



In This Issue...

- > [Pay cycle contributions payment and reporting](#)
- > [Defined Contribution online payment](#)
- > [Defined Benefit versus Defined Contribution](#)
- > [Online employer statement](#)
- > [FAQs Regarding Online Payments](#)
- > [About the Pension Plus Retirement Plan](#)
- > [New DTL4 Records for Pension Plus Members](#)
- > [New Pension Plus page on member website](#)
- > [Employer Contribution Rates](#)
- > [Earnings versus Compensation](#)
- > [Bona Fide Termination of Employment under MPSERS](#)
- > [FICA/Medicare exemptions](#)
- > [Reporting Instruction Manual Updates](#)
- > [Outstanding Final Payroll Detail reports](#)
- > [Remittance Advice Forms Updated](#)

Pay cycle contributions payment and reporting

Change to payment frequency

As communicated to you in the May 2009 issue of the Retirement Times, effective starting the month of November 2010 the due date for retirement contribution payments will no longer be the 20th of the following month. However, the due date for retirement contribution payments will not be the next business day after employees are paid as originally communicated. Retirement contribution payments will be due seven business days after the pay date. The additional time was provided for reporting units to submit their payroll reports, accept the reports, and then see online what is owed for the report before initiating payment online for that report.

Change to reporting frequency

To support the change in payment frequency, the reporting frequency must also change. All reporting units need to submit their payroll reports within five business days to ORS, regardless of the payroll frequency currently in place. (This new standard replaces the standard that reports be submitted by the next pay date.)

This schedule should provide reporting units the information needed to pay exactly what is owed for retirement contributions. It is very important that reporting units pay



[Print this newsletter](#)

How to Contact ORS

Email:
[ORS_Web_Reporting@
michigan.gov](mailto:ORS_Web_Reporting@michigan.gov)

Telephone:
Employer Reporting
(517) 636-0166

Quicklinks

- > [How to Contact Us](#)
- > [Employer Website](#)
- > [Employer Reporting Website](#)
- > [Member Website](#)
- > [ProActive Member Newsletter](#)



exactly what is owed, in part because this exact amount is what is transferred to ING for the DC contributions.

The payment will be considered made if:

- it is received by ORS in paper check form by the due date OR
- an online payment is initiated by the due date.

When making a payment, there are a couple things to remember.

1. Currently, the drop down for the Period End Date only allows you to select a month end date that is defaulted. You need to select the month end date for the month you are making a payment for. You cannot change the Period End Date to your pay date. E.g., if you had a November 15th pay date, you could not change the Period End Date to November 15th, only the default date of November 30, 2010 is available for all November payments.
2. A payment is considered paid if it is initiated on the due date with a payment date that is on or before the due date.

Transition:

A transition period is being provided for these changes. During the transition period, all reporting units are encouraged to submit their reports within five business days and make their payments within seven business days of their pay date according to their payroll calendar recorded with ORS.

During the transition period, however, the shortfall calculation will not be done according to each reporting units' actual pay days. Instead, all reporting units must report not later than five business days after the last business day of the month and must pay all retirement contributions no later than the seven business days after the last business day of the month.

This means that during the transition period, the shortfall calculation will be done once per month rather than with each pay cycle.

For example, with the starting month of November 2010, all November payroll reports are due by December 7th and all November retirement contribution payments are due by December 9th, 2010.

For the month of December 2010, all December payroll reports are due by January 7th and all December retirement contribution payments are due by January 11, 2011.

Please note that there is no longer a grace period beyond the due date. Shortfall calculations will be based on the reports due and payments made by the payment due date only.

Changes to the transition process will be provided throughout the transition cycle through communications from ORS. At the conclusion of the transition cycle, the shortfall calculation will

be done with each payroll cycle.



Defined Contribution online payment

Starting Monday, October 25, 2010, you can make both Defined Benefit and Defined Contribution retirement payments online.

- On the *Payments* screen under *Payment Information*, click on the *Make Payment* link.
- On the *Make Payment* screen, you will see a new cash receipt type called *DC Contributions*. To see this cash receipt type, click on the *Change Receipt Type* button.
- Select the new *DC Contributions* receipt type and click *Submit* to make a defined contribution payment for your reporting unit.

All DC contribution payments should be made using the online method as soon as your reporting unit staff has the user ID and password to make online payments. If your reporting unit needs help setting up or making online payments, please email ORS_Web_Reporting@michigan.gov or call at 517-636-0166.



Defined Benefit versus Defined Contribution

Defined Benefit employer contributions are employer contributions calculated using the contribution rate memo: member MIP contributions, TDP contributions, and the 3 percent retiree health contributions for all members, including Pension Plus members.

Defined Contribution amounts are the 2 percent employee contributions and the 1 percent employer match.

It is very important that your reporting unit keeps the defined contribution and defined benefit payments separate. ORS transfers Defined Contributions directly to ING exactly as they are reported and paid by the employer.



Online employer statement

The current *View Employer Statements* screen under the *Employer Statement* link is now fully functional. Please use this link to view and reconcile your September employer statement. Your September 2010 employer statement will not be mailed to your reporting unit. The other links under *View Employer Statement* are not yet fully functional. ORS will let you know when those links are usable.



FAQs Regarding Online Payments

A list of frequently asked questions regarding online payments has now been posted. [Read them now.](#)



About the Pension Plus Retirement Plan

Reporting a new employee to the retirement system has changed a lot since the Pension Plus retirement plan was implemented. Contribution rates are different, and the employer is making contributions to two parts of the retirement plan for each employee – the pension component, also known as Defined Benefit (DB), and the savings component, also known as Defined Contribution (DC).

ORS, Employers, and the Defined Contribution plan administrator ING will each be playing a part and working together to provide Pension Plus employees with accurate, up-to-date, and timely information.

To help you gain a better understanding of how a new employee is reported, what communications the employee receives along the way, and which group does what, we created the chart below:

Event	Employer Action/Communication	ORS/ING Action/Communication
A potential employee expresses interest in a job.	Provides information about job and benefits, and Welcome Handout Click here to order.	
The potential employee is hired and begins work.	Submits the new employee's information to ORS.	ORS: Mails Welcome Letter . Reports the new employee to ING ING: Mails password communication. The employee uses this 4-digit password to log into their savings (DC) account.
Employee accesses savings account online and makes change to deferral percentage.	Receives notice of change information from ORS weekly. Updates the deferral percentage for the employee.	ING: Forwards notice of change information to ORS. Provides confirmation of the change to the employee. ORS: Receives notice of change information from ING and forwards the information to the employer weekly.

ORS continues to work on Pension Plus communications for employees; a new employee handbook, account statements, and newsletters are all in the works. We'll keep you posted when these materials are available.

New DTL4 Records for Pension Plus Members

Beginning September 1, 2010, employers were required to collect contributions for the DC component of the Pension Plus plan. This includes an employee contribution of 2 percent of gross wages, as well as a 1 percent employer match.

To help employers report the new information to ORS and ING, ORS created a new Detail 4 (DTL4) record. The DTL4 includes fields for gross wages, employer and employee contributions (dollar amounts and percentages), status change reason codes, and status change dates to report changes to the member's employment status.

Employers were given the new DTL4 layout in July so they could begin programming to account for these new records. Although employers will only be able to see the DTL4 information on the Download Detail for now, new system enhancements should allow employers to view and edit their DTL4 records in the near future. ORS will be catching errors, working with employers, and manually fixing records until that time.

Some employers will be temporarily unable to use the DTL4 system. This includes employers who have less than 150 employees and who are using copy forward or data entry method for loading, or employees whose programming for loading DTL4 records is incomplete.

Employers who cannot use DTL4 will use a spreadsheet for the time being. The spreadsheet contains the same fields as the DTL4, and employers must manually enter their employees' data into the appropriate fields. Completed spreadsheets will be submitted to ORS through the Data Exchange Gateway (DEG), and will be manually uploaded to their reports by ORS staff.

Once the ORS system enhancements are in place, employers will be able to copy forward and upload the data themselves. At that time, all employers will need to submit using the DTL4 and will no longer be able to use the spreadsheet.

The spreadsheet is located on the Employer Information Website under [Employer Reporting Forms](#).



New Pension Plus page on member website

A new page on the member website for Pension Plus members has been launched. Employees who first began working for a Michigan public school July 1, 2010, or later are members of the Pension Plus plan. [Click here to check out the Pension Plus website](#). Check back often, as the site will be updated regularly with new content.



Employer Contribution Rates

The employer contribution rates are now available on the

employer website at www.michigan.gov/psru.

The contribution rate for a member who first worked July 1, 2010 or later (Pension Plus members) has been changed for the time period July 1, 2010 to September 30, 2010. You will see this change in your Download Detail as well as your Employer Statement. The employer contribution rate charged for Pension Plus members for this time period is 15.44 percent. For all other members, it remained 16.94 percent through September 30, 2010.

Effective October 1, the employer contribution rate for all employees except Pension Plus members is 19.41. This was first reported in the February 2010 Retirement Times. For Pension Plus members, the employer contribution rate is 17.91 percent.

Due to the increased number of retirees associated with the early retirement incentive, the revised contribution rate due on members' wages paid between November 1, 2010, and September 30, 2011, will be 20.66 percent for members who first worked prior to July 1, 2010, and 19.16 percent for members who first worked July 1, 2010 or later (Pension Plus Plan members). This rate is approximately 3% higher than it would be without the Preliminary Injunction, which prevents the use of employee contributions, ordered by the Court of Claims in the McMillan et al v. MPSERS et al lawsuit. At such time as this injunction may be lifted, the contribution rate may be reduced.



Earnings versus Compensation

Some reporting units have asked about the definition of earnings as compared to compensation. This is a very important distinction.

Compensation should be used when calculating employer defined benefit retirement contribution (based on the contribution rate memo), MIP contributions, and the 3 percent member health care contribution.

The definition of compensation is defined in the [Reporting Instruction Manual, Chapter 5](#).

Earnings should be used when calculating the 2 percent defined contribution deduction and the 1 percent employer match. Earnings should also be used when calculating the 1/3 earnings limitation for those who retired July 1, 2010 or later and are returning to work.

The definition of earnings is:

2. ... the remuneration paid a participant on account of the participant's services rendered to his or her employer equal to the sum of the following:
 - a. A participant's W-2 earnings for services performed for the employer.
 - b. Any amount contributed or deferred at the election of the participant which is excluded from gross

income under section 115, 125, 132(f)(4), 401(k), 403(b), or 457 of the internal revenue code, 26 USC 115,125, 132, 401, 403, and 457.



Bona Fide Termination of Employment under MPSERS

ORS recently received clarification on the definition of Bona Fide Termination from the IRS:

Any employee retiring on and after July 1, 2010 must ensure they have a Bona Fide termination of employment before establishing their retirement effective date. A Bona Fide termination is a complete severing of the employee/employer relationship and the applicant cannot have a promise of reemployment or a contract for future employment in place prior to their employment termination.



FICA/Medicare exemptions

3 percent Member health care contribution

We believe that the health care contribution passed into law as part of Public Act 75 of 2010 is exempt from all taxes, including FICA. We have based this on the fact that the contribution is mandatory, it is going into a Section 115 health care trust, and by looking at the rulings the IRS has given to similarly situated plans. We will not know this definitively until the IRS has ruled on our particular plan, but we recommend moving forward with the assumption that the contributions are tax exempt. ORS will notify you when the IRS makes their ruling.

Please also note that the 3 percent member health care contribution should be presented in Box 14 of the employees W-2 form.

1 percent employer match

The 1 percent employer match for the defined contribution part of the Pension Plus plan is exempt from FICA/Medicare tax. The employer match is exempt because it is deposited into a 401(a) within the 401(k) plan.



Reporting Instruction Manual Updates

Updates to the online Reporting Instruction Manual updates are listed on the [RIM Changes page](#).

Changes were made to the following sections:

- 4.4.3 - Workers' Compensation
- 4.6 - Member Benefit Plans
 - 4.6.1 - History of the Plans
 - 4.6.3 - Retirement Health Care Fund Contributions
- 5.10 - Withholding Retirement Health Care Fund Contributions
- 5.11 - Summary Table of Reportable Wage Codes & Hours

- 5.2.4 - Other Wages - Wage Code 01 - Workers' Compensation
- 5.6 - Retirees Who Return to Work
- 8.2 - Instructions for Entering & Submitting Final Payroll Details
- 8.3 - Frequently Asked Questions
- 9.1.2 - Member Investment Plan (MIP) Withholding
- 9.3.1 - Due Dates
- B.2 - Codes Specific to Detail 4 (DTL4) Records Only
 - B.2.1 - DC Record Type
 - B.2.3 - Status Reason Codes
- B.3 - Wage Codes
- C - Glossary
- D.1.4 - Detail 2 - Wage and Service File Layouts
- D.1.6 - Detail 4 (DTL4) DC/Deferred Compensation Contributions
- D.1.7 - Footer
- D.1.8 - Examples
- E.2.5 - Validations Run for DTL2 Records
- E.2.6 - Calculation Rules for DTL2 Records
- E.2.11 - Basic Edits Run Detail 4 Records
- E.2.12 - Validations Run Detail 4 Records
- F.4 - How to Download or Receive a File
- G - Reportable Compensation Overview
 - G.3.1 - Normal Salary Increase (NSI) Superintendents 1110
 - G.3.2 - Normal Salary Increase (NSI) Assistant Superintendents 1120
 - G.3.3 - Normal Salary Increase (NSI) Administrative Assistants 1130



Outstanding Final Payroll Detail reports

ORS wants to send a big THANK YOU to employers for submitting final payroll detail reports to us in a timely fashion. Completing these reports has allowed these retirees to receive an accurate and timely pension payment.

Please continue to check the website a few times a month to see if you have any outstanding reports as retirees continue to be processed. It is important that we receive all final payroll detail reports for members listed under both the *Regular Retirement* and *Initial Pension* categories as soon as possible to finalize pensions.

In July, some retiree pensions were calculated before ORS received final payroll detail. These individuals were listed under Initial Pension. Though the retirees may have received their first pension payment, the pension was only an estimate. The details and final wages are required to determine their

final pension amount and to adjust their pension to the correct amount.

Until final payroll detail is submitted to our office, any retirees listed under Regular Retirement for July, August, or September *will not receive an accurate pension payment.*

If you have any questions about retiree specific detail reports, please email ORS-CSC-AppProcessing@michigan.gov or call 517-636-0995.



Remittance Advice Forms Updated

[Public School Defined Benefit - DB - Remittance Advice \(R0669C\)](#)

Use this form to remit monthly Defined Benefit employer and employee contributions, adjustments, and TDP payments.

[Public School Pension Plus Defined Contributions - Remittance Advice \(R0865C\)](#)

Use this form to remit monthly Pension Plus Defined Contribution employer and employee contributions and adjustments.

[University/Non-Member Remittance Advice Form \(R0411C\)](#)

Use this form to remit University or Non-Member payments.



About the Retirement Times

The *Retirement Times* newsletter is published by:

Office of Retirement Services
P.O. Box 30171
Lansing, Michigan 48909



Thanks for reading!