

# MPSERS Reform 2012



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## Webinar Schedule

- **Webinar 1:** High Level Overview, New Hires, Election Window
- **Webinar 2:** Reporting New Members and Contribution Percentage Options
- **Webinar 3:** Members – Election Impact on Reporting



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## Webinar 1

- High Level Overview
- New Hires
- Election Window



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## Why the Reform?

- **Unsustainable system:**
  - Less than favorable investment returns
  - Rising healthcare costs
  - Increasing retiree population
  - Decreasing active member population
  - Paying out more than bringing in
  - Rising employer contribution rates from 17.74% in FY2006-2007 to projected 31.21% in FY2013-2014
- **Need reform in order to insure:**
  - Secure retirement for retirees
  - Affordable retirement benefit for schools



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## High Level Overview

- Employer Contribution Rate Changes
- New Hires
- Reporting Changes
- Pension Changes
- Health Changes
- Election Window
- Access miAccount Program



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## Employer Contribution Rate Changes

- **Temporary Restraining Order Impact on Rates**
- **Contribution Rates for Fiscal Year 2013-14**
  - Normal Cost Not Capped
  - Unfunded Accrued Liability (UAL) Rate Capped
    - Pension
    - Health
    - Amortizes Early Retirement Incentive Program (ERIP)
- **UAL Over Entire Population**
  - UAL applied to all payroll regardless of plan
  - UAL will apply to both pension and health
- **School Aid Fund Appropriation**



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## Access miAccount Program

A program to recognize reporting units' efforts to reach members and ensure members are informed about their retirement elections.

- Reporting units will be paid based on the number of employees who use miAccount to access their personalized election information.
- **Achieve 100% miAccount Access!**
  - Encourage your employees to access miAccount for personalized election materials
  - Distribute materials, flyers, and posters
  - Personally talk with or call each employee



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## Access miAccount Program

Percentage of employees who access miAccount to make their election	Access miAccount program fees paid to Reporting Unit
0% - 40%	\$0 per person
41% - 60%	\$2 per person
61% - 80%	\$3 per person
81% - 95%	\$4 per person
96% - 100%	\$4.40 per person

- Program Registration Closes on September 14, 2012, so don't delay!
- Only one contact person per reporting unit may register
- Access a list of employees who have not logged into miAccount via Employer Reporting website



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## Employee Validation File

- **Throughout the Election Window:**
  - Continue to update the validation file and confirm the status of each employee
  - Provide any changes to employer/employee relationships as of October 26, 2012 – end of election window
  - Add New Members that first worked prior to September 4, 2012 as Active on list
  - If a member on the current list has been or will be terminated by October 26, 2012, update their status to Inactive and provide a termination date



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## New Hires – Pension

### New Hire Retirement Election

Applies to those who *first worked* on or after September 4, 2012

- **Option 1: Pension Plus hybrid plan**
  - 50% employer match on employee contributions of up to 1% of salary
  - If chosen, automatically enrolled in 2% employee contribution with 1% employer match
- **Option 2: Defined Contribution (DC) plan**
  - 50% employer match on employee contributions of up to 3% of salary
  - If chosen, automatically enrolled in 6% employee contribution 3% employer match



Have 75 days from date of first pay period to make

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## New Hires –Health

### Personal Healthcare Fund (PHF)

- New employees, *first worked* on or after September 4, 2012, will receive PHF in lieu of premium subsidy



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## Personal Healthcare Fund (PHF)

- **PHF is a portable, tax-deferred fund used for paying healthcare expenses in retirement**
  - Auto-enrolled in 2% 457 account contribution with 2% employer match into 401K account
- **Health Reimbursement Account (HRA) credit if ≥ 10 years of service upon termination**
  - \$2,000 if eligibility requirements met
  - \$1,000 if eligibility requirements not met, but > 10 YOS
- **Employer contributions vest as follows:**
  - 50% after 2 years of service
  - 75% after 3 years of service
  - 100% after 4 years of service



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## Reporting Changes

**New Members:**

- Do NOT withhold or Report 3% Healthcare Contributions of reportable wages on the DTL2 for NEW MPSERS Members first worked on or after September 4, 2012

You should report:	
0 – 5,000	3.0%
5,000.01 – 15,000	3.6%
≥ 15,000.01	6.4%



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## Reporting Changes

- All DTL1 Demographic, DTL2-Wage and Contribution and DTL-4 DC Contribution records will suspend
- DTL1 and DTL4 records will begin posting late October 2012
- DTL2 records will post after November 2012



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## Hierarchy of Contributions

- First 2% of Employee's Contributions:**
  - Distributed to PHF
  - Employer matches 100% – up to 2% of the employee's gross wages
- Contributions Exceeding Initial 2%:**
  - Pension Plus: Employer matches 50% – up to 1% of salary
  - Defined Contribution: Employer matches 50% – up to 3% of salary
- Any member contribution of 2% or less must be matched as it is for the PHF which takes precedence over the DC savings portion**



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## Hierarchy of Contributions

Auto-enrollment:

Plan	PHF	Pension Savings	Total Contribution
<b>Pension Plus</b>			
Employee	2%	2%	4%
Employer	2%	1%	3%
<b>Total:</b>	<b>4%</b>	<b>3%</b>	<b>7%</b>
<b>Defined Contribution</b>			
Employee	2%	6%	8%
Employer	2%	3%	5%
<b>Total:</b>	<b>4%</b>	<b>9%</b>	<b>13%</b>

Contribution Hierarchy:

Pension Plus PHF plan	
Total Employee deduction	Total Employer deduction
4% = 2% healthcare plus 2% DC	3% = 100% healthcare match plus 50% DC match
3% = 2% healthcare plus 1% DC	2.5% = 100% healthcare match plus 50% DC match
2% = 2% healthcare	2% = 100% health care match
1% = 1% healthcare	1% = 100% health care match



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## Reform Election

- All elections must be made in miAccount beginning Tuesday, September 4, 2012, and no later than Friday, October 26, 2012, 5:00 p.m. EDT



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



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## Reform Election

### Retiree Healthcare Options

Applies to active employees who earned service credit in the 12 months preceding September 4, 2012

- Option A: 3% Healthcare Contribution**
  - Continue to contribute 3% of compensation
  - Beginning January 1, 2013, Retiree Healthcare Premium Subsidy maximum reduced from 90% to 80% , Members pay 20%
- Option B: Personal Healthcare Fund (PHF)**
  - Enrolled in a 2% employee contribution to 457 account
  - This option would include a Health Reimbursement Account (HRA) credit if ≥ 10 years of service earned upon termination

**If no election made, will continue 3% retiree healthcare contribution and retain premium subsidy benefit**



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## Reform Election

### Retiree Pension Options

Applies to those hired prior to July 1, 2010

- **Option 1: Increase Contributions, Multiplier remains 1.5%**
  - Flat 4% contribution for Basic (currently 0%)
  - Flat 7% contribution for MIP (currently tiered, graded to 6.4%)
- **Option 2: Increase Contributions & Maintain 1.5% Multiplier until 30 Years of Service (YOS)**
  - Once 30 YOS met, 1.25% multiplier and contribution rates will return to previous level in place



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## Reform Election

### Retiree Pension Options (continued)

- **Option 3: Maintain Current Contributions, Use 1.25% Multiplier**
  - Freeze existing benefits at 1.5% and receive 1.25% multiplier for future earned service and duration of career
- **Option 4: No Contributions, DC Plan**
  - DB benefit stops future accruals of service credit, final average compensation (FAC) is frozen at current level – 1.5% multiplier
  - Defined Contribution account with 4% employer contribution to 401K
    - Employee can contribute up to maximum amounts allowed by the IRS into 457 account



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## Service Credit Purchases

- **Service Purchased PRIOR to December 1, 2012**
  - Existing Tax Deferred Payment (TDP) agreements will remain in place and are irrevocable
  - Pension Factor will remain as originally purchased
  - Continue to pay off service agreements currently in place
- **Service purchased AFTER December 1, 2012**
  - Calculated in your pension according to your pension election



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### Employee Contributions

MIP - Plus						
	MIP Keep 1.5% Multiplier Keep 3% HCC	MIP Keep 1.5% Multiplier PHF	MIP 1.25% Multiplier Keep 3% HCC	MIP 1.25% Multiplier PHF	MIP to DC Keep 3% HCC	MIP to DC PHF
<b>PENSION CONTRIBUTIONS</b>						
Employee Contributions	7.00%	7.00%	3.00% - first \$5,000 3.60% - \$5,001 - \$15,000 6.40% - over \$15,000	3.00% - first \$5,000 3.60% - \$5,001 - \$15,000 6.40% - over \$15,000	0.00%	0.00%
DC Employee Contributions					0.00%	0.00%
<b>HEALTH CONTRIBUTIONS</b>						
3% Healthcare Contribution	3.00%		3.00%		3.00%	
Personal Healthcare Fund		2.00%		2.00%		2.00%
<b>Total</b>	<b>10.00%</b>	<b>9.00%</b>	<b>6.00% to 9.40%</b>	<b>5.00% to 6.40%</b>	<b>3.00%</b>	<b>2.00%</b>




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### Employee Contributions

Pension Plus			
	Pension Plus 1.5% Multiplier Keep 3% Retiree Healthcare	Pension Plus 1.5% Multiplier PHF	Pension Plus to DC PHF
<b>PENSION CONTRIBUTIONS</b>			
DB Employee Contributions	3.00% - first \$5,000 3.60% - \$5,001 - \$15,000 6.40% - over \$15,000	3.00% - first \$5,000 3.60% - \$5,001 - \$15,000 6.40% - over \$15,000	0.00%
DC Employee Contributions	2.00%	2.00%	6.00%
<b>HEALTH CONTRIBUTIONS</b>			
3% Healthcare Contribution	3.00%		
Personal Healthcare Fund		2.00%	2.00%
<b>Total</b>	<b>8.00% to 11.40%</b>	<b>7.00% to 10.40%</b>	<b>8.00%</b>




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### Employer Resources

**For General Reporting Questions**  
<http://www.michigan.gov/psru>  
<http://www.michigan.gov/orsrim>  
 Call: (517) 636-0166  
 Email: [ORS\\_Web\\_Reporting@michigan.gov](mailto:ORS_Web_Reporting@michigan.gov)

### Member Resources

**For General Retirement Questions**  
 Information and Overview: <http://www.michigan.gov/orsschools>  
 Member Account: [www.michigan.gov/orsmiaccount](http://www.michigan.gov/orsmiaccount)  
 or Call: (800) 381-5111

### Shared Resources

**Pension Plus**  
<http://www.mipensionplus.org>

**Michigan Legislative Website**  
<http://legislature.mi.gov/doc.aspx?2012-SB-1040>




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Questions?



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Thank you for joining us!



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