

# Connections

An Office of Retirement Services Publication

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Public School Employees Retirement System

## Our Purpose

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

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## World markets improve in 2010

As 2010 began, it appeared that the multitudes of responses to the 2007-2009 global financial crises were finally taking hold, and that the worst of the damage was past. In September 2010, the National Bureau of Economic Research (NBER) officially declared that the severe recession that started in December of 2007 actually ended in June 2009.

In the spring and summer months, the health of this recovery was less certain. The ability for countries such as Portugal, Ireland, Italy, Greece, and Spain to honor their debts was in question. Adding to concerns was the Icelandic volcano eruption and the massive oil spill in the Gulf of Mexico.

In the U.S., sweeping reforms targeting the financial and health care sectors were passed into law, and the long-term impact on the operations of these companies is still not

certain. During his semiannual testimony before Congress, Federal Reserve Chairman Ben Bernanke described the economic outlook as "unusually uncertain."

**Commodities performed well and commercial real estate rebounded**

By late summer, many market pundits came to believe that the Federal Reserve would soon announce a second round of quantitative easing (QE2). In anticipation of QE2, both the equity and bond markets responded favorably. Finally, during the last quarter of the year, commodities performed well and commercial real estate rebounded.

Though there is no way to predict the future of the market in 2011, you can be confident that your retirement system remains financially well-positioned to deliver your pension on time each month. We are long-term investors, and we have a broadly diversified portfolio designed to withstand the highs and lows that the future may bring.

## Pensions bring value to Michigan communities

Could you imagine life without retirement? And yet, it was only in the late 1800s that the idea of retirement emerged. Previously, short life expectancies and the absence of retirement arrangements meant that most workers continued to work until death. But as countries became more developed and life expectancies increased, retirement and employer-sponsored retirement plans became a necessity.

Employer-sponsored plans are often seen as valuable only to the recipients of the benefits, but

did you know that they also help strengthen our public services and our communities?

These plans play a role in attracting, retaining, and rewarding a highly qualified workforce. This includes our public school and state employees, state police, and judges. According to a 2010 MetLife survey, 67 percent of employees indicate that the availability of retirement benefits contributes to their loyalty to their employers.

Additionally, retirement benefits received by

Continued on page 2

# From the Director



We've seen a lot of activity at ORS in the last year, and no doubt we'll see even more in 2011.

Last year, we had two retirement incentives and retirement reforms on our plate. We take pride in the fact that, despite the influx of people needing our services, our flexible staff made sure

that you got your pension on time each month.

You know better than anyone the value of your pension, and that value isn't limited to just you. In fact, pensions create a stable source of economic activity to support the jobs, services, and institutions that make our state a great place to live.

We also know it's important to have access to your most up-to-date and accurate information, so we've made sure our secure online service, miAccount, can help meet

those needs. Last year 14,407 employees used it to submit their applications for retirement. More than 156,000 users managed their account information by updating their contact information, direct deposit, tax withholding, and more.

We made improvements to miAccount last year that make it easier than ever to change your password, and even view your pension statement and 1099-R electronically. I encourage you to check it out, and let us know how we can make managing your retirement easier and more efficient.

We'll continue to work hard to make certain your pension funds are healthy, well cared for, and doing their best for you, and the rest of Michigan.

Sincerely,

Phil Stoddard, Director

## Pensions bring value ... *continued from page 1*

more than 87 percent of retirees who remain in Michigan are spent in local communities. This spending ripples through the economy, as one person's spending becomes another person's income, creating a multiplier effect.

According to the National Institute on Retirement Security's *Pensionomics: Measuring the Economic Impact of State and Local Pension Plans*, each dollar invested in these plans supports about \$6.49 in total economic activity in Michigan. State and local pensions also supported more than 45,000 jobs that paid nearly \$3 billion in wages and salaries, nearly \$7 billion in total economic output, and nearly \$970 million in federal and local tax revenues.

The National Institute on Retirement Security found that rates of poverty in older households lacking pension income are six times higher than those that had such income. Presumably, many retirees would have to return to work or seek financial assistance and would struggle to afford adequate health care. Further, retirees wouldn't find time to give back by participating in community enriching activities.

You and your valuable retirement bring strength to Michigan's communities and economy — we are proud to administer your employer-sponsored retirement plan.

### Facts about your retirement system in Fiscal Year 2010

- ◇ Number of retirees and beneficiaries receiving monthly benefits: **187,722.**
- ◇ Number of active employees: **242,568.**
- ◇ Number of vested active employees: **113,688.**
- ◇ Investments resulted in a funding level of **71.1 percent** as of September 30, 2010.

For more information, view the financial summary for Fiscal Year 2010 on page 4.

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Office of Retirement Services  
Director Phil Stoddard

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# Ask an Expert

## ORS experts answer frequently asked questions



**Q:** *How much would it cost to add my spouse or child to my insurance?*

**A:** Insurance rates are adjusted January 1 of each year and are published on our website, in the Forms and Publications section. Coverage for your eligible dependents is the same as yours and rates vary depending on the carrier you selected.

**Q:** *How do I sign up for or change my Direct Deposit?*

**A:** Log in to miAccount and navigate to Pension Payments, Direct Deposit. You can list up to two bank accounts and will need the routing number and account number(s) for each bank.

**Q:** *Where can I find my pension payment details?*

**A:** There's no need to wait for a printed statement — detailed information is available for you to view at any time when you're logged in to miAccount. Go to the Pension Payments section for Pension Payment History, Tax Withholding, Federal 1099-R, Direct Deposit, and to print Proof of Income.

**Q:** *Why did my federal tax withholding change?*

**A:** The IRS tax tables change every year. The changes may or may not affect your federal tax withholding starting with your January pension payment. The significant change for 2011 was the expiration of the "making work pay" federal tax credit.

You can change your federal tax withholding rate at any time in miAccount by navigating to the Pension Payments, Tax Withholding section.

## When to Contact ORS

*Not sure what needs to be reported? 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. The fastest, easiest way to do this is through miAccount. You can make instant changes at your own convenience rather than calling our office during work hours.

**Death.** Our office should be notified immediately upon the death of a pension recipient, a pension beneficiary, or anyone enrolled in your health, dental, or vision insurances.

**Divorce.** Notify our office immediately if your ex-spouse is enrolled in your insurances. And, if you elected a survivor option with your ex-spouse as beneficiary, it's best to contact us before your divorce is final because we can only change your pension if ordered by the court.

**Marriage.** Notify our office within 30 days whenever you or an insurance dependent marries. Submit an *Insurance Enrollment/Change Request (R0452C)* form, available on our website, and send it to our office with the required documents.

**Medicare.** Any person enrolled in health insurances must sign up for Medicare Parts A and B when first eligible. If this happens before age 65, or if your Medicare number is not based on your social security number, notify us using miAccount or by completing an *Insurance Enrollment/Change Request (R0452C)* form available on our website.

*Details about reporting these and other life events, as well as forms you'll need, can be found online, using miAccount.*

### 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 electronic funds transfer (EFT) is not credited within three days after that date, contact ORS. If your paper check is not received, contact ORS after the seventh day of the following month.

### Office Closures

ORS offices will be closed on the dates listed below.

May 30 - Memorial Day

July 4 - Independence Day

September 5 - Labor Day

Our website is available seven days a week, even when our office is closed: [www.michigan.gov/ORSschools](http://www.michigan.gov/ORSschools)

# Public School Employees Retirement System

for Fiscal Year ending September 30, 2010

<b>Assets &amp; Liabilities</b>		
	<u>FY 2010</u>	<u>FY 2009</u>
<b>Assets</b>		
Cash	\$ 53,115,993	\$ 116,225,037
Receivables	539,253,224	406,506,547
Securities Lending Collateral	4,032,944,373	4,959,896,511
Investments	<u>37,515,228,896</u>	<u>36,321,306,222</u>
<b>Total Assets</b>	<b>\$ 42,140,542,486</b>	<b>\$ 41,803,934,317</b>
<b>Liabilities</b>		
Accounts Payable and Other Liabilities	\$ 108,642,521	\$ 212,856,227
Obligations Under Securities Lending	<u>5,177,096,903</u>	<u>6,379,349,819</u>
<b>Total Liabilities</b>	<b>\$ 5,285,739,424</b>	<b>\$ 6,592,206,046</b>
<b>Net Assets</b>	<b><u>\$ 36,854,803,062</u></b>	<b><u>\$ 35,211,728,271</u></b>

<b>Additions &amp; Deductions</b>		
	<u>FY 2010</u>	<u>FY 2009</u>
<b>Additions</b>		
Public Financed and Member	\$ 2,220,043,058	\$ 2,140,761,719
Net Investment Income (Loss)	<u>3,713,137,355</u>	<u>(2,697,135,451)</u>
<b>Total Additions</b>	<b>\$ 5,933,180,413</b>	<b>\$ (556,373,732)</b>
<b>Deductions</b>		
Benefit Payments	\$ 3,525,020,341	\$ 3,278,118,116
Health, Dental, and Vision Benefits	650,677,457	726,235,152
Transfers and Refunds	33,976,115	34,021,629
Administrative Expenses	<u>80,431,709</u>	<u>91,344,815</u>
<b>Total Deductions</b>	<b>\$ 4,290,105,622</b>	<b>\$ 4,129,719,712</b>
<b>Beginning of Year Net Assets</b>	<b><u>\$ 35,211,728,271</u></b>	<b><u>\$ 39,897,821,715</u></b>
<b>End of Year Net Assets</b>	<b><u>\$ 36,854,803,062</u></b>	<b><u>\$ 35,211,728,271</u></b>

## Investments & Earnings

	<u>Market Value*</u>	<u>Percent of Total Market Value</u>	<u>Total Investment and Interest Income**</u>
Fixed Income Pools	\$ 6,192,733,678	16.5%	\$ 617,176,046
Domestic Equity Pools	13,215,680,909	35.2%	1,327,052,280
Real Estate Pool	3,199,648,334	8.5%	(58,190,522)
Alternative Investment Pools	8,134,132,084	21.6%	1,198,202,543
International Equity Pools	5,030,991,858	13.4%	334,837,159
Absolute Return Pools	1,399,346,173	3.7%	76,959,195
Short Term Investment Pools	395,811,853	1.1%	7,880,639
Securities Lending Income			90,922,462
Investment Expenses			<u>(157,003,224)</u>
<b>Market Value and Net Investment Gain</b>	<b><u>\$ 37,568,344,889</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 3,437,836,578</u></b>

\* Market value excludes \$4,032,944,373 in securities lending collateral for fiscal year 2010.

\*\* Total Investment & Interest Income excludes net security lending income of \$67,474,992 and unrealized gain of \$275,300,778 for securities lending collateral for fiscal year 2010.

*Note:* The complete 2010 Comprehensive Annual Financial Report from which this summary was derived is available on our website at [www.michigan.gov/ORSchools](http://www.michigan.gov/ORSchools).