



STATE OF MICHIGAN  
DEPARTMENT OF TECHNOLOGY, MANAGEMENT & BUDGET  
LANSING

RICK SNYDER  
GOVERNOR

DAVID L. DEVRIES  
DIRECTOR

April 20, 2018

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

Dear Mr. Lowe:

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 audit report of the Department of Technology, Management and Budget, Michigan State Employees' Retirement System Financial Audit.

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

Sincerely,

Signature Redacted

Michael Gilliland, Director  
DTMB-Financial Services

c: Representative Laura Cox, Chair, House Appropriations  
Senator Dave Hildenbrand, Chair, Senate Appropriations  
Mark Freeman, Office of the Auditor General  
Dick Posthumus, Executive Office  
Darin Ackerman, Executive Office  
House Fiscal Agency  
Senate Fiscal Agency  
Brom Stibitz, DTMB  
Kerrie Vanden Bosch, DTMB  
Anthony Estell, DTMB  
Caleb Buhs, DTMB  
Kerri DeBano, DTMB  
Phillip Jeffery, DTMB  
Meg Leonard, DTMB  
John Juarez, SBO  
Mike Williams, SBO

Department of Technology, Management and Budget  
Office of Retirement Services  
Michigan State Employees' Retirement System Financial Audit  
Audit Period: Fiscal Year Ended September 30, 2016

Summary of Agency Responses to Recommendations

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

Agency Responses to Recommendations

Finding #1: Controls necessary to ensure completeness and accuracy of data provided to the actuary.

DTMB agrees with and has complied with the recommendation. DTMB-ORS will continue to work with OAG on a standard definition for the term "inactive member" and which retirement status codes will be used in the query. ORS has updated the query and provided the query's results to the actuary for use in the creation of the fiscal year 2016 valuations, which was used in the fiscal year 2017 CAFR, and the determination of the actuarial accrued liability for other postemployment benefits.

While ORS agrees with the finding, we believe the estimated increase in the SERS OPEB UAAL as a result of this finding is overstated. Consultation with the plan's actuary has revealed that the true impact of including an expanded definition of inactive members increases the OPEB UAAL by approximately \$85–\$90 million which is roughly 60% of the original estimate.