



FY 2026 Effective MPSERS Rate Reduction

Analysts at MEA and MSBO have found the average MPSERS rate reduction for FY 2026 is about 3 percentage points. While the actual rate experienced by each district will depend on the composition of retirement and OPEB plans selected by their employees (with reduction ranging from 1.45 to 5.75 percentage points), this 3-percentage point reduction is a reasonable default. Note, a more accurate estimate can always be calculated with district staffing data. The remainder of this memo provides more context explaining the effective MPSERS rate changes for FY 2026 (unedited from the original March 14th release).

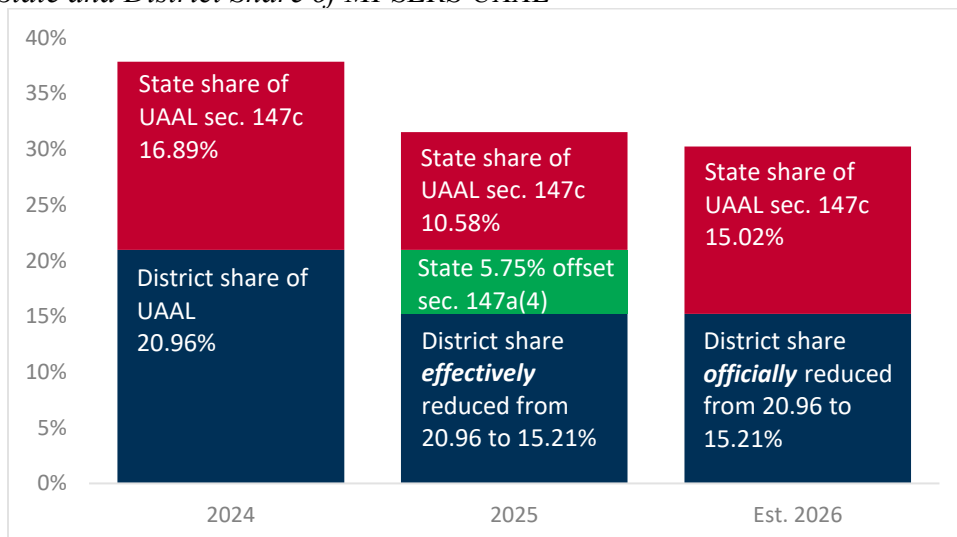
Context: MPSERS Rate Reduction

Since 2012, the state has covered any MPSERS UAAL cost above 20.96% of payroll (a rate set in law by [PA 300 of 2012](#)). The state pays their share each year through section [147c](#) of the state budget.

On July 23rd (2024), the [FY 2025 education budget](#) appropriated \$598 million through [sec.147a\(4\)](#) to reimburse districts for 5.75% of their MPSERS payroll *effectively* lowering the MPSERS rates experienced by districts.

On October 15th (2024), [PA 127 of 2024](#) (formerly known as [HB 5803](#)) was signed into law, *officially* and permanently reducing the district's share of the UAAL from 20.96% to 15.21%. This MPSERS rate reduction will officially begin on October 1st, 2025 (with the start of the state's next fiscal year).

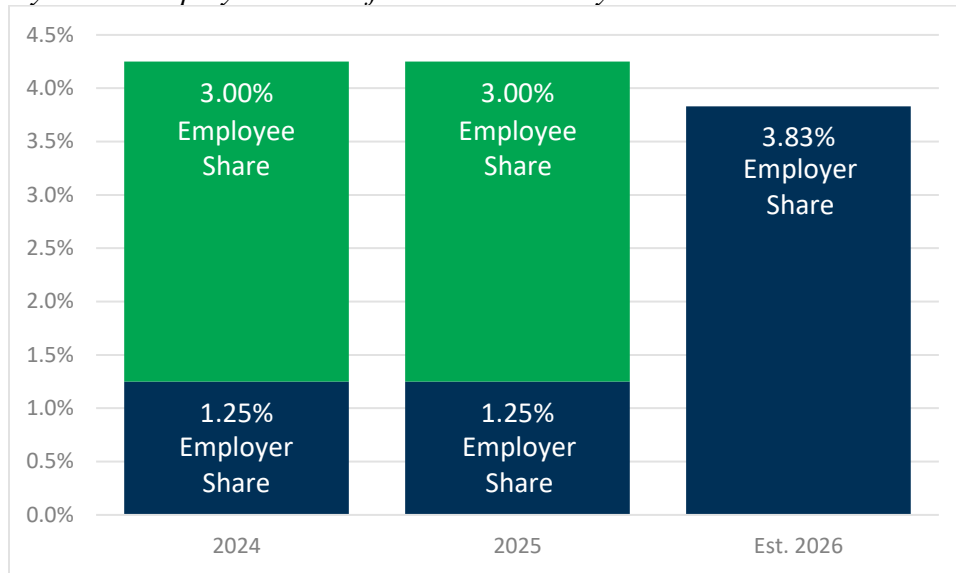
Fig 1. State and District Share of MPSERS UAAL



Context: Elimination of 3% Employee Share

[PA 127 of 2024](#) also eliminated the 3% employee share of Premium Subsidy retiree healthcare benefit. Starting October 1st, 2025, the employer will pay the full normal cost of the Premium Subsidy. The total contribution to the Premium Subsidy healthcare plan will be reduced from 4.25% to 3.83% (including employee and employer contributions). This will reduce the total cost of the Premium Subsidy by 0.42 percentage points. The employer's share of the Premium Subsidy normal cost, however, will increase by 2.58 percentage points, from 1.25 to 3.83% of Premium Subsidy payroll.

Fig 2. Employee and Employer Share of Premium Subsidy Normal Cost



MPSERS Rate Reduction by Pension and OPEB Plan

From the employers cost perspective, there will be three changes to MPSERS cost:

1. UAAL – PA 127 of 2024 will reduce the share districts pay towards the MPSERS UAAL by 5.75 percentage points regardless of the pension and OBEB plan.
2. OPEB Normal cost – PA 127 of 2024 will increase the districts contribution towards the normal cost by 2.58 percentage points only for Premium Subsidy plans.
3. Pension normal cost – while this cost was not impacted by law change, districts will see a regular increase in the cost of the the Basic/MIP and Pension Plus retirement plans.

Fig 3. MPSERS Cost Change by Cause

Retirement Plan	OPEB	FY 2025 Actual	MPSERS rate reduction due to law change	Pension normal cost change	FY 2026 Actual	Total % Point Change
Basic/MIP	Premium Subsidy	31.36%	-3.17%	1.72%	29.91%	-1.45%
Basic/MIP	PHF	30.11%	-5.75%	1.72%	26.08%	-4.03%
DC Converted	Premium Subsidy	22.21%	-3.17%	0.00%	19.04%	-3.17%
DC and DC Converted	PHF	20.96%	-5.75%	0.00%	15.21%	-5.75%
Pension Plus	Premium Subsidy	27.52%	-3.17%	0.82%	25.17%	-2.35%
Pension Plus	PHF	26.27%	-5.75%	0.82%	21.34%	-4.93%
Pension Plus 2	PHF	27.16%	-5.75%	0.00%	21.41%	-5.75%

The MPSERS rate reduction differs by retirement and OPEB plans. Consequently, the effective MPSERS rate reduction will be different for each district and will depend on the composition of employees enrolled in each retirement and OPEB plan.

The following table breaks down the change in the MPSERS rate for each plan by the change in each cost component.

Fig 4. MPSERS Cost Change by Cost Component

Retirement Plan	OPEB	Pension Normal Cost			OPEB Normal Cost			UAAL		
		FY 2025	FY 2026	% Point Change	FY 2025	FY 2026	% Point Change	FY 2025	FY 2026	% Point Change
Basic/MIP	Premium Subsidy	9.15%	10.87%	1.72%	1.25%	3.83%	2.58%	20.96%	15.21%	-5.75%
Basic/MIP	PHF	9.15%	10.87%	1.72%	0.00%	0.00%	0.00%	20.96%	15.21%	-5.75%
DC Converted	Premium Subsidy	0.00%	0.00%	0.00%	1.25%	3.83%	2.58%	20.96%	15.21%	-5.75%
DC and DC Converted	PHF	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	20.96%	15.21%	-5.75%
Pension Plus	Premium Subsidy	5.31%	6.13%	0.82%	1.25%	3.83%	2.58%	20.96%	15.21%	-5.75%
Pension Plus	PHF	5.31%	6.13%	0.82%	0.00%	0.00%	0.00%	20.96%	15.21%	-5.75%
Pension Plus 2	PHF	6.20%	6.20%	0.00%	0.00%	0.00%	0.00%	20.96%	15.21%	-5.75%

Sources for MPSERS rate information:

[MPSERS rates October 3rd, 2024, through September 30th 2025](#)

[MPSERS rates October 1st, 2025, through September 30th 2026](#)