



Connections

Staying Connected With Michigan's Retirees

June 2020

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Retiree Spotlight

Former Depot Helps Retiree Connect To His Childhood.

Young David Dazer used to visit the old Fort Gratiot train depot, a few blocks from his house in Port Huron. Knowing Thomas Edison had worked there as a boy, David said he used to spit on the dusty glass to peer inside and try to imagine what it was like back in 1863.

David would grow up and have a long career teaching German and English to high school and middle school students, retiring from Port Huron Area Schools in 2015.

The depot would morph into part of a cement plant before eventually being transformed into the Thomas Edison Depot Museum in 2001. The museum is currently filled with hands-on displays about the life and inventions of Port Huron's famous son.

"I grew up in the same area as Edison and I always thought it was cool that one of the most famous people in the world came from my hometown," David said.

After David retired from teaching, he received an email from a former colleague, letting him



David Dazer posing with an Edison poster in the museum.

know the museum was looking for a new site manager. He applied and got the job.

These days, David gets to tell fun stories about Edison's boyhood as part of the Edison Heritage Tour, a special monthly event held from May through October. The tour takes a trolley to sites with Edison connections around Port Huron and ends with a visit to the cemetery where members of the Edison family are buried.

During the winter months, David restores antique phonographs, one of Edison's more famous inventions. David bought his first phonograph when he was 15 years old and has quite a collection.

For more information on the museum and the tours, please visit the [museum website](#).

David is an example of having big plans and taking small steps. Do you have big plans in your retirement? Please send your stories to ORS-RetireeStories@Michigan.gov and you could possibly be featured in a future publication.



A view outside the Thomas Edison Depot Museum.



“Please rest assured that your pension is guaranteed by the Michigan Constitution”

From The Director

Hello. My name is Anthony Estell, and I’m the new executive director of the Michigan Office of Retirement Services (ORS). I was born and raised in Lansing and I’m a graduate of Michigan State University. Go Green! I have been at ORS for more than 20 years and have worked in a variety of roles here. I’ve been part of the executive team for over a decade, and I assumed the role of director in late December 2019.

My professional career has been devoted to public service and retirement, and there is no better place to do that than working at ORS. I am honored and humbled by the opportunity to work with the great people here to serve you.

Over the past few months, our lives have been consumed with the global pandemic caused by the COVID-19 coronavirus. It has had an impact on our world that is without precedent in modern times. It has created fluctuations in the stock market that we haven’t observed since the Great Recession of 2008-09. Understandably, you may be concerned about receiving your pension benefit. Please rest assured that your pension is guaranteed by the Michigan Constitution and will be paid regardless of market conditions.

As a result of the changing times, we’ve decided to shift the *Connections* newsletter to an electronic format. This issue includes several articles written to keep you informed, including a snapshot of the financial health of your retirement system. I think you will enjoy reading about a retired schoolteacher who takes visitors on a historic trip back in time. Please take a look at the *Ask Our Experts* section for answers to commonly asked questions.

If you have a story, you’d like for us to share in a future issue, please send an email to ORS-RetireeStories@Michigan.gov.

A handwritten signature in black ink, appearing to read 'Anthony Estell', written in a cursive style.

Anthony Estell, director
Michigan Office of Retirement Services

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Check out our videos
on YouTube.

Fiscal Year 2018-19 Financial Summary

For the Michigan Public School Employees' Retirement System (the System)

This summary includes details from the complete 2019 Comprehensive Annual Financial Report (CAFR), which was produced for fiscal year (FY) 2018-19. Totals and subtotals may not add up due to rounding. The full report is available on our website at Michigan.gov/ORSSchools.

Assets And Liabilities

The System's net assets were \$57.7 billion at the close of FY 2018-19. Total net assets held in trust for pension and other post-employment benefits (OPEB, i.e. retiree healthcare) increased \$1.3 billion from the previous FY, primarily due to investment income and contributions from employers.

Revenue And Expenditures

The reserves needed to finance pension and OPEB are accumulated through the collection of contributions by employers and employees and through earnings on investments.

Contributions and net investment income for FY 2018-19 totaled \$7.1 billion. Investment earnings accounted for 40% of the System's revenue.



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

Assets	FY 2018	FY 2019
Equity In Common Cash	\$ 104,050	\$ 117,378
Receivables	373,671	418,182
Investments	56,180,698	57,421,253
Securities Lending Collateral	2,549,816	2,277,910
Total Assets	\$ 59,208,235	\$ 60,234,723
Liabilities	FY 2018	FY 2019
Unearned Revenue	\$ 2,733	\$ 2,979
Accounts Payable And Other Liabilities	200,259	204,829
Obligations Under Securities Lending	2,550,504	2,277,647
Total Liabilities	\$ 2,753,495	\$ 2,485,455
Net Assets	\$ 56,454,740	\$ 57,749,269

1. CAFR for the fiscal year ended Sept. 30, 2019, Page 15. Liabilities in this context are exclusive of actuarial accrued liabilities for pension and OPEB.

Additions And Deductions¹ (Dollars In Thousands)

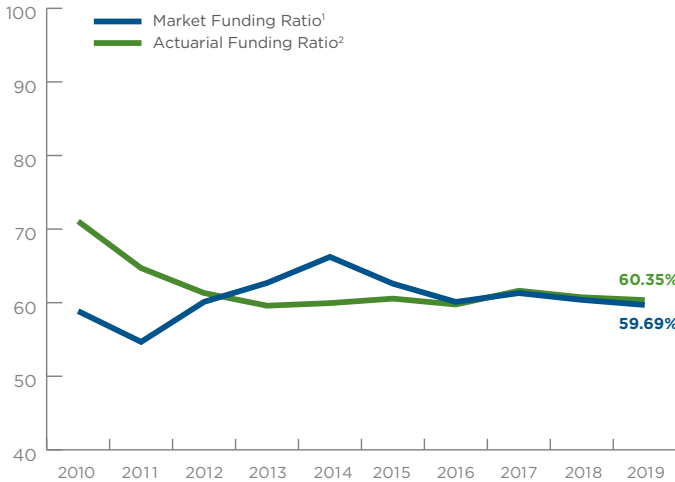
Additions	FY 2018	FY 2019
Member Contributions	\$ 603,739	\$ 611,344
Employer Contributions	3,455,217	3,414,427
Other Governmental Contributions	96,708	233,196
Net Investment Income (Loss)	5,730,759	2,855,383
Miscellaneous Income	600	277
Total Additions	\$ 9,887,023	\$ 7,114,627
Deductions	FY 2018	FY 2019
Pension Benefits	\$ 4,934,697	\$ 5,058,624
Healthcare Benefits	477,066	542,034
Refunds And Transfers To Other Systems	28,977	29,378
Administrative And Other Expenses	181,101	190,062
Total Deductions	\$ 5,621,841	\$ 5,820,098
Net Position	FY 2018	FY 2019
Net Increase (Decrease) In Net Position	\$ 4,265,182	\$ 1,294,529
Beginning Of Year	52,189,558	56,454,740
End Of Year	\$ 56,454,740	\$ 57,749,269

1. Source: CAFR for the fiscal year ended Sept. 30, 2019, Page 16.

40% of the System's funding came from net investment earnings in FY 2018-19.

Pension Funding Ratio

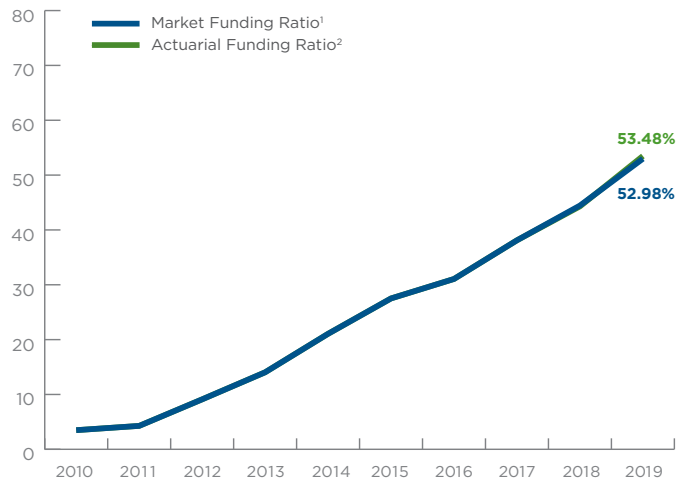
The market funding ratio is based on the market value of assets at the fiscal year-end. The actuarial funding ratio is the best practice used by all pension plans nationwide. It incorporates a five-year smoothing period of investment gains and losses, which minimizes volatility in a pension system's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



1. Calculated on market value of assets.
2. Pension Actuarial Valuation for the fiscal year ended Sept. 30, 2019, Page B-5.

Healthcare Funding Ratio

Starting in fiscal year 2012-13, the System began pre-funding OPEB (i.e. retiree healthcare) costs, which significantly decreased the liability and increased the asset levels. Pre-funding is a best practice that invests assets and allows investment returns to help fund the plan. Many states do not pre-fund OPEB costs. This reform put Michigan on the leading edge of the OPEB funding best practices.



1. Calculated on market value of assets.
2. OPEB Actuarial Valuation for the fiscal year ended Sept. 30, 2019, Page A-2.

The Michigan Public School Employees' Retirement System is on schedule to be fully funded in 2038.

Service Through It All

Throughout the COVID-19 pandemic the Michigan Office of Retirement Services (ORS) worked hard to provide quality customer service to our members. Our focus was to continue to provide service while promoting the safety of all our members and internal staff.

During the early part of the pandemic, ORS took safety precautions to close our office to all visitors. When Governor Whitmer prohibited non-essential employees from reporting to work, technology requirements were quickly identified and tested, which allowed our call center and other staff to transition to working from home. This quick change

allowed us to continue to support our customers without altering the customer experience or interrupting the core services we provide.

Not to be overlooked was the role our retirees played in this success. Many of you chose to research and find answers using the available tools available to you such as miAccount and the ORS website instead of contacting our office. This allowed our staff to help those most in need of our help. Thank you. ORS has learned some very important lessons from this experience that will help us improve our service and provide flexibility for the future.



Shook Up By Market Volatility?

We've had a wild ride in the market beginning last fall and continuing through the spring season and the COVID-19 pandemic. In recent memory, two prior events threatened the pension fund: the attack on the World Trade Center on Sept. 11, 2001 and the collapse of subprime mortgage securities and subsequent stock market crash and recession in 2008-09. We can add the uncertainty during this current pandemic as a third major market event in less than 20 years. In the first two, portfolios and markets recovered within 18-36 months. In this current situation, we can take solace in the relative strength of the economy before the pandemic and can expect a recovery now, as well, probably within the same time frame.

Don't panic.
The ups and downs of the stock market aren't as unusual as they may seem.

Here are three things to keep in mind when thinking about the health of the pension fund:

1

First, the Bureau of Investments within the Michigan Department of Treasury manages the pension fund's investments. Two of the Bureau's explicitly stated goals are to "maintain sufficient liquidity to pay benefits" and to "diversify assets to reduce risk." Their investors are professionals with many years of experience in the markets. They've seen these kinds of investment swings before. Downturns in markets, although not predictable, are written into investment strategy.

2

A second thing to remember is that your pension is protected by Article 9, Section 24 of the Michigan constitution. This means that the state is obligated to pay the pension benefits you've earned during your career.

3

One last thing to remember is that ORS leadership and staff are daily managing the plan and controlling costs to ensure your benefits are secure so you may enjoy your years of retirement.

Retirees Provide Insight On Pensions

ORS recently conducted a survey to gain insight on how our pension recipients impact their communities and beyond.

Participants were selected randomly, and we received 345 responses.

Based on the survey results below, we know having a pension empowers our retirees to take a more active role in community service. The stability of pension income gives our retirees the freedom to spend more time and money supporting charitable causes.

Thank you to all the retirees who responded to the survey.

ORS Pensioner Survey Data



97%
give to
charity



96%
vote in
elections



85%
are financially
self-sufficient



65%
actively
volunteer



**Keep Your
miAccount
Secure**

Remember to regularly change your account password and review your contact information in miAccount to help keep your account secure. If you've never logged in to your account, do so today. Accounts that have never been logged into make it easier for unauthorized users to potentially gain access by creating an account profile.

Working After Retirement

One of the parts to many people's retirement plan is working after retirement.

Whether this is to supplement lost income, to keep productive or busy or out of financial need, this is a common phase.

In a recent Office of Retirement Service (ORS) survey of pension recipients, slightly more than 24% of respondents stated they have had paid employment in the past year. Of those who worked, nearly 63% stated it was necessary to maintain their standard of living.



So, what work can you do that doesn't conflict with your pension?

If you are receiving a disability pension, you will need to apply for permission to return to any work.

If your public school pension is not a disability, and you work anywhere other than a Michigan public school reporting unit, such as for a private company, or in another state, there is no limit to your pension.

If you return to an organization related to your pension plan, be aware of the following:

The rules differ somewhat depending on whether you retired before July 1, 2010 or whether you retired on or after this date. In general, if you are hired directly by the school, you can make one-third of your final average compensation with no impact. Your specific earnings limit can be calculated in miAccount.

If you need more information because you're not sure whether it may affect your pension:

ORS has a website tool to help you determine whether work may impact your pension. Under **Working After You Retire**, use the *Working After Retirement Pension Impact Estimator* on our website. If you are collecting Social Security, you may have an earning limitation from Social Security until you reach their full retirement age. Check with **Social Security** regarding their limitation rules.



ORS Improves Your Experience And Access, Protects Security Of Pension Fund

The Michigan Office of Retirement Services works hard to constantly improve your experience as a customer. Here are some highlights from the past year:



Telephone system upgrade: ORS has implemented a telephone system that transmits sound over the internet rather than traditional phone lines. This integration increases security because, as you call in, your phone number is validated against the phone number we have on record. The new interactive voice response system gains you access to a customer service representative in half the time.



Reduced pharmaceutical drug pricing: ORS staff worked with the plan's pharmacy vendor, OptumRx, and industry experts to compare current pharmaceutical drug prices against marketplace pricing. Through negotiations, OptumRx agreed to reduce the plan's drug pricing in order to provide competitive pricing based on marketplace rates, resulting in projected annual savings of \$100 million.



Paperless options: With the availability of online methods of getting information, you now have the opportunity to opt out of receiving paper statements, like your direct deposit statement and your 1099-R tax statement. You can access this information up to two weeks before mailings. This option helps preserve the environment and reduces printing costs.



Dedicated gains policy reduces assumed rate of return, again: Since 2018 and across all systems managed by ORS, reductions in the assumed rates of return (AROR) for pension and other post-employment benefits (OPEB) have resulted in protecting the long-term security of retirement benefits and ensures greater stability of employer contributions in the future. The new ARORs are well below the median public plan AROR found around the country.

For more information about each of these and other notable accomplishments, see our website and search for **Comprehensive Annual Financial Reports (CAFR)**.

Ask Our Experts

Michigan Office of Retirement Services (ORS) experts answer frequently asked questions.

My friend participates in the SilverSneakers fitness program for seniors. Why isn't this benefit offered under my retiree insurance plan?

Although we do not currently offer the SilverSneakers program in our health plan administered by Blue Cross Blue Shield of Michigan (BCBSM), we continue to research it. Sometimes a promising idea may have to wait until further evidence is available before it can be recommended. We routinely review the plan and make periodic plan updates that allow us to maintain a high-quality, affordable plan.

In addition to the plan administered by BCBSM, retirees can also choose one of the HMO plans offered in their area. At this time, the SilverSneakers program is covered by BCN Advantage. A similar program, Silver&Fit, is covered by Priority Health Medicare. Questions about these programs should be directed to the HMO insurance carriers.

Why is my insurance benefit coverage for my adult children different now that I'm retired versus when I was an active employee?

In 2010, the Affordable Care Act extended coverage to adult children up through the age of 26. However, the federal government has determined that this provision of the law does not apply to nonfederal governmental retiree-only plans, such as the Michigan Public School Employees' Retirement System. Because of this, your dependents are not automatically eligible for the health plan until age 26 as they were under your active employer insurance plan.

How Can I Contact ORS?

The ORS staff may still be telecommuting, but that doesn't mean we've stopped serving you. Besides our traditional telephone line, which is available on weekdays from 8:30 a.m. to 5 p.m., we also offer a secure message board via miAccount. A trained customer service representative will respond to your message in approximately one business day. The bonus? You don't have to wait in line.



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 in 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, check with your bank first and then contact ORS.

Office Closures

July 3..... Independence Day
Sept. 7..... Labor Day
Nov. 3..... Election Day
Nov. 11..... Veterans Day
Nov. 26-27..... Thanksgiving



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