



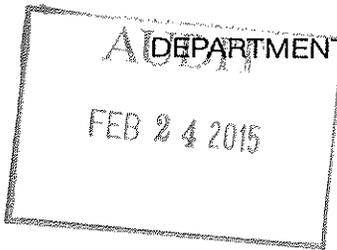
STATE OF MICHIGAN

DEPARTMENT OF TECHNOLOGY, MANAGEMENT & BUDGET

LANSING

RICK SNYDER
GOVERNOR

DAVID B. BEHEN
DIRECTOR



January 21, 2015

Jeffery Bankowski, Director
Office of Internal Audit Services
State Budget Office
George W. Romney Building
111 South Capitol, 6th Floor
Lansing, Michigan 48913

Dear Mr. Bankowski:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached is a summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's performance audit report of actuary data and contribution rates of the Michigan Public School Employees' Retirement System (MPSERS).

Questions regarding the summary table or corrective action plans should be directed to me.

Sincerely,

Signature Redacted

Michael Gilliland, Director
Financial Services

- c: Rep. Al Pscholka, Chair, House Appropriations
Senator Dave Hildenbrand, Chair, Senate Appropriations
Mark Freeman, Office of the Auditor General
Dennis Muchmore, Executive Office
Dick Posthumus, Executive Office
House Fiscal Agency
Senate Fiscal Agency
Phillip Jeffery, DTMB
Phil Stoddard, DTMB
John Juarez, DTMB
Rick Lowe, SBO
Scott Starr, DTMB
Caleb Buhs, DTMB

State of Michigan
Department of Technology, Management and Budget
Actuary data and contribution rates of the Michigan Public School Employees'
Retirement System (MPERS)

Summary of Agency Responses to Recommendations

1. Audit recommendations DTMB fully complied with: #1, #2 and #3
2. Audit recommendations DTMB agrees with and will comply: None
3. Audit recommendations DTMB disagrees with: None

Agency Plan to Address the Recommendations

Recommendation No. 1: Amortization of Unfunded Actuarial Accrued Liability (UAAL).
ORS agrees and has fully complied with the recommendation. Every five years ORS's actuary conducts an experience study which measures the retirement system's assumed experience against the actual experience of the prior five years. The actuary may recommend changes if future conditions are expected to continue to deviate from the current assumptions. It is important to note that no actuarial assumption is ever completely precise; in many cases, the discrepancy between assumption and actual experience can result in actuarial gains for the retirement system. ORS uses a standard methodology for evaluating actuarial assumptions and in the most recent MPERS experience study, no payroll growth assumption change was recommended by the actuary.

Recommendation No 2: Mortality Rate Actuarial Assumption.

ORS agrees and has fully complied with the recommendation. Every five years ORS's actuary conducts an experience study which measures the retirement system's assumed experience against the actual experience of the prior five years. The actuary may recommend changes if future conditions are expected to continue to deviate from the current assumptions. It is important to note that no actuarial assumption is ever completely precise; in many cases, the discrepancy between assumption and actual experience can result in actuarial gains for the retirement system. ORS uses a standard methodology for evaluating actuarial assumptions.

Based on the fiscal year 2002-03 through 2006-07 experience study, the system adopted the actuary's recommendation to adjust the mortality assumption to be more conservative. Again, based on the fiscal year 2007-08 through 2011-12 experience study, the system adopted an even more conservative mortality assumption; the assumption adopted even anticipated future mortality improvements.

Recommendation No. 3: Purchased Service Credit.

ORS agrees and has fully complied with the recommendation. Member service credit purchased and service credit agreed to be purchased has already been implemented

through the five-year experience study process. Every five years, the actuary conducts an experience study which measures the retirement system's assumed experience against the actual experience of the prior five years. The actuary may recommend changes if future conditions are expected to continue to deviate from the current assumptions. It is important to note that no actuarial assumption is ever completely precise; in many cases, the discrepancy between assumption and actual experience can result in actuarial gains for the retirement system. ORS uses a standard methodology for evaluating actuary assumptions.