Michigan State Employees' Retirement System

A Fiduciary Component Unit of the State of Michigan

# Schedule of Employer Allocations and Schedules of Pension and Other Postemployment Benefit Amounts by Employer for Fiscal Year Ended September 30, 2025

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

**Prepared by**
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Department of Technology, Management & Budget
R1176G (Rev. 7/2026) Authority:1943 PA 240, as amended

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Office of the Auditor General
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Auditor General
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Independent Auditor's Report

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Kyle Guerrant, Acting Director
Department of Technology, Management, and Budget
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Anthony J. Estell, Director
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**Report on the Audit of the Schedules**

***Opinions***
We have audited the schedule of employer allocations of the Michigan State Employees' Retirement System (System) as of and for the fiscal year ended September 30, 2025 and the related notes. We have also audited the totals for all entities of the following columns, hereafter referred to as the specified column totals:

- September 30, 2025 net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total employer pension expense included in the accompanying schedule of pension amounts by employer as of and for the fiscal year ended September 30, 2025 and the related notes.

- September 30, 2025 net OPEB liability, total deferred outflows of resources, total deferred inflows of resources, and total employer OPEB expense in the accompanying schedule of other postemployment benefit (OPEB) amounts by employer as of and for the fiscal year ended September 30, 2025 and the related notes.

In our opinion, the accompanying schedules referred to above present fairly, in all material respects, the employer pension and OPEB allocations and the specified column totals of all participating entities included in the schedule of pension amounts by employer and the schedule of other postemployment benefit (OPEB) amounts by employer for the Michigan State Employees' Retirement System as of and for the fiscal year ended September 30, 2025 in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedules section of our report. We are required to be independent of the System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Schedules***
Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibilities for the Audit of the Schedules***
Our objectives are to obtain reasonable assurance about whether the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer and the schedule of other postemployment benefit (OPEB) amounts by employer are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer and the schedule of other postemployment benefit (OPEB) amounts by employer.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer and the schedule of other postemployment benefit (OPEB) amounts by employer, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer and the schedule of other postemployment benefit (OPEB) amounts by employer.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial schedules.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Other Matter***
We have audited, in accordance with GAAS and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the System as of and for the fiscal year ended September 30, 2025, and our report thereon, dated January 30, 2026, expressed an unmodified opinion on those financial statements.

***Restriction on Use***

Our report is intended solely for the information and use of the State of Michigan Retirement Board, the Department of Technology, Management, and Budget, the Office of Retirement Services, and the System's participating employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Doug Ringler
Auditor General
July 30, 2026

# Michigan State Employees' Retirement System
## Schedule Of Employer Allocations
## As Of And For The Fiscal Year Ended September 30, 2025

| Employer Name | Total Required Employer Pension Contributions | Pension Proportionate Share | Total Required Employer OPEB Contributions | OPEB Proportionate Share |
|---|---|---|---|---|
| **GOVERNMENTAL ACTIVITIES** | | | | |
| State of Michigan | $ 699,960,004 | 0.925808934 | $ 241,743,393 | 0.9249089144 |
| State Building Authority | 96,712 | 0.000127918 | 31,622 | 0.0001209849 |
| **BUSINESS TYPE ACTIVITIES** | | | | |
| Information Technology Fund | 33,307,585 | 0.044054603 | 11,505,060 | 0.0440182986 |
| State Lottery Fund | 3,403,274 | 0.004501373 | 1,170,280 | 0.0044774855 |
| Liquor Purchase Revolving Fund | 1,574,898 | 0.002083055 | 530,256 | 0.0020287572 |
| Office Services Revolving Fund | 1,630,053 | 0.002156006 | 556,550 | 0.0021293581 |
| Correctional Industries Revolving Fund | 614,987 | 0.000813419 | 213,338 | 0.0008162313 |
| Motor Transport Fund | 441,927 | 0.000584519 | 150,250 | 0.0005748546 |
| Attorney Discipline System | 26,139 | 0.000034573 | 126,641 | 0.0004845273 |
| Risk Management Fund | 150,783 | 0.000199435 | 53,403 | 0.0002043214 |
| **COMPONENT UNITS** | | | | |
| Michigan State Housing Development Authority | 5,197,458 | 0.006874469 | 1,767,648 | 0.0067630117 |
| Michigan Strategic Fund | 513,702 | 0.000679453 | 179,957 | 0.0006885162 |
| Michigan Economic Development Corporation | 1,584,351 | 0.002095557 | 548,926 | 0.0021001866 |
| Michigan Finance Authority | 542,500 | 0.000717543 | 183,439 | 0.0007018365 |
| Mackinac Bridge Authority | 890,747 | 0.001178155 | 313,941 | 0.0012011384 |
| Mackinac Island State Park Commission | 309,416 | 0.000409252 | 107,547 | 0.0004114757 |
| Michigan Education Trust | 355,138 | 0.000469727 | 119,623 | 0.0004576774 |
| State Land Bank Authority | 163,114 | 0.000215744 | 57,777 | 0.0002210551 |
| State Bar of Michigan | 15,296 | 0.000020232 | 165,384 | 0.0006327589 |
| Michigan Veterans' Facility Authority | 5,274,248 | 0.006976036 | 1,844,909 | 0.0070586103 |
| **Total** | $ 756,052,332 | 1.000000000 | $ 261,369,944 | 1.0000000001 |

Employer-level results may not add to System-wide results due to rounding.
The accompanying notes are an integral part of this schedule.

# Michigan State Employees' Retirement System
## Schedule Of Pension Amounts By Employer
## As Of And For The Fiscal Year Ended September 30, 2025


| Employer Name | September 30, 2025 Net Pension Liability | Deferred Outflows of Resources: Differences Between Expected and Actual Experience | Deferred Outflows of Resources: Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | Deferred Outflows of Resources: Changes of Assumptions | Deferred Outflows of Resources: Changes in Proportion and Differences Between Employer Pension Contributions and Proportionate Share of Contributions | Deferred Outflows of Resources: Total Deferred Outflows of Resources |
|---|---|---|---|---|---|---|
| **GOVERNMENTAL ACTIVITIES** | | | | | | |
| State Of Michigan | $ 2,827,307,751 | $ - | $ - | $ - | $ - | $ - |
| State Building Authority | 390,644 | - | - | - | - | - |
| **BUSINESS TYPE ACTIVITIES** | | | | | | |
| Information Technology Fund | 134,537,392 | - | - | - | - | - |
| State Lottery Fund | 13,746,646 | - | - | - | - | - |
| Liquor Purchase Revolving Fund | 6,361,396 | - | - | - | - | - |
| Office Services Revolving Fund | 6,584,178 | - | - | - | - | - |
| Correctional Industries Revolving Fund | 2,484,082 | - | - | - | - | - |
| Motor Transport Fund | 1,785,049 | - | - | - | - | - |
| Attorney Discipline System | 105,581 | - | - | - | - | - |
| Risk Management Fund | 609,049 | - | - | - | - | - |
| **COMPONENT UNITS** | | | | | | |
| Michigan State Housing Development Authority | 20,993,791 | - | - | - | - | - |
| Michigan Strategic Fund | 2,074,966 | - | - | - | - | - |
| Michigan Economic Development Corporation | 6,399,576 | - | - | - | - | - |
| Michigan Finance Authority | 2,191,287 | - | - | - | - | - |
| Mackinac Bridge Authority | 3,597,941 | - | - | - | - | - |
| Mackinac Island State Park Commission | 1,249,806 | - | - | - | - | - |
| Michigan Education Trust | 1,434,490 | - | - | - | - | - |
| State Land Bank Authority | 658,855 | - | - | - | - | - |
| State Bar Of Michigan | 61,786 | | | | | |
| Michigan Veterans' Facility Authority | 21,303,964 | - | - | - | - | - |
| **Total** | $ 3,053,878,230 | $ - | $ - | $ - | $ - | $ - |

Employer-level results may not add to System-wide results due to rounding.
The accompanying notes are an integral part of this schedule.

# Michigan State Employees' Retirement System
## Schedule Of Pension Amounts By Employer
## As Of And For The Fiscal Year Ended September 30, 2025


| Deferred Inflows of Resources | | | | | Pension Expense | | |
|---|---|---|---|---|---|---|---|
| Differences Between Expected and Actual Experience | Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | Changes of Assumptions | Changes in Proportion and Differences Between Employer Pension Contributions and Proportionate Share of Contributions | Total Deferred Inflows of Resources | Proportionate Share of Pension Expense | Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Pension Contributions and Proportionate Share of Contributions | Total Employer Pension Expense |
| $ - | $ 876,702,807 | $ - | $ - | $ 876,702,807 | $ (295,710,414) | $ 2,287,924 | $ (293,422,490) |
| - | 121,133 | - | - | 121,133 | (40,858) | 120,633 | 79,775 |
| - | 41,717,889 | - | - | 41,717,889 | (14,071,375) | 1,293,237 | (12,778,138) |
| - | 4,262,614 | - | - | 4,262,614 | (1,437,773) | 12,209 | (1,425,564) |
| - | 1,972,567 | - | - | 1,972,567 | (665,344) | (1,826,560) | (2,491,904) |
| - | 2,041,648 | - | - | 2,041,648 | (688,645) | (285,833) | (974,478) |
| - | 770,274 | - | - | 770,274 | (259,812) | 175,151 | (84,661) |
| - | 553,515 | - | - | 553,515 | (186,700) | (149,190) | (335,890) |
| - | 32,739 | - | - | 32,739 | (11,043) | 313 | (10,730) |
| - | 188,856 | - | - | 188,856 | (63,701) | 192,188 | 128,487 |
| - | 6,509,838 | - | - | 6,509,838 | (2,195,758) | (2,178,349) | (4,374,107) |
| - | 643,414 | - | - | 643,414 | (217,022) | (889,308) | (1,106,330) |
| - | 1,984,406 | - | - | 1,984,406 | (669,337) | 720,154 | 50,817 |
| - | 679,483 | - | - | 679,483 | (229,189) | (197,542) | (426,731) |
| - | 1,115,664 | - | - | 1,115,664 | (376,312) | (434,208) | (810,520) |
| - | 387,545 | - | - | 387,545 | (130,718) | 7,089 | (123,629) |
| - | 444,812 | - | - | 444,812 | (150,034) | 113,045 | (36,989) |
| - | 204,300 | - | - | 204,300 | (68,910) | 39,131 | (29,779) |
| | 19,159 | - | - | 19,159 | (6,462) | (649) | (7,111) |
| - | 6,606,018 | - | - | 6,606,018 | (2,228,199) | (547,085) | (2,775,284) |
| $ - | $ 946,958,681 | $ - | $ - | $ 946,958,681 | $ (319,407,606) | $ (1,547,650) | $ (320,955,256) |

Employer-level results may not add to System-wide results due to rounding.
The accompanying notes are an integral part of this schedule.

# Michigan State Employees' Retirement System
## Schedule Of Other Postemployment Benefit (OPEB) Amounts By Employer
## As Of And For The Fiscal Year Ended September 30, 2025


| Employer Name | September 30, 2025 Net OPEB Liability | Deferred Outflows of Resources: Differences Between Expected and Actual Experience | Deferred Outflows of Resources: Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments | Deferred Outflows of Resources: Changes of Assumptions | Deferred Outflows of Resources: Changes in Proportion and Differences Between Employer OPEB Contributions and Proportionate Share of Contributions | Deferred Outflows of Resources: Total Deferred Outflows of Resources |
|---|---|---|---|---|---|---|
| **GOVERNMENTAL ACTIVITIES** | | | | | | |
| State Of Michigan | $ (1,396,740,101) | $ - | $ - | $ 473,726,994 | $ 7,750,506 | $ 481,477,500 |
| State Building Authority | (182,704) | - | - | 61,967 | 125,068 | 187,035 |
| **BUSINESS TYPE ACTIVITIES** | | | | | | |
| Information Technology Fund | (66,473,706) | - | - | 22,545,632 | 2,632,190 | 25,177,822 |
| State Lottery | (6,761,621) | - | - | 2,293,313 | 732,790 | 3,026,103 |
| Liquor Purchase Revolving Fund | (3,063,703) | - | - | 1,039,105 | 1,004,083 | 2,043,188 |
| Office Services Revolving Fund | (3,215,625) | - | - | 1,090,631 | 239,953 | 1,330,584 |
| Correctional Industries Revolving Fund | (1,232,622) | - | - | 418,064 | 114,017 | 532,081 |
| Motor Transport Fund | (868,110) | - | - | 294,433 | 10,507 | 304,940 |
| Attorney Discipline System | (731,703) | - | - | 248,169 | 785,241 | 1,033,410 |
| Risk Management Fund | (308,554) | - | - | 104,651 | 119,649 | 224,300 |
| **COMPONENT UNITS** | | | | | | |
| Michigan State Housing Development Authority | (10,213,081) | - | - | 3,463,932 | 3,301,831 | 6,765,763 |
| Michigan Strategic Fund | (1,039,754) | - | - | 352,650 | 475,217 | 827,867 |
| Michigan Economic Development Corporation | (3,171,572) | - | - | 1,075,690 | 767,832 | 1,843,522 |
| Michigan Finance Authority | (1,059,870) | - | - | 359,472 | 7,914 | 367,386 |
| Mackinac Bridge Authority | (1,813,885) | - | - | 615,208 | 103,819 | 719,027 |
| Mackinac Island State Park Commission | (621,385) | - | - | 210,753 | 268,894 | 479,647 |
| Michigan Education Trust | (691,156) | - | - | 234,417 | 215,531 | 449,948 |
| State Land Bank Authority | (333,824) | - | - | 113,222 | 61,163 | 174,385 |
| State Bar Of Michigan | (955,553) | - | - | 324,091 | 963,828 | 1,287,919 |
| Michigan Veterans' Facility Authority | (10,659,476) | - | - | 3,615,334 | 5,970,389 | 9,585,723 |
| **Total** | $ (1,510,138,005) | $ - | $ - | $ 512,187,728 | $ 25,650,422 | $ 537,838,150 |

Employer-level results may not add to System-wide results due to rounding.
The accompanying notes are an integral part of this schedule.

# Michigan State Employees' Retirement System
## Schedule Of Other Postemployment Benefit (OPEB) Amounts by Employer
## As Of And For The Fiscal Year Ended September 30, 2025


| Deferred Inflows of Resources | | | | | OPEB Expense | | |
|---|---|---|---|---|---|---|---|
| Differences Between Expected and Actual Experience | Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments | Changes of Assumptions | Changes in Proportion and Differences Between Employer OPEB Contributions and Proportionate Share of Contributions | Total Deferred Inflows of Resources | Proportionate Share of OPEB Expense | Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer OPEB Contributions and Proportionate Share of Contributions | Total Employer OPEB Expense |
| $ 2,848,787,913 | $ 378,870,189 | $ 40,042,667 | $ 10,606,078 | $ 3,278,306,847 | $ (1,104,673,186) | $ (6,277,688) | $ (1,110,950,874) |
| 372,642 | 49,559 | 5,238 | 1,191 | 428,630 | (144,499) | 58,197 | (86,302) |
| 135,579,618 | 18,031,204 | 1,905,712 | 1,384,525 | 156,901,059 | (52,573,646) | (1,866,628) | (54,440,274) |
| 13,790,987 | 1,834,111 | 193,847 | 232,182 | 16,051,127 | (5,347,725) | 93,614 | (5,254,111) |
| 6,248,722 | 831,039 | 87,832 | 1,089,222 | 8,256,815 | (2,423,064) | 333,428 | (2,089,636) |
| 6,558,581 | 872,248 | 92,188 | 116,870 | 7,639,887 | (2,543,218) | 70,857 | (2,472,361) |
| 2,514,053 | 334,353 | 35,338 | 206,893 | 3,090,637 | (974,873) | (142,963) | (1,117,836) |
| 1,770,595 | 235,478 | 24,888 | 264,162 | 2,295,123 | (686,583) | (150,864) | (837,447) |
| 1,492,380 | 198,477 | 20,977 | 700 | 1,712,534 | (578,699) | 243,590 | (335,109) |
| 629,325 | 83,696 | 8,846 | 31,593 | 753,460 | (244,033) | 79,627 | (164,406) |
| 20,830,577 | 2,770,331 | 292,795 | 1,450,563 | 25,344,266 | (8,077,463) | 1,040,773 | (7,036,690) |
| 2,120,681 | 282,037 | 29,808 | 1,145,455 | 3,577,981 | (822,335) | (498,324) | (1,320,659) |
| 6,468,730 | 860,299 | 90,925 | 13,804 | 7,433,758 | (2,508,377) | 330,561 | (2,177,816) |
| 2,161,708 | 287,493 | 30,385 | 1,363,606 | 3,843,192 | (838,245) | (553,070) | (1,391,315) |
| 3,699,595 | 492,022 | 52,002 | 228,296 | 4,471,915 | (1,434,590) | (112,170) | (1,546,760) |
| 1,267,376 | 168,553 | 17,814 | 149,535 | 1,603,278 | (491,450) | 1,862 | (489,588) |
| 1,409,680 | 187,478 | 19,815 | 13,148 | 1,630,121 | (546,631) | 27,516 | (519,115) |
| 680,866 | 90,551 | 9,570 | 182,151 | 963,138 | (264,019) | (45,339) | (309,358) |
| 1,948,944 | 259,197 | 27,394 | 6,782 | 2,242,317 | (755,741) | 305,527 | (450,214) |
| 21,741,042 | 2,891,417 | 305,593 | 354,585 | 25,292,637 | (8,430,514) | 9,650,341 | 1,219,827 |
| $ 3,080,074,015 | $ 409,629,732 | $ 43,293,634 | $ 18,841,341 | $ 3,551,838,722 | $ (1,194,358,891) | $ 2,588,847 | $ (1,191,770,044) |

Employer-level results may not add to System-wide results due to rounding.
The accompanying notes are an integral part of this schedule.

# Michigan State Employees' Retirement System
# Notes to the Schedule of Employer Allocations and Schedules of Pension and OPEB Amounts by Employer

## Note 1: Plan Description

### Organization

The Michigan State Employees' Retirement System (System) is a single-employer, state-wide, defined benefit public employee retirement plan and a fiduciary component unit of the State of Michigan (State) and created under Public Act 240 of 1943, as amended. Section 2 of this act established the board's authority to promulgate or amend the provisions of the System. Executive Order 2015-13 signed by the Governor on October 27, 2015 established the State of Michigan Retirement Board. The executive order establishes the board's authority to promulgate or amend the provision of the System.

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State of Michigan Investment Board serves as the investment fiduciary and custodian for the System.

### Plan Membership

The System's pension and other postemployment benefit (OPEB) plans were established by the State to provide retirement, survivor and disability benefits to state employees. Members are eligible to receive a monthly benefit when they meet certain age and service requirements. In addition, the System's OPEB plan provides all retirees with the option of receiving health, dental, and vision coverages under the Michigan State Employees' Retirement Act as well as eligible Special Duty Officers from the Military Retirement Provisions (MRP).

Effective March 31, 1997, Public Act 487 of 1996 closed the pension plan to new entrants. All new employees become members of the defined contribution plan. The Public Act allows returning employees and members who left State employment on or before March 31, 1997, to elect the defined benefit plan instead of the defined contribution plan.

Public Act 185 of 2010 established a pension supplement. Members who retired under the retirement incentive of the legislation agreed to forfeit accumulated leave balances, excluding banked leave time; in exchange they receive a pension supplement for 60 months to their retirement allowance payments equal to 1/60 of the amount forfeited from funds, beginning January 1, 2011.

Public Act 264 of 2011 granted members a choice regarding their future retirement plan. They had the following options: 1) Defined Benefit (DB) Classified – Members voluntarily elected to remain in the DB plan for future service and contribute 4% of their annual compensation to the pension fund until they terminate state employment; 2) DB 30 – Members voluntarily elected to remain in the DB plan for future service and contribute 4% of pay until they reach 30 years of service, when they will switch to the state's defined contribution (DC) plan; or 3) DB/DC Blend – Members voluntarily elected not to pay the 4% and therefore became participants in the DC plan for future service beginning April 1, 2012.

Public Act 264 of 2011 closed the premium subsidy component of the OPEB plan to new employees hired on or after January 1, 2012. These employees become participants in the Personal Healthcare Fund (PHF).

Former nonvested members of the premium subsidy component of the OPEB plan who are reemployed by the State on or after January 1, 2014, are not eligible for the premium subsidy benefit but will become participants in the PHF. Both groups of employees are eligible for a credit into a health reimbursement account at termination if they terminated with at least 10 years of service. The credit will be $2,000 for participants who are at least 60 years old or $1,000 for participants who are less than 60 years old at termination.

The System's financial statements are available on the ORS website at **Michigan.gov/ORSStateDB**.

## Note 2: Summary of Significant Accounting Policies

### Governmental Accounting Standards Board (GASB) Statements 68 and 75

Employers participating in the System are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended.

Employers participating in the System are required to report information about OPEB in their financial statements for fiscal periods beginning on or after June 15, 2017, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended.

The requirements of GASB 68 and 75 incorporate provisions intended to reflect the effects of transactions and events related to pensions and OPEB in the measurement of employer liabilities and recognition of expense and deferred outflows of resources and deferred inflows of resources related to pensions and OPEB.

The Schedule of Employer Allocations recognizes the employers' proportionate share of net pension and OPEB liabilities determined in conformity with GASB 68 and 75. The Schedule of Pension Amounts by Employer recognizes the pension expense, including ending net pension liability, deferred inflows of resources and deferred outflows of resources related to the System's pension plan. The Schedule of OPEB Amounts by Employer recognizes the OPEB expense, including ending net OPEB liability, deferred inflows of resources and deferred outflows of resources related to the System's OPEB plan. These schedules were prepared by ORS with assistance from its third-party actuaries and provide employers with the required information for financial reporting related to the System's pension and OPEB plans as of and for the fiscal year ended September 30, 2025 (the measurement period).

### Basis of Accounting and Presentation

The System's financial statements are prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States (GAAP). Employer contributions are recognized as revenue when due and payable. Benefits and refunds are recognized when due and payable in accordance with the terms of the System.

The Schedule of Employer Allocations, Schedule of Pension Amounts by Employer, and Schedule of OPEB Amounts by Employer were prepared in conformity with GAAP. The preparation of these schedules required management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

The schedules present elements of the financial statements of the System and its participating employers and are not a complete financial presentation of the System or its participating employers.

## Proportionate Share Allocation Methodology

The primary government and certain component units participate in the System, which is classified for financial reporting purposes as a single-employer. However, GASB 68 and 75 require that, in stand-alone financial statements, each government should account for and report its participation in the single-employer plan as if it was a cost-sharing employer. Therefore, these allocations are to identify the primary government activities, business-type activities, and component units' proportionate shares of the collective net pension and OPEB liabilities.

In determining the proportionate share allocation, GASB 68 and 75 require that the proportion for each employer be consistent with the determination of the System's contributions. The System has determined that utilizing the statutorily required employer pension and OPEB contributions based on reportable compensation during the System's fiscal year is an appropriate allocation methodology. Each employer's proportionate share allocation is determined by dividing each employer's statutorily required contributions to the system during the measurement period by the percent of pension and OPEB contributions required from all applicable employers during the measurement period.

In December 2003, a settlement was reached between the State Employees Retirement System, the State Bar of Michigan, the Attorney Grievance Commission, and the Attorney Discipline Board. Based on the settlement agreement, State Bar of Michigan and Attorney Discipline System pay retiree premiums for eligible former employees who qualify for the premium subsidy benefit. Because the agreement was determined before the System began prefunding OPEB benefits, the original funding process remains in place. The sum of the retiree premiums invoiced to these employers for the applicable fiscal year comprises their statutorily required contributions for the proportionate share calculation in this report.

The Schedule of Employer Allocations has been rounded and presents the first ten decimal places.

## Note 3: Net Pension and OPEB Liability

The System's net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this is the accrued liability less the market value of assets.

| **Net Pension Liability As of September 30, 2024** | |
|---|---|
| Total Pension Liability | $ 18,636,011,712 |
| Fiduciary Net Position | (14,565,090,656) |
| **Net Pension Liability*** | $ 4,070,921,056 |
| | |
| Fiduciary Net Position as a Percentage of Total Pension Liability | 78.16% |
| Net Pension Liability as a Percentage of Covered Payroll | 101.81% |

| **Net Pension Liability As of September 30, 2025** | |
|---|---|
| Total Pension Liability | $ 18,176,018,351 |
| Fiduciary Net Position | (15,122,140,120) |
| **Net Pension Liability*** | $ 3,053,878,231 |
| | |
| Fiduciary Net Position as a Percentage of Total Pension Liability | 83.20% |
| Net Pension Liability as a Percentage of Covered Payroll | 72.30% |

* Employer-level results may not add to System-wide results due to rounding.

The System's net OPEB liability is measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position. In actuarial terms, this is the accrued liability less the market value of assets.

| **Net OPEB Liability As of September 30, 2024** | |
|---|---|
| Total OPEB Liability | $ 7,113,482,912 |
| Fiduciary Net Position | (6,774,222,884) |
| **Net OPEB Liability*** | $ 339,260,028 |
| | |
| Fiduciary Net Position as a Percentage of Total OPEB Liability | 95.23% |
| Net OPEB Liability as a Percentage of Covered Payroll | 8.48% |

| **Net OPEB Liability As of September 30, 2025** | |
|---|---|
| Total OPEB Liability | $ 5,777,650,478 |
| Fiduciary Net Position | (7,287,788,481) |
| **Net OPEB Liability*** | $ (1,510,138,003) |
| | |
| Fiduciary Net Position as a Percentage of Total OPEB Liability | 126.14% |
| Net OPEB Liability as a Percentage of Covered Payroll | (35.75)% |

* Employer-level results may not add to System-wide results due to rounding.

## Discount Rate

A discount rate of 6.00% was used to measure the total pension liability and 6.00% to measure the total OPEB liability. This discount rate was based on the expected rate of return on pension and OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the fiduciary net positions of both the pension and OPEB plans were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

## Sensitivity of the Net Pension Liability to Changes in the Discount Rate

As required by GASB Statement No. 68, the following presents the System's net pension liability, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher.

| | 1% Decrease 5.0% | Current Discount Rate 6.0% | 1% Increase 7.0% |
|---|---|---|---|
| Total Pension Liability | $ 19,874,599,655 | $ 18,176,018,351 | $ 16,718,645,294 |
| Fiduciary Net Position | (15,122,140,120) | (15,122,140,120) | (15,122,140,120) |
| Net Pension Liability | $ 4,752,459,535 | $ 3,053,878,231 | $ 1,596,505,174 |

## Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

As required by GASB Statement No. 75, the following presents the System's net OPEB liability, as well as what the System's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher.

| | 1% Decrease 5.0% | Current Discount Rate 6.0% | 1% Increase 7.0% |
|---|---|---|---|
| Total OPEB Liability | $ 6,372,558,522 | $ 5,777,650,478 | $ 5,267,511,412 |
| Fiduciary Net Position | (7,287,788,481) | (7,287,788,481) | (7,287,788,481) |
| Net OPEB Liability | $ (915,229,959) | $ (1,510,138,003) | $ (2,020,277,069) |

## Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

As required by GASB Statement No. 75, the following presents the System's net OPEB liability calculated using assumed trend rates, as well as what the System's net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher.

| | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|---|
| Total OPEB Liability | $ 5,247,479,626 | $ 5,777,650,478 | $ 6,372,876,493 |
| Fiduciary Net Position | (7,287,788,481) | (7,287,788,481) | (7,287,788,481) |
| Net OPEB Liability | $ (2,040,308,855) | $ (1,510,138,003) | $ (914,911,988) |

## Timing of the Pension and OPEB Valuations

Actuarial valuations to determine the total pension liability and total OPEB liability are required to be performed every two years. The System's pension and OPEB valuations are performed every year. If the actuarial valuations are not calculated as of the System's fiscal year end, the total pension liability or total OPEB liability is required to be rolled forward from the actuarial valuation date to the System's fiscal year end.

The total pension and OPEB liabilities as of September 30, 2025, are based on the results of an actuarial valuation date of September 30, 2024 and rolled forward using generally accepted actuarial procedures.

## Actuarial Valuations and Assumptions

Actuarial valuations for 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 and mortality.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the fall of 2017, the Department of Technology, Management, and Budget Director and the State of Michigan Retirement Board adopted a dedicated gains policy to lower the discount rate in years where investment returns exceed the current assumption based on a schedule determined by the plan actuary. Excess investment gains in the 2021 fiscal year were sufficient to reduce the discount rate for the System's pension plan from 6.70% to 6.00%; and to reduce the System's OPEB plan discount rate from 6.90% to 6.20% beginning with the September 30, 2022 actuarial valuations. Excess investment gains in the 2024 fiscal year were sufficient to reduce the discount rate for the System's OPEB plan from 6.20% to 6.00% beginning with the September 30, 2025 actuarial valuations.

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

| | |
|---|---|
| Valuation Date: | September 30, 2024 |
| Actuarial Cost Method: | Entry-Age, Normal |
| Wage Inflation Rate: | 2.75% |
| Projected Salary Increases: | 2.75% – 11.75%, including wage inflation at 2.75% |
| Investment Rate of Return: | |
| – Pension Plan | 6.00% net of investment expenses |
| – OPEB Plan | 6.00% net of investment expenses |
| Healthcare Cost Trend Rate: | Pre-65: 7.75% year 1 graded to 3.50% year 15<br>Post-65: 6.50% Year 1 graded to 3.50% Year 15 |

Mortality:

| | |
|---|---|
| Retirees | PubG-2010 Male and Female Retiree Mortality Tables scaled by 104% for males and 115% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010. |
| Active | PubG-2010 Male and Female Employee Mortality Tables scaled by 100% for males and 100% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010. |

Notes:

- Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension and OPEB liabilities beginning with the September 30, 2023 valuation.
- Recognition period for pension liabilities is the average of the expected remaining service lives of all employees in years is 1.0000.
- Recognition period for pension assets in years is 5.0000
- Recognition period for OPEB liabilities is the average of the expected remaining service lives of all employees in years is 5.8062.
- Recognition period for OPEB assets in years is 5.0000
- Full actuarial assumptions are available in the 2025 State Employees' Retirement System ACFR available on the ORS website at **Michigan.gov/ORSStateDB**.

## Note 4: Pension and OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions and OPEB

### Pension Plan

The following table provides details of the System's pension expense for the fiscal year ended September 30, 2025.

| Expense | Total |
|---|---|
| Service Cost | $ 48,468,340 |
| Interest on the Total Pension Liability | 1,074,250,739 |
| Current-Period Benefit Changes | - |
| Employee Contributions (shown as negative for addition here) | (13,243,066) |
| Projected Earnings on Plan Investments (shown as negative for addition here) | (848,072,712) |
| Pension Plan Administrative Expense | 6,056,829 |
| Other Changes in Plan Fiduciary Net Position | 56,080,983 |
| Recognition of Outflow (Inflow) of Resources due to Liabilities | (70,578,650) |
| Recognition of Outflow (Inflow) of Resources due to Assets | (572,370,068) |
| **Total Pension Expense*** | $ (319,407,605) |

*Employer-level results may not add to System-wide results due to rounding.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future years' pension expense as follows:

| Fiscal Year Ending September 30 | Net Deferred Outflows of Resources |
|---|---|
| 2026 | $ (90,539,328) |
| 2027 | (406,229,517) |
| 2028 | (347,679,405) |
| 2029 | (102,510,431) |
| 2030 | - |
| Thereafter | - |
| **Total** | $ (946,958,681) |

## OPEB Plan

The following table provides details of the System's OPEB expense for the fiscal year ended September 30, 2025.

| Expense | Total |
|---|---|
| Service Cost | $ 68,114,146 |
| Interest on the Total OPEB Liability | 432,043,863 |
| Current-Period Benefit Changes | - |
| Employee Contributions (shown as negative for addition here) | - |
| Projected Earnings on Plan Investments (shown as negative for addition here) | (414,734,883) |
| OPEB Plan Administrative Expense | 1,667,850 |
| Other Changes in Plan Fiduciary Net Position | 35,579,641 |
| Recognition of Outflow (Inflow) of Resources due to Liabilities | (1,129,533,036) |
| Recognition of Outflow (Inflow) of Resources due to Assets | (187,496,473) |
| **Total OPEB Expense*** | $ (1,194,358,892) |

*Employer-level results may not add to System-wide results due to rounding.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future years' OPEB expense as follows:

| Fiscal Year Ending September 30 | Net Deferred Outflows of Resources |
|---|---|
| 2026 | $ (887,120,130) |
| 2027 | (883,379,415) |
| 2028 | (674,967,553) |
| 2029 | (370,146,407) |
| 2030 | (205,196,146) |
| Thereafter | - |
| **Total** | $ (3,020,809,651) |