

December 20, 2012

Dear Michigan School Business Official:

The contribution rates due on member's wages paid between February 1, 2013, and September 30, 2013, are below. The rates apply to K-12 school districts, intermediate school districts, community colleges, district libraries, public school academies, and federal programs. The breakdown is as follows:

**FY 2012-2013 Employer Contribution Rate - Effective February 1, 2013**

<b>DB CONTRIBUTIONS</b>								
		<b>Basic MIP</b>	<b>Pension Plus</b>	<b>Pension Plus PHF First Worked 9/4/12 or later</b>	<b>Pension Plus to DC with PHF First Worked 9/4/12 or later</b>	<b>Basic MIP DB to DC with DB Health</b>	<b>Basic MIP DB to DC with PHF</b>	<b>Basic MIP with PHF</b>
<b>PENSION CONTRIBUTIONS</b>								
Pension Normal Cost		2.43%	2.24%	2.24%	0.00%	0.00%	0.00%	2.43%
Pension UAL		11.42%	11.42%	11.42%	11.42%	11.42%	11.42%	11.42%
Pension Early Retirement Incentive		1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
<b>Pension Total Rate</b>		<b>15.21%</b>	<b>15.02%</b>	<b>15.02%</b>	<b>12.78%</b>	<b>12.78%</b>	<b>12.78%</b>	<b>15.21%</b>
<b>HEALTH CONTRIBUTIONS</b>								
Health Normal Cost		0.93%	0.93%	0.00%	0.00%	0.93%	0.00%	0.00%
Health UAL		8.18%	8.18%	8.18%	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>9.11%</b>	<b>8.18%</b>	<b>8.18%</b>
<b>DTL2 Records</b>	<b>DB Contribution Total</b>	<b>24.32%</b>	<b>24.13%</b>	<b>23.20%</b>	<b>20.96%</b>	<b>21.89%</b>	<b>20.96%</b>	<b>23.39%</b>

<b>DC CONTRIBUTIONS</b>								
DC Employer Contributions		0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
Personal Healthcare Fund		0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%
<b>DTL4 Records</b>	<b>DC Contribution Total</b>	<b>0.00%</b>	<b>1.00%</b>	<b>3.00%</b>	<b>5.00%</b>	<b>4.00%</b>	<b>6.00%</b>	<b>2.00%</b>

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.

Contribution rates assessed do not necessarily fully fund pension or healthcare trusts as determined by the annual actuarial valuations. When UAL contribution rates are insufficient to fully fund the annual UAL amortization payment, an appropriation is required to provide the contributions necessary to make up the difference.

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