10 Most Popular Questions

1. What are my choices for the healthcare election?

Under the new law, you have a choice regarding your retiree healthcare. You can continue to contribute 3 percent of compensation to the Retiree Healthcare Fund and keep the premium subsidy benefit you currently have, or you can choose the Personal Healthcare Fund which can be used to pay healthcare expenses in retirement. Any changes to your healthcare benefit would be effective as of your transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013. If you choose the Personal Healthcare Fund, you will opt-out of the premium subsidy benefit, as of the day before your transition date (defined above). You will be automatically enrolled in a 2 percent employee contribution into your 457 account as of your transition date, earning you a 2 percent employer match into a 401(k) account. You will stop paying the 3 percent contribution to the Retiree Healthcare Fund as of the the day before your transition date, and your prior contributions will be deposited into your 401(k) account administered by ING no later than your first pay date after March 1, 2013.

Your retiree healthcare election must be made in miAccount while the election window is open. If you do not make a healthcare election, you will remain with the premium subsidy (Basic, MIP-Fixed, and MIP-Graded) or graded premium subsidy (MIP Plus).

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2. What are my choices for the pension election?

Under the new law, you can voluntarily choose to increase, maintain, or stop your contributions to the pension fund. You have the following options:

- **Option 1:** Under Option 1 you voluntarily elect to increase your contributions to the pension fund as noted below, and retain the 1.5 percent pension factor in your pension formula. The increased contribution would start with the first pay period beginning after February 1, 2013, and continue until they terminate public school employment.
Basic Plan members: 4 percent contribution (currently 0 percent).
MIP-Fixed, MIP-Graded, and MIP-Plus Plan members: a flat 7 percent contribution (currently 3.9 percent for MIP-Fixed, or graded up to 6.4 percent for MIP-Graded and MIP-Plus).

- **Option 2:** Under Option 2 you voluntarily elect to increase your contribution to the retirement plan as stated in Option 1 and retain the 1.5 percent pension factor for your pension formula. The increased contribution would start with the first pay period beginning after February 1, 2013, and continue until you reach 30 years of service. If and when you reach 30 years of service, your contribution rate will return to the previous levels in place as of the pay period before the first pay period beginning after February 1, 2013, (0 percent for Basic Plan members, 3.9 percent for MIP-Fixed, and graded, up to 6.4 percent for MIP-Graded and MIP-Plus members). The pension formula for any service thereafter would include a 1.25 percent pension factor.

- **Option 3:** Under Option 3 you voluntarily elect not to increase your contribution to the pension fund and maintain your current level of contribution to the pension fund. The pension formula for your years of service as of the pay period before the first pay period beginning after February 1, 2013, will include a 1.5 percent pension factor. The pension formula for any service thereafter would include a 1.25 percent pension factor.

- **Option 4:** Under Option 4 you voluntarily elect no longer contribute to the pension fund. Your pension will be calculated based on your years of service and final average compensation as of the pay period before the first pay period beginning after February 1, 2013, and a 1.5 percent pension factor. You will be switched to a Defined Contribution (DC) plan as of the first pay period beginning after February 1, 2013, where you will receive a 4 percent employer contribution to a tax-deferred 401(k) account and you can choose to contribute up to the maximum amounts permitted by the IRS to your 457 account.

Your pension election must be made in miAccount while the election window is open. If you do not make a pension election, your contribution rate will not change and your pension formula for your years of service through the pay period before the first pay period beginning after February 1, 2013, will include a 1.5 percent pension factor. The pension formula for any service thereafter will include a 1.25 percent pension factor.

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3. Which option is the best option?

Everyone's circumstances are different, and what might be the best option for you may not be the best option for your coworker. When reviewing the options, take into consideration where you are in your career, what your future plans are, what other sources of health insurance coverage you may have, and what your retirement savings goals are. ORS recommends that you use the calculators in miAccount to see how each option would affect your finances now and in the future.

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4. **How does my pension plan election affect my retiree healthcare?**

Your pension election and your healthcare election are two separate things. If you elect to stay with the premium subsidy (Basic, MIP Fixed, or MIP Graded) or graded premium subsidy (MIP Plus), you'll retain your eligibility for healthcare benefits in retirement (assuming you meet age and service requirements), regardless of which retirement plan election you make.

If you elect the Personal Healthcare Fund, you opt out of retiree healthcare benefit regardless of which retirement plan election you make. Instead you'll receive a 2 percent employer matching contribution to a state-sponsored, tax-deferred retirement account, if you contribute up to 2 percent of pay. If you elect the PHF you would not be eligible for any healthcare coverage in retirement.

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5. **If I elect to remain with the premium subsidy, continue making my 3 percent contributions and then die, what happens to my 3% healthcare contributions?**

Depending on the circumstances of your death, your beneficiary may be eligible for a refund of all, or a portion of your contributions. Let's look at different scenarios:

1. If you die before becoming eligible for the healthcare subsidy, your beneficiary could apply to receive a refund of all of your 3 percent contributions, as long as your beneficiary is not eligible for a premium subsidy (due to a duty or nonduty death).

2. If you retire with a Straight Life option, receive the health insurance subsidy for a period of time, and then die, the retiree health insurance premium subsidy payments would cease because your survivors would not be eligible for any health insurance benefits under the Straight Life option. If the total value of the retiree health insurance premium subsidy paid up to

the date of your death is less than the total value of your 3% contributions, your beneficiary could apply for a refund of the remaining contributions.

3. If you retire with a Survivor Option, receive the retiree health insurance premium subsidy payment for you and your eligible dependents, and then die after a period of time, your eligible dependents would continue to receive the retiree health insurance premium subsidy and be covered by the survivor option.

Any refunds of the 3% healthcare contribution would be issued to your beneficiary in equal monthly installments over a 60 month (5 year) period as a supplemental retirement allowance

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6. If I elect to remain with the premium subsidy, retire when I reach eligibility, then decide that I don't want or need the health insurance, can I get my 3% contribution back?

By electing to stay with the premium subsidy and continue making the healthcare contribution until you reach eligibility and retire, you can guarantee your access to subsidized healthcare coverage in retirement. If, for whatever reason, you decide to dis-enroll in the subsidized healthcare coverage, you can always re-enroll knowing that the benefit you paid into, is waiting for you. Refunds of the 3% healthcare contribution are only issued if a member elects the Personal Healthcare Fund (Option B) or if a member elects the premium subsidy but doesn't reach eligibility, or dies before the total value of the subsidy paid equals the total value of the 3% contributions the member made. For more details see FAQ 5 (above).

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7. If I stay with the premium subsidy and continue making the 3 percent healthcare contributions and then lose my job, what happens?

If you elect to stay with the premium subsidy and continue making the 3 percent contribution, and then lose your job, you *may* qualify for an insurance premium subsidy.

If you began working for a Michigan public school before July 1, 2008 (Basic, MIP-Fixed and MIP-Graded plan members) and if you if you have at least 21 years of service when you terminate public school employment, your premium subsidy will be 10 percent for each year of credited service you have over 20 years, up to the maximum allowed by statute. With 21 years you get 10 percent of the full subsidy. With 25 years the subsidy increases to 50 percent.

If you began working for a Michigan public school on or after July 1, 2008 (MIP-Plus plan members) and have at least 10 years of service, you become eligible for a graded premium subsidy if/when you are age 60. The subsidy is 30 percent after 10 years of service, with a 4 percent increase for each year thereafter, up to the maximum allowed by statute.

If you leave public school employment and do not qualify for any premium subsidy you can request a refund of your 3 percent contributions when you reach age 60. The refunds would be issued in equal monthly installments over a 60 month (5 year) period as a supplemental retirement allowance.

Learn more about insurance subsidy eligibility (link obsolete).

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8. *NEW* If I elect Option 4 and switch to the DC plan, do the working after retirement rules still apply?

If you elect Option 4, your retirement benefits would be made up of two things: (1) your pension (based on years of service, final average compensation (FAC) and 1.5 percent pension factor as of the day before your transition date; and (2) your state-sponsored 401(k) and 457 accounts, which would include your 4 percent employer contributions (made to your 401(k) account), any personal contributions you made to your 457 account, and any accumulated investment earnings. Both could be affected if, after retirement, you return to work in a Michigan public school reporting unit:

Your pension:

- The rules for working after retirement remain in effect. These include restrictions on return to work start date, bona fide termination, and earning limits. Click here to learn more. http://www.michigan.gov/orsschools/0,4653,7-206-36502_36516---,00.html .

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Your 401(k) and 457 accounts:

- Your election to switch to the DC plan also stands. This means that your employer would contribute 4 percent of compensation to your 401(k). However, rules prohibit someone from both being employed and taking a distribution from their 401(k) and 457 accounts, unless you are age 59 1/2 or above (401(k)) or age 70 1/2 or above (457). So, if you are under the respective age and receiving a distribution when you return to work with an entity under the 401(k) or 457 (including any Michigan public school reporting unit, the Educational Achievement Authority, or the State of Michigan), the distributions would stop while you remain working. The employer contributions to your 401(k) would count toward your earnings limitations for your pension.

Your retiree health insurance:

- If you elected the Premium Subsidy, your eligibility for the subsidy would fall under the rules for working after retirement. See http://www.michigan.gov/orsschools/0,4653,7-206-36502_36516---,00.html to learn more.

- If you elected the Personal Healthcare Fund (PHF), your 2 percent personal contributions and 2 percent employer match into the PHF would resume. Employer contributions to your PHF would also count toward your earnings limitations for your pension.

If you are working in a Michigan public school reporting unit but being paid by a third party, the Core Service rules apply http://www.michigan.gov/documents/orsschools/R0850C_CoreServices_323525_7.pdf. Your third party employer would not be required to make the 4 percent employer contributions to your 401(k); any distributions from your 401(k) or 457 would not be affected.

If you are working in a reporting unit as an independent contractor, the Core Services rule applies. http://www.michigan.gov/documents/orsschools/R0850C_CoreServices_323525_7.pdf

If you are working in a job with no affiliation to a Michigan public school reporting unit, neither your pension nor your 401(k) or 457 distributions would be affected.

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9. How can I get help making my decision?

While ORS staff is not in a position to offer retirement financial advice, we have provided several tools in miAccount to help you figure out which retiree healthcare and pension option is best for you. We've provided personalized estimates of what each pension option might mean for you, and calculators so you can see how adjusting the numbers might affect you.

Be sure to review the short, recorded seminar available anytime on the Reform Tools page or sign up for one of the many reform seminars and webinars hosted by ORS. Click here to learn more.

Also, ING provides information on retirement planning and calculators that show how investment earnings can grow over time. Go to http://stateofmi.voya.com to learn more. For further assistance, contact ING at 800-748-6128.

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10. What if I don't make a choice?

If you do not make your elections in miAccount before the window closes, the default provisions of the legislation go into effect. For the healthcare election, the default is to continue the 3 percent contribution to the Retiree Healthcare Fund (Basic, MIP-Fixed and MIP-Graded) or graded premium subsidy (MIP Plus). For the retirement plan election, the default is to continue your existing level of contribution to the pension fund and take the reduced pension factor (1.25 percent) for future service as of your transition date (the first day of the pay period that begins on or after February 1, 2013).

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