



*Leaving
state
employment?*

A Guide for Members of the Defined Benefit Plan

May 2006

So you're leaving?

If you began working for the state of Michigan or one of its noncentral agencies before March 1997, you're probably a member of the Defined Benefit plan in the State Employees' Retirement System. Throughout your career you have been accumulating service credit toward a future retirement pension.

Now you are leaving state employment. If you're not yet eligible to retire, either because you don't have enough service credit or you're too young to qualify for a monthly pension, this publication will help you understand how your retirement plan will be affected.

Note: Most state employees who began working on or after March 1, 1997, and some who began before then, are in the state's 401(k) Defined Contribution plan. *This publication is only for terminating members of the Defined Benefit plan.*

First consideration: Are you vested?

It's very important that you know, and understand, your vesting status. You are vested when you have sufficient service to qualify for a future monthly benefit, whether or not you continue working for the state. Most state employees are vested after the full-time equivalent of ten years. If you are an unclassified legislative employee, executive branch employee, or Department of Community Health employee involved in a facility closing, you are vested with five years of service credit.

If you're not vested, you won't qualify for a future pension unless you earn more service credit. But there are still things you need to know, so read the section *I'm NOT VESTED. What should I do?*

If you are vested, you'll want to take steps before you leave and while your pension is deferred to protect your pension rights for yourself, and possibly your eligible survivor. See *I'm VESTED. What should I do?*

Important! If you're close to meeting the minimum age and service requirements for a pension benefit, be sure to review the pension eligibility requirements. They can be found on the ORS website, or ask ORS for *Retirement Readiness: A Two-Year Countdown*.

I'm NOT VESTED. What should I do?

If you're not vested when you leave state employment, you're not eligible for a future pension. Ordinarily, your membership in the retirement plan will end once your human resource office tells ORS of your termination. You probably won't have to do anything, but there are a few things you should consider.

How much service credit do I have?

To find out how much credit you have, look at your most recent *Member Statement* which ORS sends each year. It will tell you how much service credit you have accumulated as of the end of the last fiscal year (October 1 through September 30). Be sure your record is correct.

How close are you to meeting the vesting requirements? Can you work a bit longer in order to vest? Are you aware that certain types of service credit like public school and university employment, workers' compensation, and some military service may count toward your vesting requirement? You might want to take a look at the service credit section of the ORS website, or ask for *Enhancing Your Pension: Earning and Purchasing Service Credit*. But remember, additional service can be credited only while you are an active, working employee. Once you terminate, it is too late.

What are my future employment plans?

If you return to state of Michigan employment in the future, your previous service may count towards future monthly pension benefits. Your state service might also count toward retirement benefits in another public employer's retirement system or in a Michigan public school. Keep this in mind if you rejoin the workforce.



Do I have any personal contributions on account?

Your *Member Statement* will tell you how much, if any, you have in your personal contribution account.

If you do have personal contributions, you can request a refund of your account at any time after you terminate employment. To forestall taxes and penalties, you could transfer (roll over) the funds to another qualified tax-deferred retirement plan. Or you could leave your personal contributions on deposit, where they will continue to earn interest annually. We suggest you talk to an ORS representative if you have personal contributions on account. We will help you understand the ramifications of each choice, and explain how to go about it.

If you leave personal contributions on deposit, be sure to keep us informed of your address and of your beneficiary wishes.

Do I have a deferred compensation account with CitiStreet?

If you have been contributing to the state-sponsored 457 or 401(k) plans, CitiStreet will send you its *Guide to Termination or Retirement Distributions* once your termination is processed. If you'd like to know your options sooner, you can find the publication at the CitiStreet website at <https://stateofmi.csplans.com>, or phone (800) 748-6128.

www.michigan.gov/ors

Visit our website for more information on plan membership, personal contributions, vesting, earning and purchasing service credit, pension eligibility and calculations, and more.



I'm VESTED. What should I do?

If you are vested when you leave state employment, you will be a deferred member from the time you terminate until you begin drawing your pension.

Here are answers to questions you might have. Please bear in mind, however, that the laws governing retirement provisions may change by the time you are old enough to qualify for your pension. Be sure to stay informed by periodically reviewing the ORS website (or Public Act 240 of 1943) while you're in deferred status, so you know what you can expect and when.

When can I get my pension?

As a deferred member, you will be eligible for your pension when you reach age 60. Be sure to apply three to six months before you reach age 60—your pension won't be any higher if you wait, and you could lose money because we can't pay retroactively. Your pension will be calculated the same as a full retirement. For details about how your pension will be calculated and the different payment options, the ORS website is your best source. It also offers an online pension estimator, and you can register for a preretirement seminar. The ORS publication *Retirement Readiness: A Two-Year Countdown* is another good resource.

If you take a deferred retirement, be sure to file your pension application 3-6 months before your 60th birthday or you could lose money.

Will I get insurance benefits?

Group health, dental, and vision insurances are available to retirees. Your insurance premiums may be covered, in part, by the retirement system. Deferred members aren't eligible for the group life insurance in retirement.

Can I take a refund?

A refund would only be possible if you have personal contributions on deposit. The only state employees who have personal contributions are those who were employed before July 1974 when the retirement system was contributory, or those who have purchased service credit. If you do have personal contributions on account, chances are you are already vested for a pension. Taking a refund would forfeit all rights to the pension. If you're vested

and considering a refund, please ask an ORS customer service representative to help you weigh the value of your personal contributions against the value of your future lifetime pension and insurance benefits.

What happens if I die?

If you die while in deferred status, a monthly survivor pension will be payable to your eligible beneficiary, if any, the month after you would have turned age 60.

When you leave state service, your human resource office will have you complete a *Deferred Service Retirement Beneficiary Designation*

form. You can name your spouse, child or adopted child, parent, sibling, or grandchild as the beneficiary for your pension. If you have not designated a beneficiary, the monthly benefit is paid to your surviving spouse. If you have no surviving spouse, it is split among your children under the age of 18. If you have no surviving spouse or children under 18, no continuing monthly benefit will be payable unless ORS has a valid beneficiary designation on file. You can change the beneficiary at any time while you are in deferred status, using the same form.

Keep this brochure, along with a copy of your *Beneficiary Nomination* form, with your will, insurance policies, or other important papers. This will ensure that your survivors contact ORS if you die before reaching pension eligibility age.

If no monthly pension benefit is payable upon your death, ORS will refund any personal contributions on account to your refund beneficiary or estate.

What about my 401(k) and 457 accounts with CitiStreet?

If you have been contributing to the state-sponsored 457 or 401(k) plans, CitiStreet will send you its *Guide to Termination or Retirement Distributions* once your termination is processed. If you'd like to know your options sooner, you can find the publication at the CitiStreet website at <https://stateofmi.csplans.com>, or phone (800) 748-6128.

When to contact us

Before You Leave

- Review your retirement account. Make sure you understand how your termination could affect your future retirement plans.
- If you're vested, file a *Deferred Service Retirement Beneficiary Designation* form with ORS. Your human resource office will give you the form, or you can download it from the ORS website.

After You Leave

- Keep ORS informed of your mailing address so we can send important communications.
- Remember to keep your beneficiary information current, especially if you are unmarried and have no children under 18.
- If you have a CitiStreet account, be sure to let CitiStreet know about any address, name, or beneficiary changes.

Preparing for Retirement

- If you're in deferred status, attend a preretirement seminar a few years before you reach age 60. Check the ORS website for a schedule of seminars in your area.
- About 3-6 months before you reach eligibility age, contact ORS to request a retirement application packet.

If You Die

- Your survivor should contact us upon your death even if he or she is not eligible for a monthly survivor pension benefit. We will ask for your social security number to identify your retirement account and we may request a copy of your death certificate.



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