

# Michigan Public School Retirement Plans **AT-A-GLANCE**

## CLOSED DEFINED BENEFIT PLAN

In a Defined Benefit (DB) plan, an employee receives a guaranteed monthly payment in retirement using a formula based on the employee's earnings history and length of service. The legislature closed the Michigan public school DB Plan to new members after June 30, 2010. The action effectively "stopped the bleeding," right-sized benefits for employees moving forward, and reduced the risks associated with the plan.

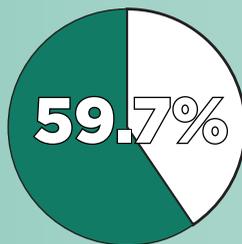


**Current Status**  
**Closed**  
June 30, 2010

Members of the legacy DB plan were given a choice in 2012 to continue their DB plan membership with either increased contributions for a lesser benefit for future service, or to switch to a DC plan with a 4% employer contribution.

**Current Assumed Rate of Return** **7.5%**

**Funding Status**



**Current UAAL**  
**\$29.1 Billion**

## HYBRID PLAN

A Hybrid Plan is a retirement plan that includes both a more modest DB and a small DC component. Employees pay for about 2/3 of the overall cost of the DB component. For the DC component, employees contribute 2% and receive a 1% matching contribution from the employer.

**Current Status**  
**Open**  
Created  
July 1, 2010

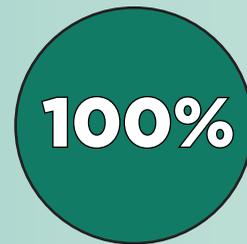


**Current Assumed Rate of Return** **7%**

The Hybrid Plan provides:  
**Employer matching contributions**  
**Choice**  
**Portability**  
**Lower risk**  
**Lower cost**  
**Workforce management tool**  
**Some individual control**

**Current UAAL** **\$0**

**Funding Status**



Employees hired after Sept. 4, 2012, do not receive employer-subsidized health care premiums in retirement. Instead, they make a 2% employee contribution and receive a 2% employer matching contribution to the DC plan to help fund health care expenses in retirement. This benefit is known as the Personal Healthcare Fund (PHF).

## DEFINED CONTRIBUTION PLAN

A Defined Contribution (DC) Plan is a type of retirement plan in which the employer and employee set aside contributions into an account for the benefit of its employees. Public school employees in the DC Plan receive tax-deferred 401(k) and 457 plan investment accounts with a 50% employer match (total up to 3% of salary) on employee contributions. The investments are self-directed and the rate of return depends on market performance.



**Current Status**  
**Open**  
Created Sept. 4, 2012

The DC Plan provides:  
**Employer matching contributions**  
**Choice**  
**Portability**  
**Individual control**

New employees since 2012 have a choice between the Hybrid and DC plans. About 20% choose the DC plan.