



An **Office of Retirement Services** Publication

Connections

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Our Mission

We deliver pensions, related benefits and services to promote the future financial security of our customers.

Our Vision

Fast, easy access to complete and accurate information and exceptional service.

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The funded status of the State Employees' Retirement System

This issue of *Connections* provides a summary of the financial standings reported in the 2005 *Comprehensive Annual Financial Report (CAFR)*. It is meant to give you a quick and easy synopsis of the system's financial activities for the fiscal year that ended September 30, 2005.

The funded status of the system as reported in the CAFR is a healthy 84.5 percent. The higher the percentage, the stronger the pension system.

The calculation of this percentage is explained in detail in the financial section of the 2005 CAFR, which can be found at www.michigan.gov/ors.

Because of dynamic market changes, the retirement system invests for the long run in a broad, diversified group of assets. This strategy helps to stabilize

returns over time. Pension payments are guaranteed by the Michigan Constitution.

During fiscal year 2004-2005 the retirement system's net assets increased to \$10.2 billion. The major sources of revenue were investment income and contributions. The major expenditures were benefit payments.

As of September 30, 2005, there were 45,801 retirees and beneficiaries receiving monthly benefits.

Approximately 33,770 active employees were reported during fiscal year 2004-2005. Of these, 30,974 have fully vested rights to their retirement benefits.

A financial summary of your retirement system for fiscal year 2005 can be found on the back page of this newsletter.

Advancing technology for ORS

ORS's journey to our vision of *fast, easy access to complete and accurate information and exceptional service* has crossed a significant milestone with the replacement of our pension payment system. Since December, your pension payments have been issued from a brand new information technology system.

This system update was important for the ongoing security of your personal

information and to help ORS be poised to serve the needs of the retiring Baby Boomer Generation. As the number of retirees rise, so will the number of calls and requests we receive every day. These more efficient tools will let us be both responsive and cost effective.

See Technology on page 3

From the Director

It seems all too frequent that when we watch or read the news there are reports about someone's personal or confidential information being released. We take seriously our responsibility to safeguard the information you give us. The staff of the Office of Retirement Services has taken proactive steps to keep the information you provide us safe, secure, and confidential. I want to share a few of the ways we try to safeguard your information.

Our staff focuses heavily on practicing and reviewing security-related policies and procedures. We have a Security Awareness Committee to ensure staff and business partners are aware and comply with security-related issues. For example, the team continually reviews policies and ensures compliance with the Health Insurance Privacy Accountability Act (HIPAA), making sure the information shared with your insurance provider remains confidential and secure.

If you have called our Customer Information Center you know that we also take many steps to

safeguard your personal information. To protect your confidential retirement information, our customer service representatives ask a series of questions to verify that callers are who they say they are before releasing any personal information.

By the same token, any printed materials that we send out are protected with the same care. For example, we no longer display your full social security on any document that is shared publicly – only the last four digits are used to identify your account. You may have noticed this on your paper checks or electronic fund transfers.

We, the staff of ORS, take great pride in protecting your information and promoting your future financial security. As always, pass along your comments on this or other matters so we can better serve you.



Chris DeRose

Surfing for services

Looking for that one website to answer all your questions? Wondering what services are out there in cyberland? Here are some Michigan websites that we think you'll find valuable.

www.MiSeniors.net

Looking for a list of services and agencies available to you? The Michigan Office of Services to the Aging sponsors the MiSeniors.net website which offers a searchable resource directory with helpful links. You can even ask questions of a dietician and seek volunteer opportunities.

www.michigan.gov/ag

The Michigan Office of the Attorney General website has a link just for seniors where you can find links to other websites that may be of interest to you. You'll

also find tips on how to acclimate yourself to the Internet, Internet security tips, advice on charitable giving, information on email scams, and other consumer alerts on a wide range of topics.

You can even obtain a free credit report. All of these topics are easily accessible through the Helping Seniors, and the Consumer Alert navigation buttons.



www.michigan.gov/mcsc

Interested in becoming active in your community? The Michigan Community Service Commission's website provides a list of volunteer centers by county.

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Technology *continued from page 1*

Here are a few of the capabilities the new system lets us do for you:

- Changes to your EFT payment account or change of address are processed faster and in one step instead of three.
- With our older system, we notified our insurance carriers of account changes in a single transmission each month. The new system allows us to do this weekly, which means your changes will get made faster.
- When a retiree passes away we are able to process account changes from the retiree's name to the survivor's name faster.
- When you email, write, or phone, we can answer your questions more readily because we have more of your historical benefit information at our fingertips.



In addition to serving retirees faster, the new system allows us to help our customers who are still working and who are getting ready to retire in these ways:

- Faster retirement application processing.
- Processing new pension payments daily instead of once a month, which means first-time pension recipients may wait as little as three weeks from their retirement effective date to receive their first payment.

And lastly, from an ORS administrative perspective, we gain a pension payment system that uses current, effective software and solutions, and one that is easier to maintain and administer.

As more changes are made, we will continue to report them to you and hope that you will see the benefits in continued quality service from the Office of Retirement Services.

Syrup's a flowin'

Did you know that Michigan ranks sixth in maple syrup production in the United States? The average maple syrup production in Michigan is about 90,000 gallons per year and contributes nearly \$2.5 million annually to Michigan's economy.

This sweet treat is also classified as one of nature's most healthful foods. According to the Michigan Maple Syrup Association (MMSA), a single tablespoon packs an astounding 20 milligrams of calcium, 2 milligrams of phosphorus, 0.2 milligrams of iron, 2 milligrams of sodium, and 35 milligrams of potassium.

Typically the maple syrup season in Michigan starts in February in the southern counties and runs well into April in the Upper Peninsula. To find out more about the production of maple syrup, the oldest agricultural enterprise in the U.S., you can attend one of the many spring syrup festivals held in communities throughout Michigan. Information can also be found online at www.mi-maplesyrup.com.



Pension due 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 EFT is not credited within three days after that date, please call ORS. If your check is delayed, we can reissue it after the seventh of the following month.

Holidays

ORS offices will be closed on the dates listed below.

May 29 - Memorial Day

July 4 - Fourth of July

September 4 - Labor Day

Keep in mind that our website is a valuable tool.

www.michigan.gov/ors

State Employees' Retirement System

Assets & Liabilities			Revenues & Expenditures*		
	FY 2005	FY 2004		FY 2005	FY 2004
Assets			Revenues		
Cash	\$ 21,463,984	\$ 37,349,491	Public Financed and Member Contributions	\$ 621,956,898	\$ 508,862,316
Receivables	125,976,052	100,430,267	Net Investment Income	<u>1,171,402,143</u>	<u>1,077,138,423</u>
Collateral on Loaned Securities	566,872,723	558,059,391	Total Revenues	\$ 1,793,359,041	\$ 1,586,000,739
Investments	<u>10,037,405,381</u>	<u>9,328,633,293</u>	Expenditures		
Total Assets	\$10,751,718,140	\$10,024,472,442	Benefit Payments	746,673,263	731,009,109
Liabilities			Health, Dental, and Vision Benefits	322,834,138	354,649,665
Accounts Payable and Other Liabilities	3,230,205	4,044,852	Transfers and Refunds	306,643	183,126
Obligations Under Securities Lending	<u>566,872,724</u>	<u>558,059,391</u>	Admin. Expenses	<u>4,297,985</u>	<u>4,316,433</u>
Total Liabilities	\$ 570,102,929	\$ 562,104,243	Total Expenditures	\$ 1,074,112,029	\$ 1,090,158,333
Net Assets	\$10,181,615,211	\$ 9,462,368,199	Beginning Year Net Assets	\$ 9,462,368,199	\$ 8,966,525,793
			End of Year Net Assets	\$10,181,615,211	\$ 9,462,368,199

*Does not include transfers between pension plan and health plan.

Investments & Earnings

	Market Value*	Percent of Total Market Value	Net Investment Income **
Fixed Income Pools	\$ 1,612,115,000	16.0%	\$ 42,602,810
Equity Pools	4,918,519,900	48.9%	531,331,780
Real Estate Pool	856,145,584	8.5%	108,317,544
Alternative Investment Pool	1,119,252,745	11.1%	235,171,525
International Equities Pool	1,182,264,943	11.8%	258,219,137
Short Term Investments Pool	370,571,193	3.7%	8,282,717
Securities Lending Income			14,504,416
Investment Expenses			<u>(27,027,786)</u>
Total Assets & Net Investment Income	\$10,058,869,365	100.0%	\$ 1,171,402,143

* Market value excludes \$566,872,723 in cash collateral for security lending for fiscal year 2005.

** Total Investment & Interest Income excludes net security lending income of \$794,176 for fiscal year 2005.

Note: The complete 2005 Comprehensive Annual Financial Report from which this summary was derived is available on our website at www.michigan.gov/ors. If you are unable to download it from the Internet, you can email the Office of Retirement Services at ORSCustomerService@michigan.gov or call us at (800) 381-5111 to request a copy.