

# Connections

An Office of Retirement Services Publication

March 2014, Vol. 17 No. 1

Public School Employees Retirement System

## Our Purpose

We are an innovative retirement organization driven to empower our customers for a successful today and secure tomorrow.

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## From the Director

As director, I'm tasked with being a good steward for the future of your pension system. I'm acutely aware of this responsibility and its impact on our members. Likewise, our dependable staff does its part to provide quality service and keep administrative costs low.

Like retirement systems around the country, our system has seen changes and reforms; the most recent focus on greater fiscal stability. On that note, I realize our work is never done. This is especially true for our system which has more retirees than active members. It's clear that safeguarding our system is at the forefront, and is certainly on my mind every day.

In the coming year, staff will focus on these main priorities: first is to continually improve the service we provide to our customers. Second is to explore ways to continue to provide high quality healthcare plans that

are affordable for both members and the system. Third, we'll continue to seek effective ways to fund our systems.

In 2014, we'll talk about the depth and meaning of our work through our website, newsletters, Facebook, and in other ways. Please take a few minutes to review the annual financial information provided in this newsletter. Your retirement is in good hands and we're on the right track, so you can focus on enjoying your well-deserved retirement.

Best wishes,



Phil Stoddard, Director  
Office of Retirement Services



## Finance in Plain English

**Why is the funding ratio from Fiscal Year 2012, and the other information is from Fiscal Year 2013?** The Comprehensive Annual Financial Report (CAFR), where ORS gets the data for this newsletter, is published after the newsletter is distributed, so the funding ratio in *Connections* is from the year before. To see a history of the funding ratio of your plan, take a look at the CAFR on [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools) after it's published in the spring.

**What is securities lending collateral?** Securities are any kind of tradable asset like a bond or banknote, equity or stocks, or derivative contracts. Collateral is something you promise to give the lender if you can't pay back a loan. In this case, the collateral is put up by a borrower (an investor or firm) to guarantee the repayment of a securities loan.



# Michigan Public School Employees Retirement System

for fiscal year ending September 30, 2013

## About Your Plan

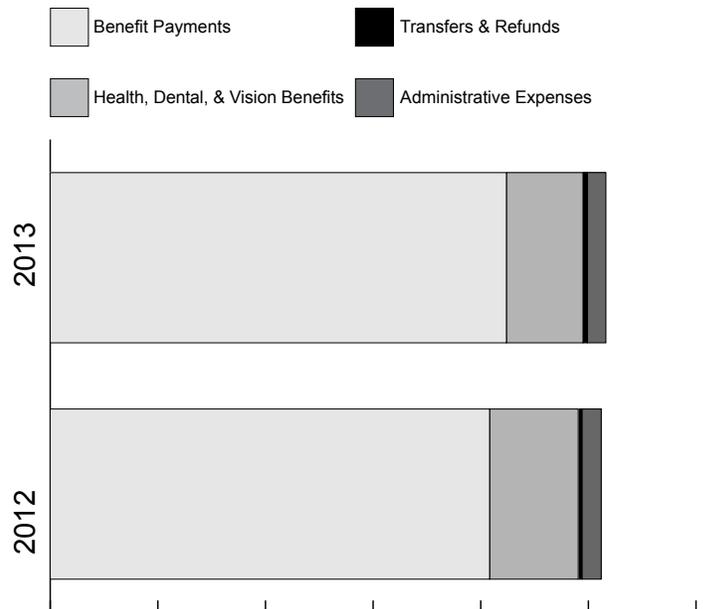
This summary came from the complete 2013 *Comprehensive Annual Financial Report*, available on our website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools). The figures in this report are as of September 30, 2013.

The Michigan Public School Employees Retirement System serves 200,952 retirees receiving monthly benefits, and 214,906 active members. The System's net assets are held in trust to meet future benefit payments.

Additions & Deductions				
	FY 2013		FY 2012	
<b>Additions</b>				
Public Financed and Member Contributions	\$	3,118,427,853	\$	2,991,847,730
Net Investment Income (loss)		<u>5,055,209,011</u>		<u>5,597,139,320</u>
<b>Total Additions</b>	<b>\$</b>	<b>8,173,636,864</b>	<b>\$</b>	<b>8,588,987,050</b>
<b>Deductions</b>				
Benefit Payments	\$	4,238,482,066	\$	4,082,242,506
Health, Dental, & Vision Benefits		711,578,683**		823,447,206**
Transfers & Refunds		39,628,893		34,326,666
Administrative Expenses		<u>172,974,995</u>		<u>178,828,004</u>
<b>Total Deductions</b>	<b>\$</b>	<b>5,162,664,637</b>	<b>\$</b>	<b>5,118,844,382</b>
<b>Beginning of Year Position</b>		<u>39,597,111,916</u>		<u>36,126,969,248</u>
<b>End of Year Net Position</b>	<b>\$</b>	<b><u>42,608,084,143</u></b>	<b>\$</b>	<b><u>39,597,111,916</u></b>

\*\*Reflects participation in federal programs that provide a federal subsidy for eligible healthcare claims, producing a net overall savings to the retirement system.

## FY 2013 Retirement Plan Deductions

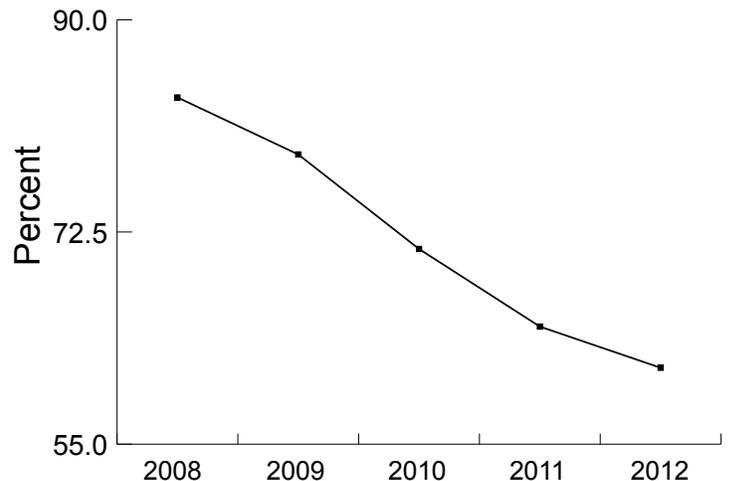


## Pension Funding Ratio

A pension plan is 100 percent funded when it has enough money in reserve to meet all expected future obligations to members. Funding a pension plan is similar to a mortgage. If you have a \$100,000 mortgage, and \$1,000 in the bank, your mortgage is 1 percent funded. You have a certain number of years to fund your mortgage, as long as you keep making your payments.

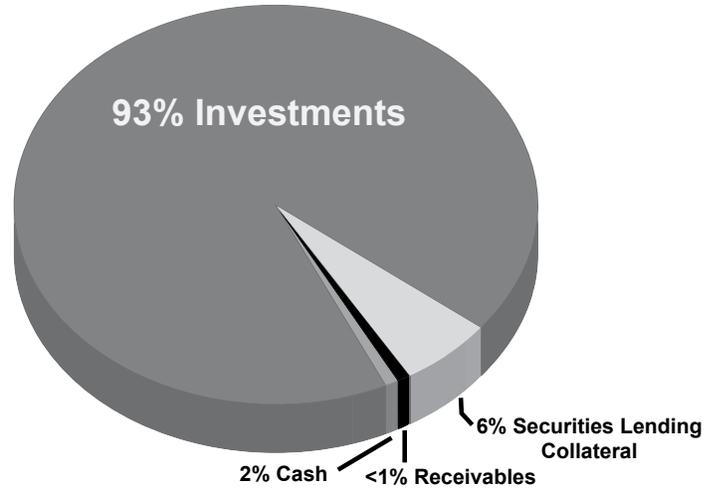
As of September 30, 2012, your retirement system is funded at 61.3 percent.

## 5-Year Pension Funding Ratio



<b>Assets &amp; Liabilities</b>				
	<b>FY 2013</b>		<b>FY 2012</b>	
<b>Assets</b>				
Cash	\$	302,755,787	\$	152,974,513
Receivables		380,108,311		354,391,408
Securities Lending Collateral		2,703,163,096		3,043,514,865
Investments		<u>42,918,018,348</u>		<u>40,257,347,289</u>
<b>Total Assets</b>	<b>\$</b>	<b>46,304,045,542</b>	<b>\$</b>	<b>43,808,228,075</b>
<b>Liabilities</b>				
Accounts Payable and Other Liabilities	\$	256,373,875	\$	290,086,712
Obligations Under Securities Lending		<u>3,439,587,524</u>		<u>3,921,029,447</u>
<b>Total Liabilities</b>	<b>\$</b>	<b>3,695,961,399</b>	<b>\$</b>	<b>4,211,116,159</b>
<b>Net Assets</b>	<b>\$</b>	<b><u>42,608,084,143</u></b>	<b>\$</b>	<b><u>39,597,111,916</u></b>

### FY 2012 Retirement Plan Assets



<b>Investments &amp; Earnings</b>				
	<b>Market Value*</b>		<b>Total Investment and Interest Income**</b>	
Fixed Income Pools	\$	5,230,264,964	\$	(15,969,959)
Domestic Equity Pools		11,674,988,601		2,106,191,809
Real Estate Pool		4,684,246,878		404,944,132
Alternative Investment Pools		8,379,289,747		1,288,732,950
International Equity Pools		6,368,173,026		896,195,311
Absolute Return Pools		4,538,440,621		244,146,812
Short Term Investment Pools		2,345,370,298		5,353,525
Securities Lending Income				81,936,399
Investment Expenses				<u>(130,412,122)</u>
<b>Market Value and Net Investment Gain</b>	<b>\$</b>	<b><u>43,220,774,135</u></b>	<b>\$</b>	<b><u>4,914,118,857</u></b>

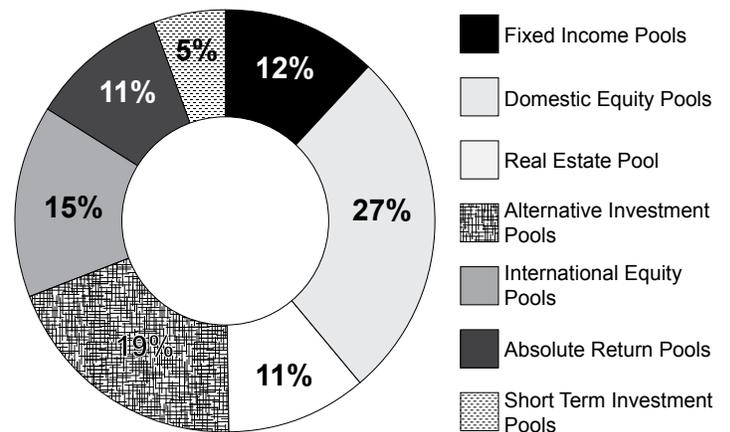
\* Market value excludes \$2,703,163,096 in securities lending collateral for fiscal year 2013.

\*\* Total Investment & Interest Income excludes net security lending income of \$71,239,936 and unrealized gain of \$141,090,154 for securities lending collateral for fiscal year 2013.

### Investments

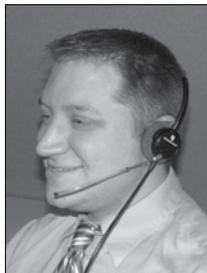
The State Treasurer administers all of the system's investments. The main objective is to maximize the return rate and meet the actuarial assumptions by being prudent with investments, and maintaining a diverse portfolio to eliminate unnecessary risk.

### Investment Asset Classes



## Ask an Expert

ORS experts answer frequently asked questions



**Q:** *If I switch from an HMO to Blue Cross Blue Shield PPO (BCBSM), how soon would my insurance be effective?*

**A:** If you're enrolled in an HMO, you must stay enrolled for at least six months (unless the coverage isn't available because you've moved). If you switch to BCBSM, your coverage will begin the first day of the month after ORS receives your enrollment materials.

**Q:** *When I call Catamaran, they direct me to Express Scripts for mail order prescriptions. Is this correct?*

**A:** Yes, this is correct. Express Scripts is still the vendor for mail order prescriptions.

**Q:** *Why did my retirement plan change prescription drug providers?*

**A:** ORS negotiates contracts every year to get the best group coverage available, so programs and carriers could change each year.

### Office Closures

May 26 - Memorial Day  
July 4 - Independence Day  
September 1 - Labor Day

Our website is available seven days a week, even when our office is closed: [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools)

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[www.michigan.gov/orsmiaccount](http://www.michigan.gov/orsmiaccount)

Office of Retirement Services  
Director Phil Stoddard

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## When to contact ORS

**Address, email, tax, or changing banks: right away.** It's critical that you make these changes with our office. If you're on Medicare, correct address information could affect your eligibility to be enrolled in our insurance plan.

**Death: right away.** If a pension recipient, a pension beneficiary, or anyone enrolled in your health, prescription drug, dental, or vision insurances dies.

**Divorce: right away.** Former spouses aren't eligible for continued insurance coverage, even if a court rules the retiree is obligated to provide coverage.

**Marriage: within 30 days,** if you want to add your new spouse to your insurance.

**Medicare: right away,** if you, your spouse, or any of your dependents become eligible for Medicare before age 65. Be sure to have the enrollment dates and HICN numbers ready.

*The fastest, easiest way to report these and other life events is through miAccount. You can make instant changes from 5 a.m. to midnight.*



## Pension Pay Dates

Pension payments are issued on the 25th of the month. If the 25th falls on a weekend or holiday, your pension will be paid the previous business day. If your direct deposit is not credited within three days after that date, contact ORS.