



Connections

Staying Connected With Michigan's Retirees

June 2019

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Retiree Spotlight

Dave and Karen Viele are two retirees who don't know the meaning of the words "slow down."

Dave retired as deputy for Budget and Finance of the Michigan Department of Community Health in 2002. Karen retired in 2009 from Midland Public Schools after teaching orchestra for 31 years.

Dave and Karen didn't take it easy after retirement; they both went back to work. Dave became a vice president in finance in the private sector. Karen accepted a position as a consultant to Marshall Music.

They also became more involved with Agape Community Transformation (ACT). ACT is a volunteer organization that helps orphans in Muko (MOO-ko) Sub-County, Uganda. The organization has several programs,

including agriculture, job training, health promotion, music, education, and orphan sponsorship. Dave and Karen began sponsoring a child in 2006; they eventually began volunteering on the U.S. side of the organization. In 2012, they traveled to Uganda for the first time to serve on a team and meet their sponsored child. They now sponsor three children and their fourth one has graduated from university.



Karen hugging a student.

One of the first Swahili phrases Dave and Karen learned was "Ruhanga akuhe omugisha," meaning "May God bless you." They feel this is the case for them each time they travel to Uganda. Dave has been there nine times and Karen eight. They usually stay 2-3 weeks and visit twice a year.

"It changes your life when you go [to Uganda] and it's so rewarding when you meet with the kids," Karen said.

Karen is teaching orchestra to the children and community members. Instruments were donated by individuals, schools, and Marshall Music. The group is excited to perform its first concert in September.

Dave is using his background in finance to help manage the high school. In January 2018, ACT was asked to manage the school. The responsibility fell to Dave to be the school "superintendent" because of his financial background. They raised money for bunk beds, clean water, and other infrastructure needs.



Dave with Dinah, the "grandma" of Muko High School.

Muko High School was a failing school that at one time had more than 700 students. Enrollment slipped to 165 and is now 280.

Dave said having a pension has helped the couple in retirement because it's "given us a definite retirement benefit that most don't have. Anything saved on top of the pension, such as an IRA, is an extra benefit." Karen added, "We are very thankful for the pension. There is security to be able to put in 31 years and move into another career I enjoy."

There's no slowing down for these two. They have found true happiness in giving to others. For more information on ACT and Uganda, please visit actuganda.org.

If you'd like to have your story featured, please send it to ORS-RetireeStories@michigan.gov.

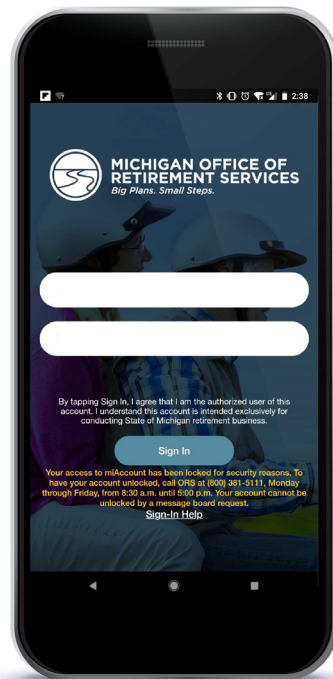
ORS Launches Mobile App

The Office of Retirement Services has released the MiORS mobile app. Now you can access your retirement account anywhere that mobile data is available.

Primarily designed for members of the pension systems, the MiORS app lets you:

- upload documents,
- manage your direct deposit,
- update your tax withholdings,
- update your address, and
- log in with the same credentials as miAccount.

Not all features are available to all members. For example, retirees will see direct deposit information, but active members won't. Similarly, forms available for request will also depend on the member's retirement system and current status, only showing forms useful to the member. You can get the free app from either the Apple App or Google Play stores.



Life Insurance Beneficiary Information

Is it time to update your life insurance beneficiary information?

If you are like most people, you may have named life insurance beneficiaries years ago and never given it a second thought. However, circumstances can change. It's important to review your account from time to time to make sure your beneficiary details are up to date with the correct names and contact information. If you have multiple beneficiaries listed, check to see that the benefit percentage each is to receive is accurate according to your wishes.

If it's been a while since you reviewed your beneficiary designations, it may be time to make some changes. If your previously designated beneficiary is deceased, you can name a new one. You can add or remove beneficiaries.



In addition, if you have divorced, you will want to consider your options. Divorce automatically cancels a spouse's beneficiary designation, but if you want to keep your ex-spouse as a beneficiary, you must file a new form listing *ex-spouse* in the *Relationship* box.

Who can be named as a beneficiary?

Most people immediately think of their spouse as the beneficiary, but you can name anyone you choose and you can name multiple beneficiaries. Your choices are:

- any person or institution, except a funeral home,
- a trust, or
- your estate.

How do you update your life insurance beneficiary?

You can update your information by completing and mailing the update form available at Michigan.gov/ORSmsp. Select your retirement plan, then choose *Forms and Publications*. Click the *For Retirees* link and select *Life Insurance Beneficiary Designation (R0782GHB)*. Print and complete the form, but do not sign it until you are in front of a notary public. You must sign the form in the presence of a notary public before mailing it to our office.

FY 17-18 Financial Summary

For the State Police Retirement System (the System)

This summary includes details from the complete 2018 Comprehensive Annual Financial Report (CAFR), which was produced for the year ending Sept. 30, 2018. Totals and subtotals may not add up due to rounding. The full report is available on our website at Michigan.gov/ORSmsp.

Assets and Liabilities

The System's total net assets held in trust for pension and Other Post-Employment Benefits (OPEB) increased \$142.2 million from the previous fiscal year, primarily due to net investment gains. Net assets were \$1.7 billion at the close of fiscal year 2018.

Every five years, the plan's actuary studies how well the assumptions match the real experience of the plan and proposes adjustments. This includes assumptions about how much investment income will be earned, how many people will retire and how long people live. The most recent 5-year cycle concluded on Sept. 30, 2017, and the actuary delivered its report in spring 2018. The results of the evaluation are more conservative actuarial assumptions—chief among them being new mortality assumptions that reflect that our retirees are living on average two years longer than previously assumed. The new assumptions were approved for use and are reflected in the financial information reported here. These changes will protect the long-term security of both the pension and healthcare trusts.

Revenue and Expenditures

The reserves to finance pension and OPEB benefits accumulate through the collection of funds from the State, employees, and investment earnings.

Contributions and net investment income for fiscal year 2018 totaled \$317.5 million. Investment earnings accounted for 53% of the System's revenue.

Assets and Liabilities¹ (Dollars In Thousands) (Combined Pension and OPEB)

Assets	FY 2017	FY 2018
Cash	\$ 13,057	\$ 6,345
Equity in Common Cash	10,228	12,306
Investments	1,520,262	1,667,956
Collateral	97,004	75,674
Total Assets	\$ 1,640,551	\$ 1,762,280
Liabilities	FY 2017	FY 2018
Warrants Outstanding	\$ 3	\$ -
Accounts Payable and Other Liabilities	2,365	3,177
Obligations Under Securities Lending	96,949	75,694
Total Liabilities	\$ 99,317	\$ 78,871
Net Assets	\$ 1,541,234	\$ 1,683,409

1. CAFR for the fiscal year ended Sept. 30, 2018, Page 17. Liabilities in this context are exclusive of Actuarial Accrued Liabilities for pension and OPEB.

Additions and Deductions¹ (Dollars In Thousands)

Additions	FY 2017	FY 2018
Member Contributions	\$ 3,142	\$ 3,489
Employer Contributions	124,231	141,709
Other Governmental Contributions	2,469	3,546
Net Investment Income (Loss)	181,447	168,750
Miscellaneous Income	42	13
Total Additions	\$ 311,331	\$ 317,507
Deductions	FY 2017	FY 2018
Pension Benefits	\$ 130,203	\$ 137,367
Healthcare Benefits	32,658	35,804
Refunds and Transfers to Other Systems	5	-
Administrative and Other Expenses	2,011	2,162
Total Deductions	\$ 164,878	\$ 175,332
Net Position	FY 2017	FY 2018
Net Increase (Decrease) in Net Position	\$ 146,453	\$ 142,175
Beginning of Year	1,394,780	1,541,234
End of Year	\$ 1,541,234	\$ 1,683,409

1. CAFR for the fiscal year ended Sept. 30, 2018, Page 18.

53% of the System's funding came from net investment earnings in 2018.

Pension Funding Ratio

The market funding ratio is based on the market value of assets at the fiscal year end. The actuarial funding ratio is the best practice used by all pension plans nationwide. It incorporates a 5-year smoothing period of investment gains and losses, which minimizes volatility in a pension system's funding requirement.

While investment gains and losses are generally smoothed over five years, the retirement board and the DTMB director adopted a policy in August 2017 to recognize significant investment gains immediately, in order to effectively buy down the assumed rate of return (AROR). Dedicating investment gains for this purpose lowers the market risk to your plan.

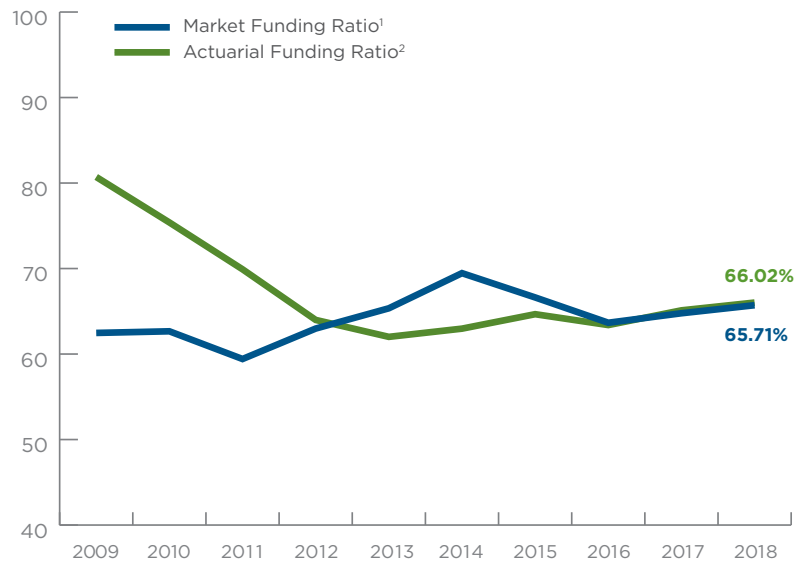
The gains in fiscal year 2018 allowed the System administrators to reduce the AROR from 7.05% to 6.80%, while still increasing the overall funding ratio.

The System is on schedule to be fully funded in 2038. This puts the System at the forefront nationwide for best funding practices.

Investments and Earnings

The state treasurer administers all 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.

Pension Funding Ratio For 2018



1. Calculated on market value of assets.

2. Pension Actuarial Valuation for the fiscal year ended Sept. 30, 2018, Page B-5.

The State Police Retirement System is on schedule to be **fully funded in 2038**.

Investment Asset Classes For 2018



Fixed Income Pools - 12.1%

Domestic Equity Pools - 26.2%

Real Estate & Infrastructure Pools - 10.5%

Private Equity Pools - 16.4%

International Equity Pools - 17.2%

Absolute Pools - 15.0%

Short-Term Investment Pools - 2.6%



“ORS retirees are living longer than ever before.”

From the Director

Welcome to the spring issue of the *Connections* newsletter.

At ORS, we are constantly planning. Why is this important? Because we need to plan to make sure we are properly funding the system. We need to invest the right amount of money now to protect the security of your pension and retiree healthcare benefits. Our partnerships with professional financial experts, including actuaries, make that planning possible.

Actuaries use life expectancy, among other assumptions, to make predictions about future benefits and payments. In the past year, one of the things our actuaries reviewed is the life expectancy of retirees. They found that our retirees are living longer than ever before. In fact, in the last five years retiree life expectancies have improved by around two years!

As a result, we adopted assumptions based on the projected longer life expectancies of our current retirees to ensure that the funding of your benefits remains secure. You can read more about these assumptions in the financial section of this newsletter.

We've made long-term moves for the stability of our pension plans. When investment returns exceed our expectations, we dedicate the investment gains to buy down the expected rate of future returns. This policy increases the probability we will achieve our expected returns and keeps our funding on track. As your partner, ORS carefully manages the retirement system to preserve it for you and future retirees.

As a retiree, you're doing more of what's important to you—traveling, spending time with family, volunteering, starting a new career, or taking time for yourself. And we are here for you, making sure your pension is secure for as long as you need it. We will continue to be good stewards of the pension system so that you can continue to have a secure retirement.

Kerrie Vanden Bosch, Director
Office of Retirement Services

Continue your retirement journey with ORS on social media.



Like us on Facebook.
facebook.com/MichiganORS



Follow us on Twitter.
twitter.com/MichiganORS



Check out our videos
on YouTube.

Ask Our Experts

ORS experts answer frequently asked questions.

How and why should I download the ORS mobile app?

You can download the ORS mobile app on your mobile phone from either the App Store (Apple) or the Google Play store (Android). Tap on the icon to open the appropriate app store and, in the search bar, type *MiORS Mobile App*. When the download is complete, log in to the mobile app using the same username and password you use to log in to miAccount on your computer or tablet.

One of the main reasons you should download the app is for convenience. You may access your account information anywhere. Do you want to know if this month's pension has been deposited into your account? You may check on the app to see when your payment has been processed. You don't have to wait for the statement to come in the mail. Do you want to make changes to your insurance and need to submit supporting documents? Use the app's document upload feature to send us the documents instead of faxing or mailing them to us.

How is my pension affected if I work after I retire and start receiving my pension?

You may work anywhere outside of the State Police Retirement System without any impact on your pension.



Update ORS

It is critical that you report any of the following changes in personal information to ORS:

Address, email, tax withholding, direct deposit changes, death, divorce, marriage, and Medicare information.

The fastest, easiest way to report these and other life events is through miAccount at **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. If your payment is not credited within three days after the scheduled payment date, contact ORS.

Office Closures

July 4Independence Day
Sept. 2Labor Day
Nov. 11..... Veterans Day
Nov. 28-29.....Thanksgiving



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