



June 25, 2025

Mr. Anthony Estell
Director, Office of Retirement Services
530 W. Allegan
Lansing, Michigan 48909

**Re: Separate Actuarial Valuation as of September 30, 2024 for
University Members of MPSERS (Retiree Health Benefits Only)**

Dear Mr. Estell:

We have completed a separate actuarial valuation of retiree health benefits for current and former employees of the seven Michigan Universities that have withdrawn from the Michigan Public School Employees' Retirement System (for their employees hired on or after January 1, 1996) due to the enactment of Act No. 272 of the Public Acts of 1995. This actuarial valuation was prepared as of September 30, 2024, and utilized the same actuarial assumptions and methods, plan provisions, and premiums used for the September 30, 2024 valuation of the Michigan Public School Employees' Retiree Health Benefits, with the exception that:

- (1) The Unfunded Actuarial Accrued Liability for University members is expected to be amortized by September 30, 2036, and
- (2) The payroll growth assumption for amortization purposes is 2.75%.

The purpose of the valuation is to provide the actuarially computed employer contribution for fiscal year 2027 and to evaluate the liabilities and funded status of the Retiree Health System for the affected members in total. This report should not be relied upon for any other purpose. Please see the September 30, 2024 Michigan Public School Employees' Retiree Health Benefits actuarial valuation report dated March 3, 2025 for additional discussion of the nature of actuarial calculations, additional disclosures required by Actuarial Standards of Practice, and more information related to economic and demographic assumptions and benefit provisions.

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Comments

This report was prepared at the request of the Office of Retirement Services (ORS) and those designated or approved by the Office of Retirement Services. This report may be provided to parties other than the Office of Retirement Services only in its entirety and only with the permission of the Office of Retirement Services. GRS is not responsible for unauthorized use of this report.

The valuation was based upon information furnished by the Office of Retirement Services, concerning retiree health benefits, financial transactions, plan provisions, and active members, terminated members, retirees and beneficiaries. Data was checked for internal and year-to-year consistency but was not audited by us. We are not responsible for the accuracy or completeness of the information provided by the Office of Retirement Services.

The valuation summarized in this report involves actuarial calculations that require making assumptions about future events. The assumptions and methods are disclosed fully in the September 30, 2024 actuarial valuation report of the Michigan Public School Employees' Retiree Health Benefits, unless otherwise noted. In particular, we have assumed that the University members experience the same per capita costs as that of the entire MPSERS population. We believe that the assumptions and methods used in this report are reasonable and appropriate. The combined effect of the assumptions, excluding prescribed assumptions or methods set by law, is expected to have no significant bias (i.e., not significantly optimistic or pessimistic). However, other assumptions and methods could also be reasonable and could result in materially different results. Some of the numbers in this report are rounded. The use of rounded numbers should not imply a lack of precision. In addition, because it is not possible or practical to consider every possible contingency, we may use summary information, estimates, or simplifications of calculations to facilitate the modeling of future events. We may also exclude factors or data that we deem to be immaterial.

This report was prepared using our proprietary valuation model and related software which, in our professional judgment, has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.



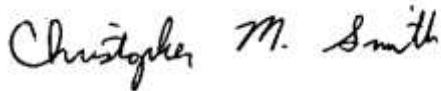
Future actuarial measurements may differ significantly from those presented in this report due to such factors as experience differing from that anticipated by actuarial assumptions, changes in plan provisions, actuarial assumptions/methods or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. This valuation was based on the assumption that the plan sponsor will continue to be able to make any contribution necessary to fund the plan in the future. A determination of the plan sponsor's ability to make the necessary contributions in the future is beyond the scope of our expertise and was not performed by us.

To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of the Plan as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. Mita D. Drazilov and Christopher M. Smith are Members of the American Academy of Actuaries (MAAA), are independent of the plan sponsor, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Sincerely,
Gabriel, Roeder, Smith & Company



Mita D. Drazilov, ASA, FCA, MAAA



Christopher M. Smith, ASA, FCA, MAAA

MDD/CMS



Table 1

Summary of Reported Participant Data Comparison of University and Non-University MPSERS Members as of September 30, 2024

Reported Program Participants	Total - All MPSERS Members	University MPSERS Members	Non-University MPSERS Members
Active Members ⁴			
Graded Premium			
Number	98,015	407	97,608
Average age	51.6	59.5	51.6
Average service	18.5	28.1	18.5
Reported payroll (millions)	\$ 6,507.8	\$ 25.6	\$ 6,482.2
Average annual pay	\$ 66,396	\$ 62,817	\$ 66,411
Other Coverage ³			
Reported payroll (millions)	\$ 3,990.9	\$ 107.7	
Inactive Vested Members			
Number ¹	2,517	29	2,488
Average age	54.0	59.6	53.9
Retirees and Beneficiaries			
Number ²	227,586	4,804	222,782
Average age	74.2	75.8	74.2

¹ Only includes inactive vested persons with 21 or more years of service at termination (10 or more years for MIPP/PPP members).

² Includes alternate payees and other individuals not eligible for or otherwise receiving subsidized retiree health benefits.

³ Unfunded Actuarial Accrued Liability (UAAL) contributions are expected to be collected on total payroll, not just the payroll of those employees eligible for Graded Premium retiree health coverage. For the Total MPSERS column, Other Coverage refers to payroll attributable to those covered by the Personal Healthcare Fund. For the University column, Other Coverage refers to payroll attributable to University MPSERS members covered by the Personal Healthcare Fund and University Non-MPSERS members.

⁴ The active members statistics exclude people provided in the valuation with both \$0 pay and 0 service as of September 30, 2024 (7,004 Total MPSERS members and 0 University MPSERS members).

Table 2

Development of the Actuarially Computed Employer Contribution as of September 30, 2024 for Fiscal Year 2027

	Fiscal Year Beginning October 1, 2026		
	6.00% Interest		
	<u>Total - All MPSERS Members</u>	<u>University MPSERS Members</u>	<u>Non-University MPSERS Members</u>
Employer Normal Cost	\$ 226,835,446	\$ 705,541	\$ 226,129,905
UAAL Amortization Payment/(Credit) ¹			
Preliminary UAAL Amortization Payment/(Credit)	\$ (626,736,581)	\$ (19,743,765)	\$ (606,992,816)
Funded Ratio	151.9%	251.8%	150.9%
Final UAAL Amortization Payment/Credit	\$ (142,928,522)	\$ (705,541)	\$ (142,222,981)
Actuarially Computed Employer Contribution	\$ 83,906,924	\$ 0	\$ 83,906,924

¹ See Table 3 and Table 4 for documentation of the amortization payment/(credit) dollars for the University group. See the September 30, 2024 Michigan Public School Employees' Retiree Health Benefits actuarial valuation report, dated March 3, 2025 for documentation of the amortization payment/(credit) for MPSERS in total.

The UAAL was amortized as a level dollar amount over a period of 12 years, from October 1, 2026, for the total MPSERS retiree health valuation. The UAAL was amortized as a level percent of active member payroll over a period of 10 years, from October 1, 2026, and a payroll growth assumption (for amortization purposes only) of 2.75% for the University retiree health valuation.

The actuarially computed employer contribution amounts presented throughout this report do not reflect: (1) any contribution floors as described in Public Act 92 of 2017 and Public Act 181 of 2018 and amended in Public Act 127 of 2024, (2) the payroll floor provisions of Public Act 136 of 2016, or (3) any reconciliation payments as required by subsection 41(9) of MPSERS statute (for Non-University MPSERS members).

Table 3

Preliminary UAAL Amortization Payment/(Credit)

The table below documents the development of the fiscal year 2027 preliminary UAAL amortization payment/(credit) shown in Table 2 for the University group.

Type of UAAL	Valuation Established	Amounts for Fiscal Year Beginning October 1, 2026			
		Outstanding UAAL Balance as of October 1, 2026	Remaining Amortization Period (years)	Amortization Factor	Annual Amortization Payment/(Credit)
Initial	9/30/2024	\$ (167,384,837)	10	8.47785809	\$ (19,743,765)
Subtotal		\$ (167,384,837)			\$ (19,743,765)

Table 4

UAAL Amortization Credit

Since the funded ratio as of September 30, 2024 is greater than 140% (referred to as the funding target in the Funding Policy) for all subplans of the MPSERS retiree health plan, assets in excess of 140% of the actuarial accrued liability may be used in the development of the annual amortization payment/(credit). The table below documents the development of the fiscal year 2027 UAAL final amortization payment/(credit) shown in Table 2 for the University group.

Type of UAAL	Valuation Established	Amounts for Fiscal Year Beginning October 1, 2026			
		UAAL Amount in Excess of 140% Funding Target	Remaining Amortization Period (years)	Amortization Factor	Annual Amortization Payment/(Credit)
Funding Target Excess	9/30/2024	\$ (123,196,755)	10	8.47785809	\$ (14,531,590)
Subtotal		\$ (123,196,755)			\$ (14,531,590)
Normal Cost					\$ 705,541
UAAL Amortization Payment/(Credit)					\$ (705,541)

Table 5

**Determination of Unfunded Actuarial Accrued Liability
as of September 30, 2024**

	September 30, 2024		
	6.00% Interest		
	Total - All MPSERS Members	University MPSERS Members	Non-University MPSERS Members
A. Present Value of Future Benefits			
i) Retirees and Beneficiaries	\$ 4,787,904,419	\$ 80,829,451	\$ 4,707,074,968
ii) Inactive Vested Members	75,179,083	944,537	74,234,546
iii) Active Members	6,076,162,062	20,569,986	6,055,592,076
Total Present Value of Future Benefits	\$ 10,939,245,564	\$ 102,343,974	\$ 10,836,901,590
B. Present Value of Future Normal Costs	1,727,362,154	4,255,758	1,723,106,396
C. Actuarial Accrued Liabilities (A-B)	\$ 9,211,883,410	\$ 98,088,216	\$ 9,113,795,194
D. Funding Value of Assets	13,994,794,513	246,968,175	13,747,826,338
E. Unfunded Actuarial Accrued Liability (C-D)	\$ (4,782,911,103)	\$ (148,879,959)	\$ (4,634,031,144)
F. Funded Ratio (D/C)	151.92%	251.78%	150.85%

Table 6

Summary of MPSERS Liability Transfers Between Non-University and University from October 1, 2023 through September 30, 2024

Transfers between segments	
Transfers to University	
a) 0 Non-University actives as of 10/1/2023 who transferred to University actives by 10/1/2024	\$ 0
b) 0 Non-University terminated vested as of 10/1/2023 who transferred to University actives by 10/1/2024	0
c) 0 Non-University pensioners as of 10/1/2023 who transferred to University actives by 10/1/2024	0
d) 0 Non-University actives as of 10/1/2023 who transferred to University terminated vesteds by 10/1/2024	0
e) 0 Non-University terminated vesteds as of 10/1/2023 who transferred to University terminated vesteds by 10/1/2024	0
f) 0 Non-University pensioners as of 10/1/2023 who transferred to University terminated vesteds by 10/1/2024	0
g) 0 Non-University actives as of 10/1/2023 who transferred to University pensioners by 10/1/2024	0
h) 0 Non-University terminated vested as of 10/1/2023 who transferred to University pensioners by 10/1/2024	0
i) 0 Non-University pensioners as of 10/1/2023 who transferred to University pensioners by 10/1/2024	0
j) Total Transfers into University	\$ 0
Transfers from University	
k) 0 University actives as of 10/1/2023 who transferred to Non-University actives by 10/1/2024	\$ 0
l) 1 University terminated vesteds as of 10/1/2023 who transferred to Non-University actives by 10/1/2024	36,105
m) 0 University pensioners as of 10/1/2023 who transferred to Non-University actives by 10/1/2024	0
n) 0 University actives as of 10/1/2023 who transferred to Non-University terminated vesteds by 10/1/2024	0
o) 0 University terminated vested as of 10/1/2023 who transferred to Non-University terminated vesteds by 10/1/2024	0
p) 0 University pensioners as of 10/1/2023 who transferred to Non-University terminated vesteds by 10/1/2024	0
q) 0 University actives as of 10/1/2023 who transferred to Non-University pensioners by 10/1/2024	0
r) 0 University terminated vested as of 10/1/2023 who transferred to Non-University pensioners by 10/1/2024	0
s) 0 University pensioners as of 10/1/2023 who transferred to Non-University pensioners by 10/1/2024	0
t) Total Transfers from University	\$ 36,105
u) Total Net Transfers (j - t)	\$ (36,105)

Due to eligibility and/or elections in relation to the retiree health benefits, not all transfers will have an associated liability.



Table 7

Allocation of September 30, 2024 MPSERS Assets Between University and Non-University Members

Year Ended September 30, 2024	Total MPSERS	MPSERS University	MPSERS Non-University
A. Funding Value Beginning of Year	\$ 12,495,501,870	\$ 237,847,490	\$ 12,257,654,380
B. Market Value			
B1. Market Value End of Year	14,552,210,385	256,266,796	14,295,943,589
B2. Market Value Beginning of Year	12,017,317,242	227,969,901	11,789,347,341
B3. Audit Adjustment ³	-	-	-
C. Non-Investment Net Cash Flow			
C1. Member Contributions	202,162,248	821,239	201,341,009
C2. Employer Contributions	803,531,139	410,962	803,120,177
C3. Other Governmental Contributions	281,663,106	6,283,214	275,379,892
C4. Benefit Payments	(614,911,976)	(13,146,950)	(601,765,026)
C5. Contribution Refunds/Transfers	(128,806)	(485)	(128,321)
C6. Administrative Expenses ¹	(8,632,927)	(139,284)	(8,493,643)
C7. Other	84,758	-	84,758
C8. University/Non-University Participant Transfer	-	(36,105)	36,105
C9. Total Net Cash Flow: C1 + C2 + C3 + C4 + C5 + C6 + C7 + C8	663,767,542	(5,807,409)	669,574,951
D. Investment Return			
D1. Market Return Total: B1 - B2 - B3 - C9 ²	1,871,125,601	34,104,304	1,837,021,297
D2. Assumed Rate of Return	6.00%	6.00%	6.00%
D3. Market Rate of Return	15.15%	15.15%	15.15%
D4. Dedicated Gains Policy Trigger (Excess Return %)	0.00%	0.00%	0.00%
D5. Market Return for Immediate Recognition: D4 x (B2 + B3 + (C9 - C8)/2)	-	-	-
D6. Assumed Amount of Return: D2 x (A + B3 + (C9 - C8)/2)	769,643,138	14,097,710	755,545,428
D7. Amount Subject to Phase-In: D1 - D5 - D6	1,101,482,463	20,006,594	1,081,475,869
E. Phased-In Recognition of Investment Return			
E1. Current Year: 0.20 x D7	220,296,493	4,001,319	216,295,174
E2. First Prior Year	33,637,437	649,091	32,988,346
E3. Second Prior Year	(236,630,443)	(4,833,901)	(231,796,542)
E4. Third Prior Year	48,578,476	1,013,875	47,564,601
E5. Fourth Prior Year	-	-	-
E6. Total Phase-Ins	65,881,963	830,384	65,051,579
F. Funding Value End of Year			
F1. Preliminary Funding Value End of Year: A + B3 + C9 + D5 + D6 + E6	\$ 13,994,794,513	\$ 246,968,175	\$ 13,747,826,338
F2. Corridor Percent	30%	30%	30%
F3. Upper Corridor Limit: (100% + F2) x B1	18,917,873,501	333,146,835	18,584,726,666
F4. Lower Corridor Limit: (100% - F2) x B1	10,186,547,270	179,386,757	10,007,160,513
F5. Funding Value End of Year	\$ 13,994,794,513	\$ 246,968,175	\$ 13,747,826,338
G. Difference Between Market and Funding Value	557,415,872	9,298,621	548,117,251
H. Recognized Rate of Return	6.51 %	6.35 %	6.52 %
I. Market Rate of Return	15.15 %	15.15 %	15.15 %
J. Ratio of Funding Value to Market Value	0.9617	0.9637	0.9617

¹ Administrative expenses include staff salaries and benefits, consulting, printing, postage, telephone, and other. The Administrative Expense attributable to University and Non-University members is derived from the total MPSERS values by allocating in proportion to the membership counts provided by ORS (5,354 University members and 331,844 total MPSERS members).

² Allocated in proportion to average market value.

³ Includes an adjustment for the difference between the amount submitted as Market Value Beginning of Year for the current report and the amount submitted as Market Value End of Year for the prior report. The adjustment was allocated between the University and Non-University groups in proportion to the prior year's end of year market values.

Table 8

University Experience Gains/(Losses) During Year Ended September 30, 2024

A. Derivation of Actuarial Gain/(Loss):

1. Unfunded Actuarial Accrued Liability (UAAL) - Previous Valuation	\$	(118,097,835)
2. Total Normal Cost (employer plus member) for Year Ending 9/30/2024		1,141,655
3. Total Contributions (employer plus member) for Year Ending 9/30/2024		1,232,201
4. Interest on:		
a. UAAL: Discount Rate* x (1)		(7,085,870)
b. Normal Cost and Contributions: Discount Rate* / 2 x [(2) - (3)]		(2,716)
c. Net Total: (a) + (b)		(7,088,586)
5. Change in UAAL due to Benefit Changes		-
6. Change in UAAL due to Assumption Changes		1,405,906
7. Expected UAAL Current Year:		
(1) + (2) - (3) + (4c) + (5) + (6)		(123,871,061)
8. Actual UAAL Current Year		(148,879,959)
9. Experience Gain/(Loss): (7) - (8)		25,008,898
as a percent of beginning of year liability		20.88%

* Discount rate is 6.00%.

Type of Activity

		Gain/(Loss)
1. Premiums. Gains and losses resulting from actual premiums in valuation year versus that assumed from prior valuation.	\$	19,543,378
2. Investment Income. If there is greater investment income than assumed, there is a gain. If less income, a loss.		830,384
3. Demographic and Other. Gains and losses resulting from demographic experience, data adjustments, timing of financial transactions, etc.		4,635,136
4. Composite Gain/(Loss) During Year.	\$	25,008,898

Please note that the Investment Income row above includes the accelerated recognition of investment gains associated with the Dedicated Gains Policy, if applicable.



Comments

Comment A: It has been reported that full funding of the retiree health benefit program began in fiscal year 2013 for the Non-University group. It has been reported that full funding of the retiree health benefit program began in fiscal year 2015 for the University group. It has also been reported that the September 30, 2024 annual actuarial valuation is used to establish the employer contribution for fiscal year 2027. Therefore, this report presents the actuarially computed employer contribution for fiscal year 2027 (based upon a 6.00% investment return assumption). Plan changes resulting from Public Act 300 of 2012 are reflected in this annual valuation. (They were first reflected in the September 30, 2012 valuation.) A brief summary of the plan changes follows:

- (1) 90% employer subsidy for benefit recipients already Medicare eligible as of January 1, 2013;
- (2) 80% employer subsidy for other members not covered by a grading provision;
- (3) 80% maximum employer subsidy for members covered by a grading provision;
- (4) Members hired prior to September 4, 2012 had the option to elect to forfeit employer subsidized retiree health coverage and participate in the Personal Healthcare Fund (PHF); and
- (5) Members hired on or after September 4, 2012 participate in the PHF with defined benefit retiree health coverage essentially limited to a lump sum at termination (\$1,000 or \$2,000 depending on age at termination), except in cases of duty death-in-service.

The actuarially computed employer contribution for fiscal year 2027 was determined to be \$83,906,924 for the total MPSERS retiree health valuation with \$0 attributable to the University members.

As indicated in the cover letter, only University members hired before January 1, 1996 are eligible for MPSERS retiree health benefits. The actuarially computed employer contribution amounts presented throughout this report do not reflect: (1) any contribution floors as described in Public Act 92 of 2017 and Public Act 181 of 2018 and amended in Public Act 127 of 2024, (2) the payroll floor provisions of Public Act 136 of 2016, or (3) any reconciliation payments as required by subsection 41(9) of MPSERS statute (for Non-University MPSERS members).

Comment B: One of the key assumptions used in any valuation of the cost of post-employment benefits is the investment rate of return on Plan assets. Higher assumed investment returns will result in a lower actuarially computed employer contribution. Lower returns will tend to increase the actuarially computed employer contributions. We have calculated the liability and the resulting actuarially computed employer contribution based on a 6.00% assumed rate of return, and based on the employer's funding policy of contributing the full actuarially computed employer contribution into a qualified trust.

In accordance with the Dedicated Gains Policy, the investment return assumption remained 6.00%.



Comments

Comment C: It is our understanding that full funding of the retiree health benefits based on University specific employer contributions began in fiscal year 2015. As such, to the extent possible, assets attributable to University retiree health benefits will be tracked separately from those attributable to Non-University retiree health benefits. ORS provided certain non-investment cash flow items. The remaining cash flow items were estimated. The allocation of MPSERS retiree health assets is shown in Table 7, including accompanying notes describing the basis for allocating cash flow items not provided by ORS.

Comment D: Starting with the September 30, 2018 valuation, the funding value of assets was developed using an asset smoothing method. The funding value of assets recognizes assumed investment return fully each year. Differences between actual and assumed investment return are phased-in over a closed 5-year period. Prior to the September 30, 2018 valuation, the funding value of assets was equal to the market value of assets. For the total MPSERS retiree health valuation, the market value of assets as of September 30, 2024 was \$14.6 billion, while the funding value of assets as of September 30, 2024 was \$14.0 billion. For the University retiree health valuation, the market value of assets as of September 30, 2024 was \$256.3 million, while the funding value of assets as of September 30, 2024 was \$247.0 million.

Comment E: The Retirement Board adopted a Funding Policy for use in the September 30, 2023 and later valuations. ORS confirmed the applicability of the Funding Policy for the University group. In accordance with the Funding Policy, there is no reduction to the computed employer normal cost (i.e., amortization credit) until all subplans of the MPSERS retiree health plan reach the 140% funding target. As of the September 30, 2024 actuarial valuation, all subplans of the MPSERS retiree health plan have attained the 140% funding target.

Comment F: Because retiree health benefits are not related to active member payroll, full funding employer contributions are reported as a dollar amount, instead of expressed as a percentage of payroll. Some readers, however, are interested in the actuarially computed employer contributions expressed as a percentage of payroll. The actuarially computed employer contribution amounts expressed as percentages of payroll do not reflect: (1) any contribution floors as described in Public Act 92 of 2017 and Public Act 181 of 2018 and amended by Public Act 127 of 2024, (2) the payroll floor provisions of Public Act 136 of 2016, or (3) any reconciliation payments as required by subsection 41(9) of MPSERS statute (for Non-University MPSERS members).

Total Retiree Health Valuation

The non-PHF active member payroll is projected to be \$5,861.4 million for the year beginning October 1, 2026, and the PHF active member payroll is projected to be \$5,533.4 million for the year beginning October 1, 2026. With the introduction of the PHF, the employer normal cost percent (i.e., 3.87%) is expressed as a percentage of non-PHF active member payroll, while the UAAL percent (i.e., -1.25%) is expressed as a percentage of total payroll (i.e., including both non-PHF and PHF active member payroll) based on current administrative practice.

Comments

University Retiree Health Valuation

The non-PHF (Graded Premium) University MPSERS active member payroll is projected to be \$17.6 million for the year beginning October 1, 2026, and the active member payroll for all University members not eligible for Graded Premium retiree medical coverage is projected to be \$127.0 million for the year beginning October 1, 2026. With the introduction of the PHF, the employer normal cost percent (i.e., 4.01%) is expressed as a percentage of non-PHF (Graded Premium) University MPSERS active member payroll, while the UAAL percent (i.e., -0.49%) is expressed as a percentage of total University member payroll (i.e., including both University MPSERS and non-MPSERS active member payroll) based on current administrative practice.

As previously noted, the payroll floor associated with Public Act 136 of 2016 is not reflected in this valuation report. Given the funded status of the University group combined with the fact that all subplans of the MPSERS retiree health plan have reached the 140% funding target, it is expected that there will be enough amortization credits available to fully offset the University employer normal cost contribution requirements (including a consideration for administrative expenses) for fiscal year 2027.

The normal cost contribution includes a load for administrative expenses. The load is developed as a percentage of payroll for MPSERS in total based upon the actual administrative expenses from the prior fiscal year. The derived percentage of payroll load is then applied across all MPSERS groups, including the University group.

Comment G: The fiscal year 2027 employer contribution shown includes level dollar amortization of the UAAL, according to the Funding Policy, over 12 years, beginning October 1, 2026 for the total MPSERS retiree health valuation. The fiscal year 2027 employer contribution shown includes level percentage of payroll amortization of the UAAL, over 10 years, based on a 2.75% amortization payroll growth assumption, beginning October 1, 2026 for the University retiree health valuation.

Comment H: The medical and prescription drug trend rates used in the valuation were changed to better reflect anticipated future experience. The change in medical and drug trend rates increased the Actuarial Accrued Liability by \$239.7 million for the total MPSERS retiree health valuation and increased the Actuarial Accrued Liability by \$1.4 million attributable to University members. However, the actuarially computed employer contribution was unchanged because of the change in medical and prescription drug trend rates due to the funded status of the plan (in total and for the University-only group).

Comment I: Public Act 127 of 2024 is reflected in the September 30, 2024 valuation. Reflecting the provisions of Public Act 127 of 2024 did not impact the Actuarial Accrued Liability; however, it did increase the actuarially computed employer contribution for the total MPSERS retiree health valuation due to the elimination of the 3% employee contribution requirement for members with premium subsidy retiree medical coverage. The actuarially computed employer contribution requirement increased by \$83.9 million for the total MPSERS retiree health valuation; however, the actuarially computed employer contribution requirement did not increase for University members due to the funded status of the plan.



Comments

Comment J: The employer subsidized October 1, 2024 per person health benefit costs were lower than projected by the 2023 valuation assumptions. The lower actual increases from 2023 to 2024 resulted in a lower-than-projected actuarially computed employer contribution and accrued liability. The lower-than-projected per person health benefit costs decreased the Actuarial Accrued Liability by \$1.1 billion and decreased the actuarially computed employer contribution by \$49.8 million for the total MPSERS retiree health valuation. The lower-than-projected per person health benefit costs decreased the Actuarial Accrued Liability by \$19.5 million and decreased the actuarially computed employer contribution by \$170.7 thousand attributable to University members.

Comment K: Beginning with the September 30, 2019 valuation, it was reported to the actuary that a reconciliation process, similar to that used for the pension valuation, had been implemented with respect to the employer retiree health contributions, with reconciliation payments beginning in fiscal year 2021. It is our understanding that the reconciliation process does not apply to University employer contributions. As noted previously, the Non-University contribution amounts shown in this document are in addition to any reconciliation payments as required by subsection 41(9) of the MPSERS statute. The scheduled reconciliation payments were prepared and reported by ORS and disclosed in the full MPSERS retiree health valuation report as of September 30, 2024.

Comment L: It is our understanding that the plan is participating in a Medicare Advantage (MA) program and an Employer Group Waiver Plan (EGWP) for calendar year 2025. The September 30, 2024 actuarial valuation was completed under the assumption that the plan will participate in an MA program and an EGWP for each year following the valuation date.

Comment M: In a MA program and an EGWP, the actuarial liability is based on the difference between the present value of future claims minus the present value of future Centers for Medicare and Medicaid Services' (CMS) reimbursements. For purposes of this valuation, future growth in CMS reimbursements was assumed to be equal to future growth in post-65 medical and prescription drugs claims. Valuation results are highly dependent upon these reimbursements. For example, if CMS reimbursements each year were 1% lower than assumed, the accrued liability would increase by approximately \$0.57 billion for the total MPSERS retiree health valuation with approximately \$8.9 million of the increase attributable to University members.

Comment N: Future trends in health costs defy accurate prediction. To the extent that future costs increase more (or less) than projected in this report, the computed liabilities and actuarially computed employer contributions will be higher (or lower) than shown in this report.

Comments

Comment O: Governmental Accounting Standards Board (GASB) Statement No. 74 is effective for the plan year ending September 30, 2017. A separate report is issued to comply with the actuarial requirements of this Statement.

Comment P: If a positive UAAL exists, it is GRS' understanding from ORS that the Universities are obligated to finance the UAAL even if a 100% funded ratio has been achieved in the past.

Comment Q: Unless otherwise indicated, a funded status measurement presented in this report is based upon the Actuarial Accrued Liability and the funding value of assets. Unless otherwise indicated, with regards to any funded status measurements presented in this report:

- (1) The measurement is inappropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations. In addition, the measurement is inappropriate for assessing benefit security for the membership.
- (2) The measurement is dependent upon the actuarial cost method, which, in combination with the plan's amortization policy and asset valuation method, affects the timing and amounts of future contributions. The amounts of future contributions will most certainly differ from those assumed in this report due to future actual experience differing from assumed experience based upon the actuarial assumptions. A funded status measurement in this report of 100% is not synonymous with no required future contributions. If the funded status were 100%, the plan would still require future normal cost contributions (i.e., contributions to cover the cost of the active membership accruing an additional year of service credit).
- (3) The measurement would produce a different result if the market value of assets were used instead of the funding value of assets, unless the market value of assets is used in the measurement.