



September 21, 2012

All Reporting Unit Business and Payroll Personnel of the Michigan Public School Employees Retirement System

Dear Michigan School Business Official:

Due to the temporary restraining order (TRO) on Public Act 300 of 2012, full implementation of the Act is not possible. Therefore, the corresponding employer contribution rates could not be reduced as much as they would have been with full implementation of PA 300 of 2012.

Beginning October 1, 2012, and until further notice, the following employer contribution rates are in effect.

**FY 2012-2013 - Employer Contribution Rate - Effective October 1, 2012 With TRO in Effect**

	First Worked before July 1, 2010*	First Worked on or after July 1, 2010, through September 3, 2012**	First Worked on or after September 4, 2012 and remain Pension Plus	First worked on or after September 4, 2012 and elect DC	
Pension Normal Cost	3.47	2.24	2.24	0.00	The employer contribution rates for the members' health and/or pension elections will be provided after the TRO is lifted.
Pension UAL	11.42	11.42	11.42	11.42	
Pension Early Retirement Incentive	1.36	1.36	1.36	1.36	
<b>Pension Total Rate</b>	<b>16.25</b>	<b>15.02</b>	<b>15.02</b>	<b>12.78</b>	
Health Normal Cost	0.93	0.93	0.00	0.00	
Health UAL	8.18	8.18	8.18	8.18	
<b>Health Total Rate</b>	<b>9.11</b>	<b>9.11</b>	<b>8.18</b>	<b>8.18</b>	
<b>Total</b>	<b>25.36</b>	<b>24.13</b>	<b>23.20</b>	<b>20.96</b>	

\*Basic, MIP Fixed, MIP Graded, MIP Plus

\*\*Pension Plus

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

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

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

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

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

State of Michigan | Department of Technology, Management & Budget | Office of Retirement Services  
P.O. Box 30171 | Lansing, MI 48909-7671 | [www.michigan.gov/psru](http://www.michigan.gov/psru)

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The retirement plan information that appears in this email is intended to summarize basic provisions of Public Act 300 of 1980, as amended. Current laws, rates, and factors are subject to change. Should there be discrepancies between the information reflected here and the actual law, the provisions of the law govern.

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