



Michigan  
Office of the Auditor General  
**REPORT SUMMARY**

*Performance Audit*

*Actuary Data and Contribution Rates of the Michigan Public School Employees' Retirement System*

*Office of Retirement Services, Department of Technology, Management, and Budget*

Report Number:  
071-1152-12L

Released:  
July 2014

*The Michigan Public School Employees' Retirement System (MPERS) is a cost-sharing, multiple-employer, Statewide, defined benefit public employee retirement plan governed by the State of Michigan. MPERS's pension plan provides retirement, survivor, and disability benefits to eligible employees in public school districts, intermediate school districts, certain public school academies, district libraries, tax-supported community or junior colleges, and certain universities. In addition, MPERS's health plan provides eligible retirees with the option of receiving health, dental, and vision coverage.*

**Audit Objective:**

To assess the effectiveness of the State's efforts in developing assumptions and estimates used by the Office of Retirement Services (ORS) in determining MPERS's contribution rates to help ensure the solvency of MPERS.

**Audit Conclusion:**

We concluded that the State's efforts in developing assumptions and estimates used by ORS in determining MPERS's contribution rates to help ensure the solvency of MPERS were moderately effective. We noted two reportable conditions (Findings 1 and 2) and one observation (Observation 1).

**Reportable Conditions:**

The MPERS Board and the Department of Technology, Management, and Budget (DTMB) need to consider revising the assumptions used to amortize the

unfunded actuarial accrued liability (UAAL) for MPERS's pension plan (Finding 1).

The MPERS Board and DTMB need to consider revising the mortality assumption for MPERS's pension plan so that it is in line with actual mortality rates of the plan (Finding 2).

**Observation:**

Our assessment also resulted in one observation related to the assumed investment rate of return (Observation 1).

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**Audit Objective:**

To assess the effectiveness of ORS's efforts to transfer accurate and complete MPERS member data to the actuary.

**Audit Conclusion:**

We concluded that ORS's efforts to transfer accurate and complete MPERS

member data to the actuary were effective. However, we noted one reportable condition (Finding 3).

**Reportable Condition:**

ORS did not report all member service credit purchased and service credit agreed to be purchased by members to the actuary for inclusion in MPSERS's annual actuarial valuation (Finding 3).

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**Agency Response:**

Our audit report contains 3 findings and 3 corresponding recommendations and an observation. ORS's preliminary response indicates that it agrees with 2 of the recommendations and the observation and did not express agreement or disagreement with the other recommendation.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



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