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GASB Statement No. 68

Sample Note A – Pension Plan
For the fiscal year ended Sept. 30, 2023

General Information about the Michigan Public School Employees' Retirement System (MPSERS) pension plan

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan and a fiduciary component unit of the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at Michigan.gov/ORSSchools.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the Sept. 30, 2022, valuation will be amortized over a 16-year period beginning Oct. 1, 2022 and ending Sept. 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended Sept. 30, 2023.

Pension Contribution Rates

Benefit Structure	Member	Employer	
		Universities	**Non-Universities**
Basic	0.0 - 4.0%	16.52%	20.16%
Member Investment Plan	3.0 - 7.0%	16.52%	20.16%
Pension Plus	3.0 - 6.4%	N/A	17.24%
Pension Plus 2	6.2%	N/A	19.95%
Defined Contribution	0.0%	10.00%	13.75%

Required contributions to the pension plan from ***[the employer]*** were ***[Table 1, Column C]*** for the year ended Sept. 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, ***[the employer]*** reported a liability of ***[Table 1, Column F]*** for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of Sept. 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. ***[The employer]'s*** proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At Sept. 30, 2023, ***[the employer]'s*** proportion was ***[Table 1, Column D]*** percent, which was ***[an increase / a decrease]*** of ***[XX.XX]*** percent from its proportion measured as of Sept. 30, 2022.

{If changes expected to have a significant effect on the measurement of the employer's proportionate share of the net pension liability had occurred between Sept. 30, 2023, and June 30, 2024, the employer should disclose information required by paragraph 80f of GASB Statement 68.}

For the year ending June 30, 2024, ***[the employer]*** recognized pension expense of ***[Table 1, Column T]***. At June 30, 2024, ***[the employer]*** reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ ***[Table 1, Column H]***	$ ***[Table 1, Column M]***
Changes of Assumptions	***[Table 1, Column J]***	***[Table 1, Column O]***
Net difference between projected and actual earnings on pension plan investments	***[Table 1, Column I]***	***[Table 1, Column N]***
Changes in proportion and differences between Employer contributions and proportionate share of contributions	***[Table 1, Column K]***	***[Table 1, Column P]***
Employer contributions subsequent to the measurement date	***[Employer provides]***	***[Employer provides]***
Total	***[Employer calculates sum]***	***[Employer provides]***

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2024	***[Table 2, Column U]***
2025	***[Table 2, Column V]***
2026	***[Table 2, Column W]***
2027	***[Table 2, Column X]***

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:		Sept. 30, 2022
Actuarial Cost Method:		Entry Age, Normal
Wage Inflation Rate:		2.75%
Investment Rate of Return:		
- Basic and MIP plans:		6.00% net of investment expenses
- Pension Plus plan:		6.00% net of investment expenses
- Pension Plus 2 plan:		6.00% net of investment expenses
Projected Salary Increases:		2.75 – 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:		3% Annual Non-Compounded for MIP Members
Mortality:	Retirees:	PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010
	Active:	PubT-2010 Male and Female Employee Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Notes:

Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the Sept. 30, 2023 valuation. The total pension liability as of Sept. 30, 2023, is based on the results of an actuarial valuation date of Sept. 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.4406 for non-university employers or 1.0000 for university employers]

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2023 MPSERS Annual Comprehensive Financial Report found on the ORS website at Michigan.gov/ORSSchools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of Sept. 30, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.8%
Private Equity Pools	16.0	9.6
International Equity	15.0	6.8
Fixed Income Pools	13.0	1.3
Real Estate and Infrastructure Pools	10.0	6.4
Absolute Return Pools	9.0	4.8
Real Return/Opportunistic Pools	10.0	7.3
Short-Term Investment Pools	2.0	0.3
TOTAL	**100.0%**	

**Long-term rates of return are net of administrative expenses and 2.7% inflation.*

Rate of Return

For the fiscal year ended Sept. 30, 2023, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 8.29%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of *[the employer]*'s proportionate share of the net pension liability to changes in the discount rate

The following presents [***the employer]'s*** proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what ***[the employer]'s*** proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease* 5.00%	Current Single Discount Rate Assumption* 6.00%	1% Increase* 7.00%
$***[Table 1, Column E]***	$***[Table 1, Column F]***	$***[Table 1, Column G]***

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS ACFR, available on the ORS website at Michigan.gov/ORSSchools.

Payables to the Michigan Public School Employees' Retirement System (MPSERS)

{If the employer reported payables to the defined benefit pension plan, it should disclose information required by paragraph 122 of GASB Statement No. 68.}