

Connections

An Office of Retirement Services Publication

October 2011, Vol. 14 No. 2

Our Purpose

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

In this issue

New law affects pension taxation. 1

From the Director.. 2

Welcome new retirees 3

Plan your next Pure Michigan trip..... 3

Now's the time to Go Direct..... 3

Ask an expert 4

When to contact ORS..... 4

New law affects pension taxation What will happen. What you need to do.

Pensions may now be subject to Michigan income tax due to Public Act 38, which was signed into law earlier this year. The law takes effect on January 1, 2012, and for those affected, withholding begins with the January pension payment. Here's how the new law affects you.

IF YOU WERE BORN BEFORE 1946

The new state of Michigan income tax doesn't apply to your pension.

What will happen: ORS will not withhold Michigan income taxes from your pension payments unless you request it.

What you need to do: Nothing.

IF YOU WERE BORN BETWEEN 1946 AND 1952

Some of your pension income may be subject to Michigan income tax. If the total income of all people in your household is less than \$75,000 for single filers or \$150,000 for joint filers, you can

The changes do not affect 2011 tax returns filed in 2012. The first returns affected will be the calendar year 2012 returns filed in 2013.

subtract the following pension amounts from your taxable income on your Michigan income tax forms:

- Up to \$20,000 in pension income for single filers.
- Up to \$40,000 in pension income for joint filers.

Once you turn 67, the subtraction allowance applies to all forms of income (pension, wages, etc.).

What will happen: Michigan tax will be withheld from your January 2012 pension payment based on the number of exemptions you requested for your federal income tax.

What you need to do: If the number of exemptions you've currently selected for your federal income taxes matches what you'd like to use for your

Continued on page 2

Quick reference guide (see callout on page 2 for additional information)

Birth year	Pension taxable?	What will happen	What you need to do
Before 1946	No	Nothing	Nothing, unless you want to change your federal exemptions.
After 1946 MI Resident	Yes	ORS will automatically establish a withholding amount based on your federal income tax exemptions. The withholding begins with your January 2012 pension payment.	Nothing, unless you prefer a different exemption amount for your Michigan income taxes If so, change your exemptions in miAccount.
After 1946 Non-MI Resident	No	Nothing	Nothing, unless you change addresses frequently. In which case, you should review your withholding in miAccount.



From the Director



It's never business as usual at the Office of Retirement Services. We're always looking for new ways to improve our services. Our staff recently teamed up to refresh our strategic plan that will guide our business for the next few years. Its objectives all aim at providing you — our customers — best-in-class services at the

lowest possible cost. It's ambitious, and we're proud of it.

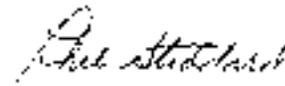
Recent legislation is also keeping us busy. As you will see in this issue's pension tax article, we're ensuring the new tax deductions are handled without a glitch.

No matter what plans we're working on, being "green" is part

of our strategy. Each time we revisit our products and services, we want less paper, less energy, and a smaller carbon footprint.

I invite you to review your own individual plan. A plan that helps you make consumer choices that keep you financially secure; green choices that make your world a cleaner, better place; and healthy lifestyle choices that keep you fit and happy in retirement.

Best wishes,



Phil Stoddard, Director

Office of Retirement Services

Pension tax *continued from page 1*

Michigan income taxes, you do not need to do anything. If you're unsure, or if you'd like to change either your state or federal exemption amounts, log into miAccount on or after December 23, 2011, click **Pension Payments** on the left, and then click **Tax Withholding**. Review your exemptions and make whatever changes you need for your specific situation.

IF YOU WERE BORN AFTER 1952

Your pension will be subject to Michigan income tax until you reach age 67. After you reach age 67, if the total income of all people in your household is less than \$75,000 for single filers or \$150,000 for joint filers, you can subtract the following pension amounts from your taxable income on your Michigan income tax forms:

- Up to \$20,000 in pension income for single filers.
- Up to \$40,000 in pension income for joint filers.

What will happen: Michigan tax will be withheld from your January 2012 pension payment based on the number of exemptions you requested for your federal income tax.

What you need to do: If the number of exemptions you've currently selected for your federal income taxes matches what you'd like to use for your Michigan income taxes, you do not need to do anything. If you're unsure, or if you'd like to change either your state or federal exemption amounts, log into miAccount on or after December 23, 2011, click **Pension Payments** on the left, and

Notes on reviewing your withholding:

1. If **you're married and file a joint return**, and your spouse was born before 1946, you are not required to pay Michigan income tax on your pension.
2. Withholding changes made in miAccount **before the 10th of the month** affect the payroll for that month. If you want to set your withholding for January, make your changes before January 10. If you make changes on or after the 10th, we'll use your federal income tax exemptions to calculate your state income tax for your January pension. Your changes will then take effect in February.
3. If you **currently have a Michigan address** on file with us, we will withhold Michigan income taxes according to Public Act 38. If we do not withhold Michigan income taxes on your pension and you are required to pay the tax, update your Michigan income tax exemptions in miAccount.
4. ORS and the Department of Treasury **cannot give you advice** about your specific tax situation. You may want to consult a tax professional about adjusting your withholding amount.
5. Visit www.michigan.gov/withholding for additional information.

then click **Tax Withholding**. Review your exemptions and make whatever changes you need for your specific situation.

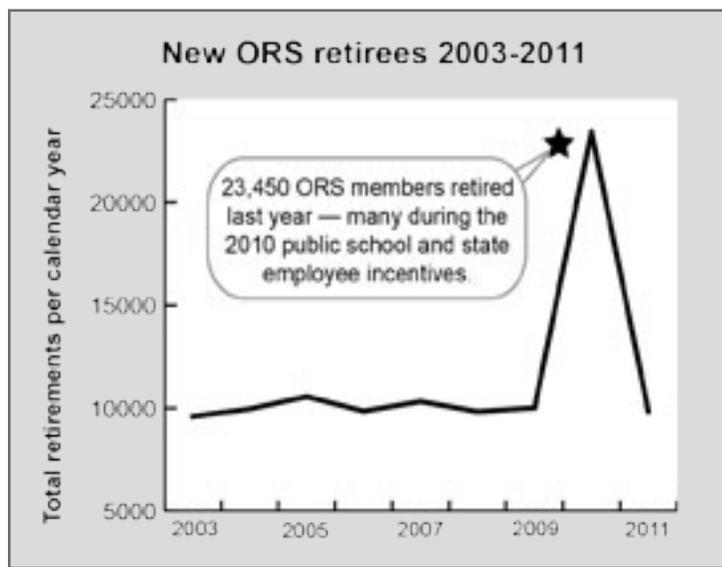
Welcome new retirees

Last year's two retirement incentives added many new faces to the crowd – over 17,500 from the public schools incentive and about 4,700 from the state employees incentive. To all ORS's new retirees, welcome! To help you get a sense of the community you've joined, here are some quick facts about our members.

In total, ORS has about 231,000 retirees – up from 160,000 not even ten years ago!

The Michigan Public School Employees Retirement System is our biggest group, with just under 174,000 benefit recipients. State employees are our second biggest group at about 47,000. Our smallest groups are State Police, with a little more than 2,200 benefit recipients, and Judges with 340.

For more information about ORS and our retirees, visit our website at www.michigan.gov/ors.



Check out the graph above to see how last year's retirement numbers were different than normal.

Plan your next Pure Michigan trip

The leaves may have fallen and the winter winds are coming, but that doesn't mean your adventure stops. Michigan's unique treasures await you – across town or across the state. Visit www.michigan.org for dozens of itineraries for your roadmap to adventure.

Michigan City Tours: Go for that urban feel with the Spirit of Detroit tour, or choose the Blue Coast Artists Driving Tour and travel the scenic Blue Star Highway and back roads between South Haven and Saugatuck.

Foodie Tours and Wine Trails: Experience Lake Superior whitefish, west coast wineries, the global cuisines of Southeastern Michigan, and all dishes and drinks in between. Whether you travel 10 miles or 100, your taste buds will be glad you did.

Heritage and Maritime Tours: For all you history buffs, consider a tour of Hemingway's Michigan, the US 12 Heritage Trail, or the echoes of the Edmund Fitzgerald.

Now's the time to Go Direct

Beginning in March of 2013, all federal benefits (including Social Security and Veterans Affairs benefits) will be paid electronically. This means that everyone will receive their federal payments through direct deposit or a prepaid debit card.



Direct deposit is safe, fast, and reliable. In 2010, more than 540,000 Department of Treasury-issued checks were lost or stolen and had to be reissued.

With direct deposit, payments go right to your bank or credit union without the delay for mailing and processing, and you don't have to worry about them being stolen.

ORS also anticipates discontinuing paper checks in the near future, so if you're one of the few still receiving pension payments by check, make the switch! Signing up for direct deposit is easy. Use miAccount, our secure online account management tool, or visit our website at www.michigan.gov/ors and print and mail us the *Electronic Funds Transfer (Direct Deposit) Application (R0277X)*.

Connections is published semiannually for retirees served by the Department of Technology, Management and Budget.

Office of Retirement Services
Director Phil Stoddard

Printed by Authority of 1980 P.A. 300

Cost per copy: \$0.08

Office of Retirement Services (ORS)

P.O. Box 30171

Lansing, MI 48909-7671

Phone: (800) 381-5111; in Lansing: 322-5103

www.michigan.gov/ors

Total cost: \$19,842.90

Number printed: 258,350

Ask an expert

ORS experts answer frequently asked questions



Q: *I am moving for the winter months. Can I use miAccount to give you my address?*

A: Yes. You can enter a new address in miAccount. In miAccount, choose Update Address and Phone. Click Add, then enter your new address. When you've entered your information and clicked Save, you'll receive an email from ORS that confirms your change. When you return to your home base, enter a second change of address.

Q: *If my tax situation changes, what do I do?*

A: Your tax situation is unique to you, so you may want to consult a tax professional about making adjustments. If you need to change your federal or Michigan income tax exemptions, you can do so at any time in miAccount. ORS customer service representatives cannot change your withholding over the phone.

Q: *When will I get my 2011 1099-R?*

A: If you are registered in miAccount, you can get your 1099-R online as early as January 2, 2012. Log into miAccount, click on Pension Payment on the left side of the screen. There you can view and print a current 1099-R form and previous 1099-Rs through 2002.

A paper copy of your 1099-R should arrive in the mail by the third week in January.

When to contact ORS

Not sure what to report? Here are the most common situations that would require you to update your information.

Address, email, tax, or direct deposit changes. It is critical that you make these changes with our office.

Death. Contact us right away if a pension recipient, a pension beneficiary, or anyone enrolled in your health, prescription drug, dental, or vision insurances dies.

Divorce. Contact us right away.

Marriage. Contact us within 30 days.

Medicare. Anyone enrolled in health insurances must sign up for Medicare Parts A and B if and when first eligible. If you or your dependents become eligible for Medicare before age 65, let us know.

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, rather than calling our office during work hours.

Why use miAccount?

You can quickly and easily view your account details, update your address, change your tax withholding, enroll in direct deposit, print your 1099-R, or ask ORS a question using our secure Message Board. Signing up is easy! Register today at www.michigan.gov/orsmiaccount.



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; December's pension payment will be paid on December 16. If your electronic funds transfer (EFT) is not credited within three days after the scheduled payment date, contact ORS. If your paper check is not received, contact ORS after the seventh day of the following month.

Our website is available seven days a week, even when our office is closed: www.michigan.gov/ors

Office Closures

November 11 — Veterans Day
November 24 & 25 — Thanksgiving
December 23 & 26 — Christmas
December 30 & January 2 — New Year's
January 16 — Martin Luther King, Jr. Day
February 20 — Presidents Day