



Connections

Staying Connected With Michigan's Retirees

June 2019

Vol. 22 No. 1

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.

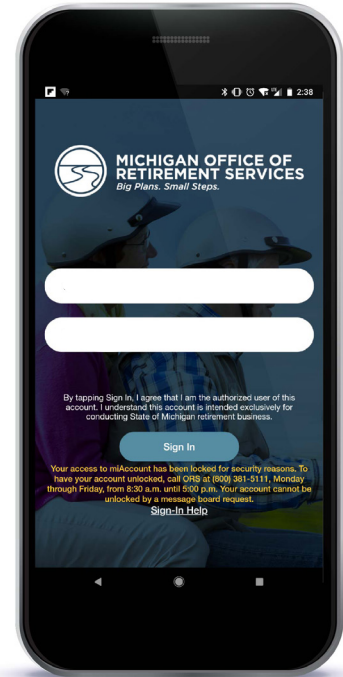
ORS Launches Mobile App

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?

Even though there is not a life insurance policy through the retirement system, if you are like most people, you have a life insurance policy from a private vendor or from an organization with which you are affiliated. 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 policy 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, check with the policy administrator regarding how you can name a new one. Can you remove or add beneficiaries? In addition, if you have divorced, you will want to consider your options. Does your private policy automatically cancel an ex-spouse's beneficiary designation? Does your policy allow you to keep your ex-



spouse as a beneficiary? If so, and this is what you want, check with the policy administrator to see what you must do to accomplish this.

Who can be named as a beneficiary?

Most people immediately think of their spouse as the beneficiary. But, depending on your private policy, you may be able to name someone else. You may also be able to name multiple beneficiaries. Check with the policy administrator to learn your options.

How do you update your life insurance beneficiary?

Contact your life insurance policy administrator to find out what you need to do to update your beneficiary information. Be sure to keep copies of any updated documents in a secure location.

Keeping your insurance beneficiary information up to date is important. Please take time to check your account and make sure everything is in order.

FY 17–18 Financial Summary

For the Michigan Public School Employees' 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/ORSSchools.

Assets and Liabilities

The System's total net assets held in trust for pension and Other Post-Employment Benefits (OPEB) increased \$4.3 billion from the previous fiscal year, primarily due to net investment gains. Net assets were \$56.5 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 collection of funds from employers, employees, and investment earnings.

Contributions and net investment income for fiscal year 2018 totaled \$9.9 billion. Investment earnings accounted for 58% of the System's revenue.

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

Assets	FY 2017	FY 2018
Cash	\$ 149,556	\$ 104,050
Receivables	407,445	373,671
Investments	52,417,070	56,180,698
Securities Lending Collateral	3,329,249	2,549,816
Total Assets	\$ 56,303,321	\$ 59,208,235
Liabilities	FY 2017	FY 2018
Warrants Outstanding	\$ 717	\$ -
Unearned Revenue	2,526	2,733
Accounts Payable and Other Liabilities	783,146	200,259
Obligations Under Securities Lending	3,327,374	2,550,504
Total Liabilities	\$ 4,113,763	\$ 2,753,495
Net Assets	\$ 52,189,558	\$ 56,454,740

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	\$ 642,237	\$ 603,739
Employer Contributions	3,193,612	3,455,217
Other Governmental Contributions	5	96,708
Net Investment Income (Loss)	6,177,748	5,730,759
Miscellaneous Income	987	600
Total Additions	\$ 10,014,589	\$ 9,887,023
Deductions	FY 2017	FY 2018
Pension Benefits	\$ 4,806,971	\$ 4,934,697
Healthcare Benefits	548,258	477,066
Refunds and Transfers to Other Systems	580,073	28,977
Administrative and Other Expenses	182,488	181,101
Total Deductions	\$ 6,117,789	\$ 5,621,841
Net Position	FY 2017	FY 2018
Net Increase (Decrease) in Net Position	\$ 3,896,800	\$ 4,265,182
Beginning of Year	48,292,758	52,189,558
End of Year	\$ 52,189,558	\$ 56,454,740

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

58% 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.

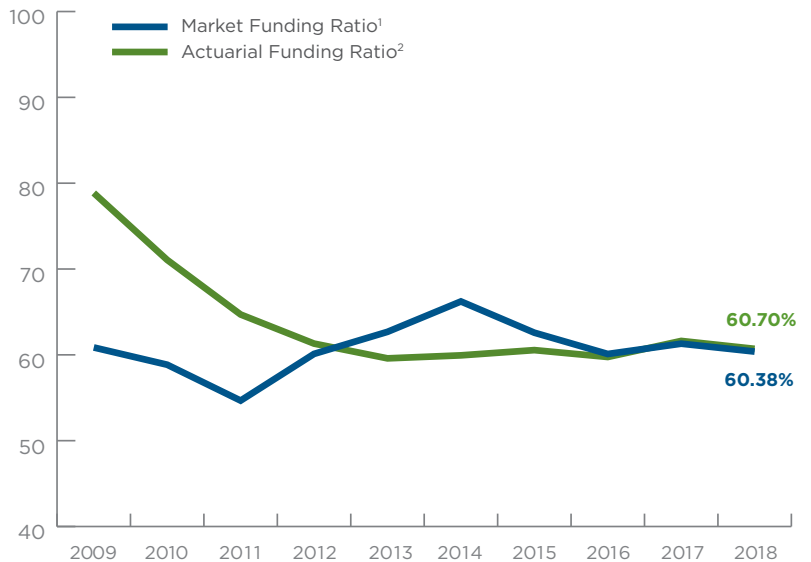
The gains in fiscal year 2018 allowed the System administrators to reduce the AROR from 7.05% to 6.80%. While overall experience was positive in 2018, the pension funding ratio declined slightly by 0.92 percentage points as a result of the reduction in the AROR and other assumption changes. If not for these assumption changes, the pension funding ratio would have improved 1.68 percentage points.

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

Investment Asset Classes For 2018



Fixed Income Pools - 12.1%

Domestic Equity Pools - 26.3%

Real Estate & Infrastructure Pools - 10.5%

Private Equity Pools - 16.4%

International Equity Pools - 17.2%

Absolute Pools - 15.0%

Short-Term Investment Pools - 2.5%



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

“ORS retirees are living longer than ever before.”

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.

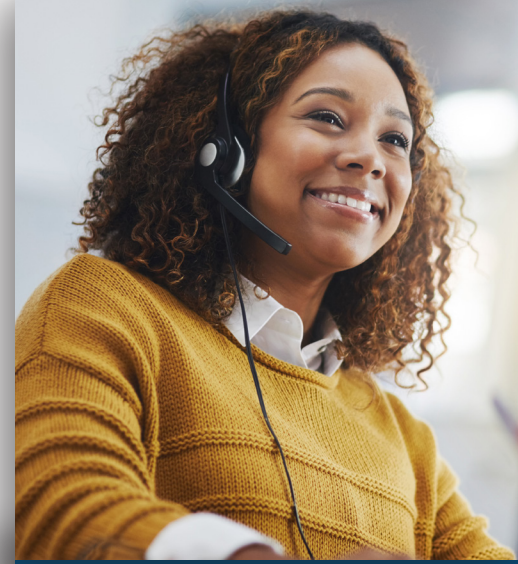
One of the main reasons you should download the app is for convenience. You may access your account information anywhere. Do you want to know if this month's pension has been deposited into your account? You may check on the app to see when your payment has been processed. You don't have to wait for 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 a school without any impact to your pension. However, if you return to work in a Michigan public school reporting unit, either as an employee or as a third-party contractor, you may be subject to various rules governing how your pension may be affected.

Although the rules are complicated, we have prepared a tool you may use to determine your best course of action. Go to Michigan.gov/ORSSchools and click *After Retirement* in the left navigation bar. Click on *Working After You Retire* and open the *Working After Retirement Pension Impact Estimator* by clicking on *Let's get started*.

The *Working After Retirement Pension Impact Estimator* tool is designed to take you through a series of questions and, at the end, provide a results slide that shows how your pension will be impacted by working after you retire.



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



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