

# Connections

Staying connected with Michigan's retirees

June 2017

Vol. 20 No. 1

## Scenic Turnout Named for Retiree

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## From the Director

Welcome to our spring Connections newsletter! I hope you enjoy our retiree spotlight on Josephine “Jo” Tomancik, who began her State of Michigan career at 18 years old. I enjoy hearing stories like Jo’s. They remind me of the people we serve, the value they bring to their work, and the importance of the retirements they have earned.

Like Jo, I was young when I started my journey with the State of Michigan—here at ORS, in fact. Our services continue to improve thanks to the ORS staff who work tirelessly coming up with new concepts to improve our processes. In this last year, their ideas resulted in faster phone service, proactive messages about application status, and less effort for family members when a loved one passes away. It’s my honor to work side-by-side with them on your behalf to administer your retirement system.

We understand the importance of your monthly benefits to your quality of life. Those benefits equip you with the power to be financially self-sufficient and to support Michigan’s economy. You help make Michigan a better place through the time, talent and treasure gladly given to support your communities. Approximately 88 percent of Michigan’s public employees retire in the state. Your pension income supports the local hardware store, grocery shop, restaurants, and car dealership. Here’s more about our retirees:

- 98 percent give to charity
- 85 percent spend free time volunteering
- 97 percent actively vote in elections, supporting and helping to shape Michigan’s future

*Source: 2014 ORS Retiree Survey*

And just like you’re on a budget, we’re on a budget, too. In 2015, our total pension administration cost was \$57 per active member and retiree, which was \$34 below the average cost of peer systems of similar size (CEM Benchmarking). Even though we serve close to 550,000 customers—nearly the population of the state of Wyoming—our retiree satisfaction levels remain high. Respondents gave us a satisfaction score of 92.5 percent on our last retiree survey.

I trust you will continue to let us know how we’re doing. And I’m sure there are many more positive stories out there like Jo’s. Submit your story at [ORS-RetireeStories@michigan.gov](mailto:ORS-RetireeStories@michigan.gov). I’d love to hear it.

A handwritten signature in black ink that reads "Kerrie V. Vanden Bosch".

Kerrie Vanden Bosch, Director  
Office of Retirement Services

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### 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.

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### Office Closures

July 4—Independence Day  
September 4—Labor Day



## 50-Year Employee Honored

The year: 1942. Postage stamps were \$0.03 apiece. The average new car cost \$920. The average worker earned \$1,880 per year. And on April 4, 1942, 18-year-old Josephine “Jo” Tomancik took her first job as a clerk for the State of Michigan. She eventually advanced to the Roadside Development Division of MDOT where she happily worked until 1992, retiring after an impressive 50 years and 26 days of loyal service to the state. MDOT even recognized her extraordinary term of service by

naming the Arcadia Scenic Turnout (pictured on the cover) on west M-22 in her honor.

Jo has spent her retired years as a volunteer with St. Mary Cathedral, where she’s been an active member since 1942. She also enjoys various local concerts – anything from classical music to rock. “Anything I can tap my feet to,” as she shared to the *Lansing State Journal* in 1992.

In May of this year, Jo celebrated her 94th birthday and 25th year of receiving her well-earned pension from the State of Michigan. Happy birthday, Jo, and we’re glad to hear your retirement is going well!

Source: R. C. Bouck (personal communication, Jan. - Apr., 2017)

## Returning to Work? New Tool Available

Many retirement planners recommend working after retirement to either supplement income or to bolster emotional well-being, even if the work is only part-time. Please remember that working after retirement may affect your pension, depending on where you work and what kind of job you’re performing. The rules for working after retirement are posted on our website.

We’ve also recently launched a new tool called the Working After Retirement Pension Impact Estimator. This tool is designed to provide details of the impact that certain kinds of work have on

your pension based on your responses to a series of questions. Some of you may need to answer only a couple of questions; others may need to answer a few more questions to get to the results page. We’ve taken most of the guesswork out of trying to understand the complex rules and have provided definitions of terms where necessary.

You can go to our website to access the tool at: [www.mi.gov/orsschools](http://www.mi.gov/orsschools) and click on *After Retirement* in the left-hand navigation bar. Then click on *Working After Retirement*. Click on the image to get started.



# FY 15-16 Financial Summary

## For the Michigan Public School Employees' Retirement System

### Revenue and Expenditures



Nearly **70 percent** of the system's funding comes from investment earnings.

Additions (in thousands)	FY 2016	FY 2015
Member Contributions	\$ 781,150	\$ 777,353
Employer & Other Governmental Contributions	3,195,011	2,937,242
Net Investment Income (loss)	3,384,338	989,727
Transfers and Misc. Income	642	646
<b>Total Additions</b>	<b>\$ 7,361,142</b>	<b>\$ 4,704,969</b>

Deductions (in thousands)	FY 2016	FY 2015
Benefit Payments	\$ 4,671,315	\$ 4,530,916
Health, Dental, & Vision Benefits	653,071	700,904
Transfers & Refunds	27,090	136,998
Administrative Expenses	182,571*	177,898*
<b>Total Deductions</b>	<b>\$ 5,534,047</b>	<b>\$ 5,546,716</b>

Assets (in thousands)	FY 2016	FY 2015
Beginning of Year Assets	\$ 46,465,663	\$ 47,307,410
End of Year Net Assets	\$ 48,292,758	\$ 46,465,663

\* Reflects participation in federal programs that provide a federal subsidy for eligible healthcare claims, producing a net overall savings to the system.

### Assets and Liabilities

Total net assets held in trust for pension and Other Post-Employment Benefits (OPEB) increased \$1.82 billion from the previous year, primarily due to net investment gains. Net assets were \$48.3 billion at the close of FY 2016.

Assets (in thousands)	FY 2016	FY 2015
Cash	\$ 155,650	\$ 163,640
Receivables	446,907	410,520
Securities Lending Collateral	3,336,347	2,720,434
Investments	47,919,271	46,140,381
<b>Total Assets</b>	<b>\$ 51,858,175</b>	<b>\$ 49,434,974</b>

Liabilities (in thousands)	FY 2016	FY 2015
Accounts Payable and Other Liabilities	\$ 233,659	\$ 249,282
Obligations Under Securities Lending	3,331,758	2,720,029
<b>Total Liabilities</b>	<b>\$ 3,565,417</b>	<b>\$ 2,969,311</b>
<b>Net Assets</b>	<b>\$ 48,292,758</b>	<b>\$ 46,465,663</b>

Net assets were **\$48.3 billion** at the close of FY 2016.

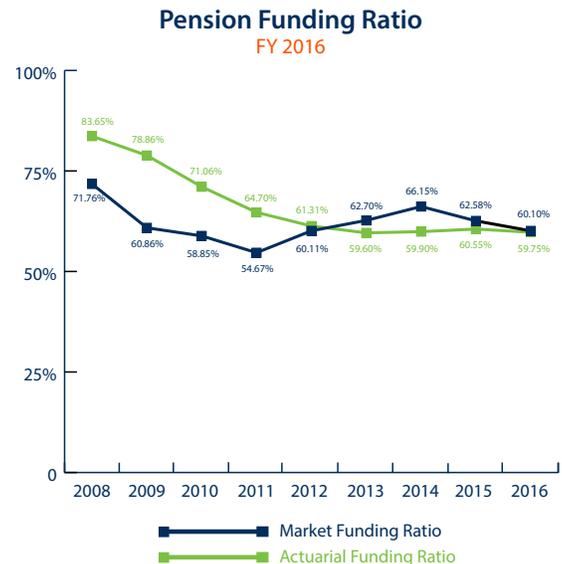
This summary includes details from the complete *2016 Comprehensive Annual Financial Report*, which was produced for the year ending September 30, 2016. Totals and subtotals may not add up due to rounding. The full report is available on our website at [www.mi.gov/orsschools](http://www.mi.gov/orsschools).

## Pension Funding Ratio

A pension plan is 100 percent funded when it has enough money in reserve to meet all expected future obligations to members. Getting to 100 percent funded is like paying off a mortgage; it is done over time.

The market funding ratio is based on the market value of assets at the fiscal year end. The actuarial funding ratio applies a five-year “smoothing” period that spreads investment gains or losses over five years. This approach is a best practice used by almost every retirement system in the country because it helps keep the employers’ contributions more predictable for budget planning. This year, your system adopted a more conservative assumption for our interest return rate. While this reduced our long-term market risk, it also caused a slight decrease in the funding ratio for this year. As the economy improves, the funding ratio will also improve.

The Michigan Public School Employees’ Retirement System is on schedule to be fully funded in 22 years. This puts the system at the forefront nationwide for funding best practices.



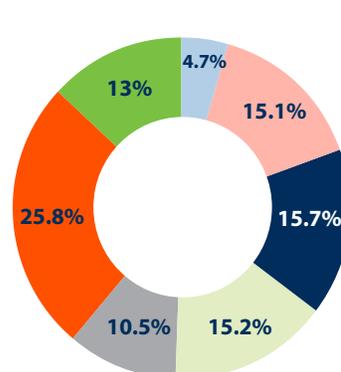
The Michigan Public School Employees’ Retirement System is on schedule to be **fully funded in 22 years.**

## Investments and Earnings

The State Treasurer administers all of 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.

### Investment Asset Classes

FY 2016



- Fixed Income Pools**  
Market Value: \$6.3 billion
- Domestic Equity Pools**  
Market Value: \$12.4 billion
- Real Estate and Infrastructure Pools**  
Market Value: \$5.1 billion
- Private Equity Pools**  
Market Value: \$7.3 billion
- International Equity Pools**  
Market Value: \$7.6 billion
- Absolute Return Pools**  
Market Value: \$7.2 billion
- Short Term Investment Pools**  
Market Value: \$2.2 billion

# Ask Our Experts

ORS experts answer frequently asked questions

## Q: How can I obtain a copy of my pension statement?

**A:** Your monthly pension statements are available whenever you need one in miAccount. The courtesy paper statements you receive in the mail are not reproducible. To view your monthly statement, log in at [www.mi.gov/orsmiaccount](http://www.mi.gov/orsmiaccount), click Pension Payments on the left, use the drop-down arrow to select the year and click Go. Choose your payment date for a printer-friendly version of your statement.

## Q: How do I change my tax withholding in miAccount?

**A:** To change your federal or State of Michigan tax withholding, follow these steps:

1. Log in to miAccount at [www.mi.gov/orsmiaccount](http://www.mi.gov/orsmiaccount).
2. If you have more than one account, select the account that you wish to change. If you wish to change both accounts, you will have to access each account separately to update your withholding.
3. Click the Pension Payments link on the left.
4. Next, click Tax Withholding.
5. Click the Change button in the federal or State of Michigan Tax Withholding box.
6. Enter your new tax withholding. Use the drop-down boxes to select the effective date for your change.
7. Click the Calculate Withholding button.

You can repeat these steps to calculate various withholdings. The information is not saved until you click the Save button.

# Let Us Know

**Address, email, tax, or changing banks.** Right away. It's critical that you make these changes with our office. Otherwise, you may miss important communication, tax information, and even your insurance plan could be impacted.

The fastest, easiest way to report these and other life events is through miAccount at [www.mi.gov/orsmiaccount](http://www.mi.gov/orsmiaccount).

**Death.** Right away. If a pension recipient, a pension beneficiary, or anyone enrolled in your health, prescription drug, dental, or vision insurance plans dies.

**Divorce.** Right away. Former spouses aren't eligible for continued insurance coverage, even if a court rules the retiree is obligated to provide coverage.

**Marriage.** Within 30 days, to add your new spouse to your insurance.

**Medicare.** Right away, if you, your spouse, or any of your dependents become eligible for Medicare before age 65. Be sure to have your Part A and B effective dates and claim number ready.

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