%	7.16%	7.16%	7.16%	7.16%	7.16%	7.16%	7.16%	7.16%	7.16%
25th	-1.19%	1.18%	2.25%	2.90%	3.34%	4.44%	4.94%	5.23%	5.43%	5.58%
5th	-12.07%	-6.83%	-4.41%	-2.93%	-1.92%	0.66%	1.82%	2.52%	3.00%	3.36%
Geometric average	7.94%	7.55%	7.42%	7.35%	7.31%	7.24%	7.21%	7.20%	7.19%	7.18%

1. From the plan actuary, based upon the MPSERS 5-Year Experience Study, Oct. 1, 2017 through Sept. 30, 2022.

Investments and earnings

A key function of the investment fiduciary is to ensure the System's investment portfolio is diversified. Having a diverse portfolio helps to maximize investment income responsibly while minimizing risk. Even though market performance may fluctuate, the long-term performance of the System's portfolio is stable.

Investments and earnings ¹		
	Market value	Total investment and interest income
Fixed income pools	\$ 6,694,390,383	\$ 157,704,173
Domestic equity pools	14,470,456,812	2,782,759,323
Real estate and infrastructure pools	7,623,160,834	164,439,419
Private equity pools	17,703,794,652	(81,244,315)
International equity pools	9,742,159,248	1,873,376,500
Absolute return pools	7,815,741,852	653,043,423
Real return and opportunistic pools	8,050,929,237	357,912,291
Short-term investment pools	3,331,833,306	115,929,423
Market value and net investment gain	\$ 75,432,466,324	\$ 6,023,920,237



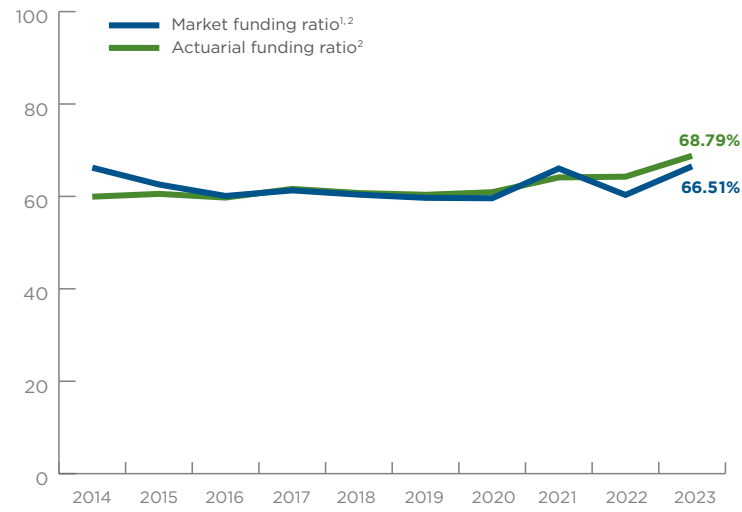
- Fixed income pools - 8.9%
- Domestic equity pools - 19.2%
- Real estate and infrastructure pools - 10.1%
- Private equity pools - 23.5%
- International equity pools - 12.9%
- Absolute return pools - 10.3%
- Real return and opportunistic pools - 10.7%
- Short-term investment pools - 4.4%

1. ACFR for the FY ended Sept. 30, 2023, Page 80.

Market and actuarial funding ratios

Pension

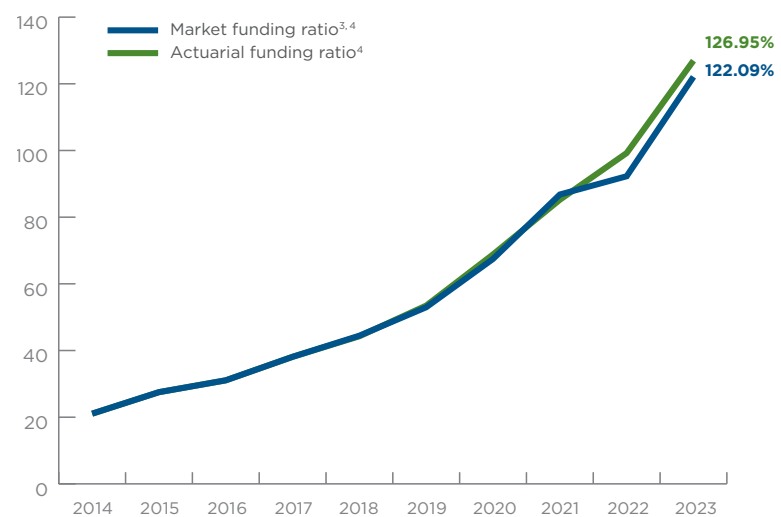
The market funding ratio is based on the market value of assets at FY end. The actuarial funding ratio is the best practice used by all pension plans nationwide. It incorporates a five-year smoothing period, which minimizes volatility in a pension system's funding requirements.



1. Calculated on market value of assets.
2. Pension Actuarial Valuation for the FY ended Sept. 30, 2023, pages B-5 and C-10.

OPEB

Starting in FY 2013, the System began pre-funding OPEB 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 OPEB costs. This reform put Michigan on the leading edge of OPEB funding practices.



3. Calculated on market value of assets.
4. OPEB Actuarial Valuation for the FY ended Sept. 30, 2023, pages A-2 and D-2.

Prior to FY 2018, the market funding ratio was equal to the actuarial funding ratio. Five-year smoothing was adopted for the OPEB plan with the 2018 valuation and requires separate actuarial and market funding ratios to be calculated moving forward. The market value of assets as of Sept. 30, 2023, was \$12.0 billion, while the actuarial value of assets was \$12.5 billion.

Member and employer contributions

Employer contributions

Statute requires participating employers 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 percent of payroll funding principles so the contribution rates remain stable.

Definition of normal cost

Normal cost is the cost of the retirement benefit a member earns each year and is set using the AROR in addition to other actuarial assumptions. All Pension Plus, Pension Plus 2, Member Investment Plan, and some Basic plan members contribute toward the cost of their retirement benefits. After member contributions are accounted for, the employer pays the remainder of the normal cost as shown above.

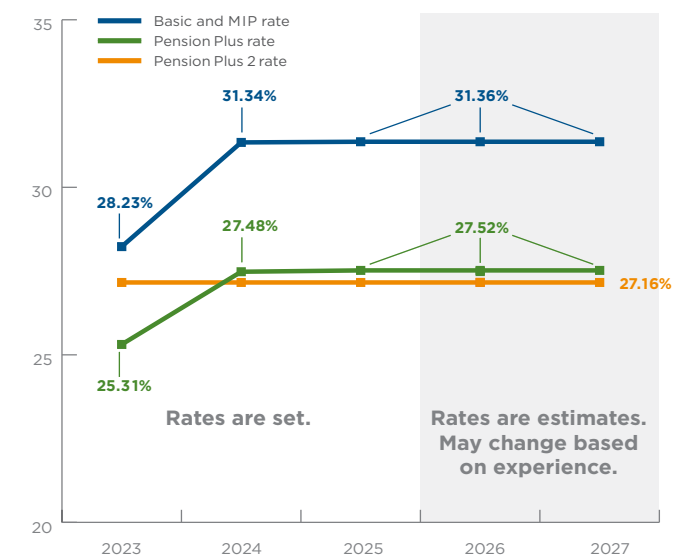
Member and employer pension contributions for FY 2026		
Member contributions	Pension ¹	OPEB ²
Weighted average		
Basic and MIP	4.90%	3.00%
Pension Plus	5.51%	3.00%
Pension Plus 2	6.00%	-
Employer contributions		
	Pension ¹	OPEB ²
Normal cost of benefits expressed as a percentage of valuation payroll ⁴		
Basic and MIP	10.87%	0.83%
Pension Plus ³	6.13%	0.83%
Pension Plus 2 ³	6.00%	-
UAAL contribution rate expressed as a percentage of valuation payroll ⁴		
Basic and MIP	27.45%	-
Pension Plus	27.45%	-
Pension Plus 2	27.45%	-
Valuation payroll (dollars in thousands)		
For normal cost	\$8,657	\$5,941
For UAAL	\$10,827	\$10,827

1. Pension Actuarial Valuation for the FY ended Sept. 30, 2023, Page A-1.
2. OPEB Actuarial Valuation for the FY ended Sept. 30, 2023, Page A-4, Comment A, Page A-5, Comment D.
3. This is the DB component of Pension Plus and Pension Plus 2. There is an additional 1.00% employer match for the DC component.
4. The contribution requirements above are in addition to any reconciliation payments as required by subsection 41(9) of MPERS statute and do not reflect any normal cost or UAAL floors as described in Public Act 92 and Public Act 181.

Contribution rates

Contribution rates are determined actuarially, based on the economic conditions and an assumed investment return each year. Contribution rates for FY 2024 and FY 2025 have been calculated, provided to the employers, and published on the employer website.

Rates for FY 2026 and FY 2027 are estimated using a projection of the most recent data available.



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 the occurrence of events far into the future. In accordance with Section 41(1) of the MPSERS statute (PA 300 of 1980 as amended), the actuarial assumptions are adopted by the retirement board and the DTMB director after consultation with the actuary and the state treasurer. Examples include assumptions about future employment, investment performance, and the healthcare cost trend.

Actuarial assumptions for FY ended Sept. 30, 2023

Pension and OPEB ^{1,2}	
Actuarial cost method	Entry age, normal
Amortization method ³	Level-dollar
Asset valuation method	5-year smoothed
Wage inflation rate	2.75%
OPEB	
Healthcare cost trend rates ²	
Medical and prescription drug premiums	
Pre-65	7.25% year 1 graded to 3.50% year 15
Post-65	6.50% year 1 graded to 3.50% year 15
Medicare offset payments	6.50% year 1 graded to 3.50% year 15
Dental and vision premiums	3.50% each year
AROR — closed ^{2,4}	6.00%
Amortization period ⁵	Ending Sept. 30, 2038
Pension	
AROR ¹	
Basic and MIP — closed	6.00%
Pension Plus — closed	6.00%
Pension Plus 2 — open	6.00%
Amortization period — layered	
Initial layer — Basic, MIP, and Pension Plus	Ending Sept. 30, 2038
New experience and assumption changes	
MIP, Basic, and Pension Plus	15 years
Pension Plus 2 ⁶	10 years

- MPSERS Pension Actuarial Valuation for the FY ended Sept. 30, 2023, Sections C and E.
- MPSERS OPEB Actuarial Valuation for the FY ended Sept. 30, 2023, Appendix-3.
- PA 181 of 2018 enacted a gradual phase-in reduction to the payroll growth assumption to 0% in 50 basis point increments beginning with the Sept. 30, 2019, valuations. PA 220 of 2022 and PA 198 of 2023 further accelerated the reduction of the payroll growth assumption. Beginning with the FY2023 valuation, the 0% payroll growth assumption is fully phased-in, and the amortization method for both pension and OPEB is level-dollar.
- The OPEB plan closed to employees first hired on or after Sept. 4, 2012. These employees participate in the Personal Healthcare Fund and may become eligible for a lump-sum payment into a health reimbursement account upon their first termination from employment (\$1,000 with at least 10 years of service if 60; \$2,000 with at least 10 years of service if age 60 or older). These employees have the option of enrolling in the System's retiree healthcare at full cost at termination.
- Layered amortization for OPEB will become effective with the Sept. 30, 2027 MPSERS Actuarial Valuation.
- PA 300 of 1980 defines the MPSERS Pension Plus 2 amortization method.

Mortality assumptions

The mortality tables used in the valuation of the plan are described below.

Active members: PubT-2010 (total teacher populations) Male and Female Employee Mortality Tables scaled by 100% for both males and females and projected with mortality improvements using the fully generational Mortality Projection (MP)-2021 projection scale from a base year of 2010.

Healthy retirees: PubT-2010 (total teacher populations) Male and Female Healthy Retiree Mortality Tables scaled by 116% for males and females and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

Disabled retirees: PubNS-2010 (non-safety teacher and general populations) Male and Female Disabled Retiree Mortality Tables scaled by 100% for both males and females and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

Future life expectancy ¹						
Sample attained	Active members		Healthy retirement		Disability retirement	
	Men	Women	Men	Women	Men	Women
Age						
45	44.72	46.69	41.80	44.09	30.12	33.17
50	39.58	41.53	36.61	38.87	26.29	29.23
55	34.51	36.40	31.51	33.74	22.79	25.64
60	29.53	31.33	26.59	28.81	19.62	22.31
65	24.69	26.36	21.88	24.03	16.69	19.04
70	20.03	21.49	17.42	19.39	13.88	15.67
75	15.49	16.79	13.31	15.01	11.12	12.37
80	11.15	12.38	9.68	11.08	8.53	9.43

1. Pension Actuarial Valuation for the fiscal year ended Sept. 30, 2023, Page E-5. Life expectancy in future years is determined by the fully generational MP-2021 projection scale. The sample values shown are for individuals with the indicated attained ages in 2023. Active member deaths are assumed to be non-duty related.

Retirement age assumptions¹

The rates of retirement used to measure the probability of eligible members retiring during the next year are shown below. These assumptions will first be used for the Sept. 30, 2023 valuation of the System.

Basic members are eligible for normal retirement after attaining age 55 with 30 or more years of service (YOS), or after attaining age 60 with 10 or more YOS.

MIP members are eligible for normal retirement after 30 YOS, or after attaining age 60 with 5 or more YOS.

Basic or MIP members are eligible for early retirement after attaining age 55 with 15 but less than 30 YOS.

Pension Plus members are eligible for normal retirement after attaining age 60 with 10 or more YOS. Pension Plus members are not eligible for early retirement. Currently, Pension Plus 2 members have the same retirement eligibility and retirement rates as Pension Plus members.

Eligible members retiring with an early retirement	
Age	Basic and MIP members
55	3.0%
56	4.0%
57	4.5%
58	4.5%
59	6.0%

Eligible members retiring with a normal retirement					Eligible members retiring with a normal retirement		
Age	Basic members		MIP and Pension Plus members		YOS	MIP members with 30+ YOS	
	Teachers	Non-teachers	Teachers	Non-teachers		Teachers	Non-teachers
55	25%	20%	-	-	30	25%	20%
56	21%	20%	-	-	31	20%	20%
57	16%	18%	-	-	32	20%	18%
58	16%	18%	-	-	33	18%	18%
59	18%	18%	-	-	34	19%	18%
60	20%	18%	20%	17%	35	19%	18%
61	20%	18%	20%	17%	36	21%	18%
62	29%	29%	23%	24%	37	24%	18%
63	29%	29%	23%	24%	38	24%	25%
64	25%	24%	23%	20%	39	27%	25%
65	25%	24%	25%	20%	40	30%	25%
66	30%	30%	30%	26%	41	30%	25%
67	25%	28%	25%	20%	42	30%	30%
68	25%	23%	25%	16%	43	30%	30%
69	25%	20%	25%	16%	44	30%	30%
70	25%	20%	25%	16%	45	30%	30%
71	21%	20%	25%	16%	46	30%	30%
72	21%	20%	25%	16%	47	30%	30%
73	21%	20%	20%	16%	48	30%	30%
74	21%	20%	20%	16%	49	30%	30%
75 and older	100%	100%	100%	100%	50	100%	100%

1. Pension Actuarial Valuation for the fiscal year ended Sept. 30, 2023, pages E-6 and E-7.

Investment service providers

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.

5AM Ventures	Broadriver	Green Street
Accel	BTIG Brokers	Grosvenor Capital Management
Accel-KKR	Cantor Fitzgerald	GTCR
Acorn Bioventures	Capital Institutional Services	Guggenheim
Advent International	The Carlyle Group	HarbourVest Partners
AEW Capital Management	Centerbridge Partners, LP	Harvest Partners
Affinity Equity Partners	Cerberus Capital Management	Heitman Capital Management
American Industrial Partners	Charlesbank Capital Partners	Hellman & Friedman
Ancora Advisors	CIM Investment Advisors	HgCapital
Angelo Gordon	CircleUp	Hilltop Securities Inc.
Aon	Citigroup	Hopen Life Science Ventures
Apax Partners	Citigroup Global Markets Inc.	HPS Partners
Apollo Global Management	Clarion Partners	Insight Partners
AQR	Clarkston Capital Partners	Intermediate Capital
Arboretum Ventures	Clearlake Capital Group	Invesco Ltd.
Arclight Capital Partners	Coller Capital	Investors Diversified Realty
Ardian Investment	CoStar Realty Information Inc.	Irradiant Partners
Ares Management	Cowen & Co.	JANA Partners
ARK Investment Management	Credit Suisse	Jeffries
Asana Partners	Credit Suisse Securities	JP Morgan
Attucks Asset Management	Crescent Capital	JP Morgan Securities
Avanath Capital Management	CVC Capital Partners	Kayne Anderson Capital Advisors
Axiom Asia Private Capital	Czech Asset Management	KBS Realty Advisors
Baillie Gifford	D.A. Davidson & Co.	Kelso & Co.
Bank of Montreal	DAIWA	Khosla Ventures
Barclays Capital Inc.	Dalmore Capital Limited	Kohlberg Kravis Roberts & Co.
Barings	Deutsche Bank Securities Inc.	L&B Realty Advisors
Basalt Infrastructure Partners	Domain Capital Advisors	LA Capital Management
Bayview Asset Management	Drexel Hamilton	Landmark Realty Advisors
BB&T Capital Markets	eFront	LaSalle Investment Management
BC Partners	Electra	Lead Edge Capital
Bentall Green Oak	EnTrust Global	Leonard Green & Partners
Beringea	eSecLending	LGT Capital Partners
Berkshire Partners	Farallon Capital Management	Lightspeed Venture Partners
BGC Partners	Fidelity Institutional Asset Management	Lombard International Life Assurance Company
Bivium Capital Partners	FirstMark Capital	Lonestar
Blackrock	Flagship Pioneering	Lubert-Adler Management Company
Blackstone Alternative Asset Management	Fortress Investment Group	Managed Assets Portfolio
Blackstone Group	FTN Financial	Marathon Asset Management
Bloomberg	Gaw Capital	Marketaxess
Blue Owl	Genstar Capital	Martin Currie
BNP Paribas France	Glen Eagle Wealth	Menlo Ventures
BNYConvergex G	Goldman Sachs & Co.	Merrill Lynch (Bank of America)
Broadridge	Great Mountain Partners	

Investment service providers, continued

Merrill Lynch Pierce Fenner & Smith LLC	Stockbridge Capital Group
Meritech Capital Partners	Stonepeak Advisors LLC
Mesirow Financial Inc.	Summit Partners
Metropolitan West Asset Management	Sun Trust Robinson Humphrey Inc.
MetWest	Susquehanna International Group LLP
MFR Securities	Sycamore Partners
Mischler Financial Group	T. Rowe Price
MKM Holdings LLC	The TCW Group Inc.
MKM Partners	The John Buck Company
Morgan Stanley	Thoma Bravo
MP Securitized Credit Partners	TPG Capital
MUFG	TPG Global
Multi-Bank Securities Inc.	TPG Real Estate Advisors
Napier Park Global Advisors	Transpose Platform
New Leaf Venture Partners	Transwestern Investment Management
Oak Investment Partners	True North Management Group
Oaktree Capital	TSG Consumer Partners
Odyssey Investment Partners	Turning Rock Partners
Paladin Realty Partners	US Bancorp Investments Inc.
Patient Capital	Veritas Capital
Permira	Vida Capital Inc.
PGIM Inc.	Visium Liquidations
PIMCO	Vontobel
Piper Jaffray	Warburg Pincus LLC
PPC Enterprises	Warwick Capital
Principal Financial Group	Wayne Co.
Proprium Capital Partners	WCM Focused Growth
Raymond James & Associates Inc.	Wellington Trust Company
RBC Capital Markets LLC	Wells Fargo Securities LLC
Renaissance Venture Capital	
Rialto Capital	
Ridgewood Energy	
The Riverside Company	
Robert W. Baird & Co. Inc.	
Roberts & Ryan	
Rohatyn Group	
RW Pressprich & Co.	
Science	
Scotia Capital (USA) Inc.	
Seizert Capital Partners	
Shamrock Capital Advisors	
Silver Lake	
Sixth Street Partners	
SK Capital Partners	
State Street Bank	
State Street Global Advisors	
StepStone Group	
Stifel Nicolaus & Co. Inc.	

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Department of Technology, Management and Budget
Anthony Estell, executive director

Our purpose

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