



Connections

Staying Connected With Michigan's Retirees

June 2018

Vol. 21 No. 1

Signature Moment Starts New Life Phase

Each year, employees do something—you might call it a ritual—to celebrate the completion of their retirement application. Maybe they take a picture or raise a glass to toast the occasion. We at ORS have seen it many times.

Andy and Kathy Sheufelt, former teachers at Okemos Public Schools, celebrated that rite of passage about a year ago with a ceremonial photo with their signed documents. Although they haven't been retired for as long as some on our retirement rolls, we caught up with the Sheufelts to check in to see how things were going.

"Deciding to retire last June was not the original plan," said Kathy. "I had 34 years and Andy had 31 years. We had a daughter getting married and another daughter considering grad school. However, when we met with our financial advisor and considered all the alternatives, the time was right."

Andy added, "Not everything about the decision was financial. In my case, although I loved teaching, I felt in my heart the need to do something different."

Kathy keeps busy by continuing to meet her workout buddies at 5 a.m., but no longer needs to rush to work. She checks in on her mother several times per week and does math tutoring when she can. Andy works part-time as a greenhouse technician on the campus of Michigan State University. "I have a passion for plants," he said. They also rented a lodge and hosted family for a long weekend. Andy is planning to travel to Alaska with his brother this summer.

"Having access to a pension is a game changer," said Kathy. "I heard about the 'three-legged stool' of retirement savings (Social Security, pension, and savings) and we invested. It was so worth it!"



Kathy and Andy Sheufelt signing their retirement papers.

Andy's view is that their pension adds stability to what could be a turbulent time for some people. He said, "Our financial planner told us stories about people who used up their nest egg within the first couple of years of retirement. He told us not to do that." And they won't.

Kathy thinks retirement is awesome! Andy's staying busy, but it's not the same kind of busy. Both express gratitude for the chance to spend time with important and interesting people in their lives. Recently they reminded each other that "it's coming up on a year." When they look at that photo from last year, they celebrate great careers and feel validated that their decision to retire was the right one.

How did you "mark" the day? Do you commemorate the day you retired? Let us know by sending us an email: ORS-RetireeStories@michigan.gov.

Enrolling or Changing Insurance Plans

If you are enrolling yourself, your spouse, or dependents in insurance after retirement, your coverage will begin on the first day of the sixth month after ORS receives all required forms and proofs (unless you have a qualifying event).

If you have a qualifying event (such as a change in family status or involuntary loss of other group coverage), your coverage can begin as early as the first of the month after you apply, and we receive the required proofs. If you have a qualifying event, and you submit the required documents within 30 days, the six-month rolling enrollment window does not apply.

See the chart below for effective dates for enrolling in insurance. It's an easy process to enroll or change insurance plans with ORS. Enroll in a new plan in miAccount and mail your signed confirmation page to ORS or complete and mail the *Insurance Enrollment/Change Request form (R0452G)* to ORS.

Visit michigan.gov/orsstatedb for a complete list of qualifying events and information on the documentation you'll need to send as proof of your qualifying event.

Insurance Effective Dates for Retirees			
Medicare Status	Enrolling with a Qualifying Event*	Enrolling with a Non-Qualifying Event	Changing Insurance Plans
Enrolled in Medicare	Coverage begins the first day of the second month after all required documentation is received.	Coverage begins the first day of the sixth month after all required documentation is received.	Coverage begins the first day of the second month after all required documentation is received.
Not enrolled in Medicare	Coverage begins the first day of the first month after all required documentation is received.		

***Note:** If you have a qualifying event and you submit the required documents past the 30-day time period, your coverage will not begin until the first day of the sixth month after all required documentation is received.

Update Your Medicare Information

If you are already enrolled, you don't need to take any action.

When you're eligible to enroll in Medicare, you will need to submit your Medicare number and effective date for Parts A and B to the Office of Retirement Services (ORS) in one of the following ways:



FY 16–17 Financial Summary

For the State Employees' Retirement System

This summary includes details from the complete 2017 Comprehensive Annual Financial Report (CAFR), which was produced for the year ending September 30, 2017. Totals and subtotals may not add up due to rounding. The full report is available on our website at michigan.gov/orsstatedb.

Assets and Liabilities

The system's total net assets held in trust for pension and Other Post-Employment Benefits (OPEB) increased \$1.3 billion, from the previous fiscal year, primarily due to net investment gains. Net assets were \$13.9 billion at the close of fiscal year 2017.

Revenue and Expenditures

The reserves to finance pension and OPEB accumulate through collection of funds from employers, employees' contributions, and investments earnings.

Contributions and net investment income for fiscal year 2017 totaled \$3.1 billion. Investment earnings accounted for 53 percent of the State Employees' Retirement System revenue.

53 percent of the system's funding came from net investment earnings in 2017.

Assets and Liabilities (combined pension and OPEB in thousands)

Assets	FY 2016	FY 2017
Cash	\$ 73,842	\$ 138,049
Equity in common cash	154,090	151,760
Investments	12,378,716	13,599,587
Collateral	873,388	868,542
Total Assets	\$ 13,480,035	\$ 14,757,939
Liabilities	FY 2016	FY 2017
Warrants Outstanding	\$ 53	\$ 116
Unearned Revenue	10	27
Accounts Payable and Other Liabilities	25,660	35,455
Obligations Under Securities Lending	872,187	868,052
Total Liabilities	\$ 897,910	\$ 903,649
Net Assets	\$ 12,582,125	\$ 13,854,288

Note: Liabilities in this context are exclusive of Actuarial Accrued Liabilities (AAL) for pension and OPEB.

Source: CAFR for the fiscal year ended September 30, 2017, p. 17

Additions and Deductions (in thousands)

Additions	FY 2016	FY 2017
Members Contributions	\$ 85,327	\$ 40,866
Employer Contributions	1,334,127	1,346,699
Other Governmental Contributions	68,990	59,762
Net Investment Income (Loss)	883,648	1,629,351
Transfer and Misc.	3	20
Miscellaneous Income	319	1052
Total Additions	\$ 2,372,415	\$ 3,077,750
Deductions	FY 2016	FY 2017
Pension Benefits	\$ 1,289,598	\$ 1,322,339
Healthcare Benefits	502,317	452,300
Refunds & Transfers to Other Systems	169	346
Administrative and Other Expenses	32,235	30,602
Total Deductions	\$ 1,824,320	\$ 1,805,588
Net Position	FY 2016	FY 2017
Net Increase (decrease) in Net Position	\$ 548,095	\$ 1,272,163
Beginning of Year	12,034,029	12,582,125
End of Year	\$ 12,582,125	\$ 13,854,288

Source: CAFR for the fiscal year ended Sept. 30, 2017, p. 18

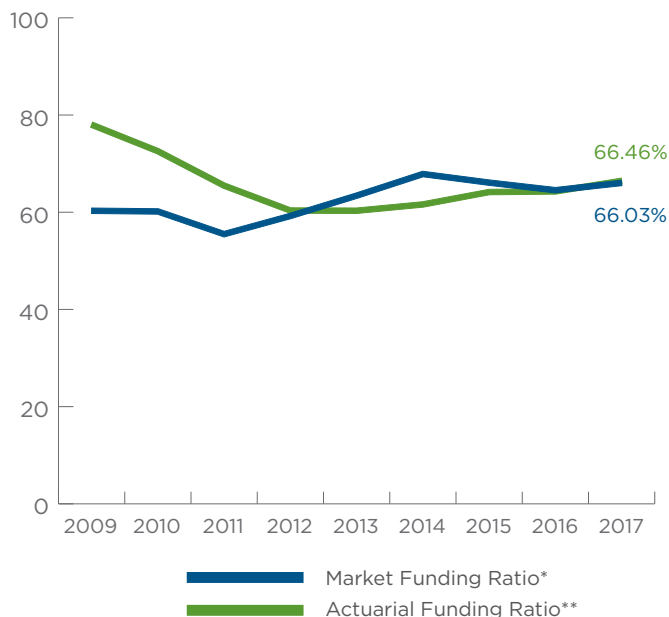
Pension Funding Ratio

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 funding requirement.

While investment gains and losses are generally smoothed over five years, the retirement board and the DTMB director adopted a policy last August to recognize significant investment gains immediately in order to effectively “buy down” the assumed rate of return. Dedicating investment gains for this purpose results in lower market risk to your plan. The gains in fiscal year 2017 allowed the system administrators to reduce the assumed rate of return from 7.50 percent to 7.00 percent, while still increasing the overall funding ratio.

The State Employees’ Retirement System is on schedule to be fully funded in 2036. This puts the system at the forefront nationwide for funding best practices.

Pension Funding Ratio FY 2017

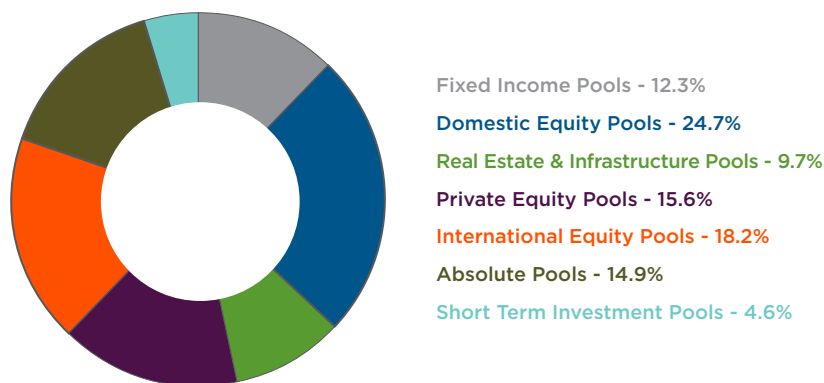


The State Employees’ Retirement System is on schedule to be **fully funded in 2036.**

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.

Investment Asset Classes FY 2017





“ORS adheres to best practices in the protection of your data.”

From the Director

If you're like me, you've noticed news stories on data security issues. Rest assured, ORS adheres to best practices in the protection of your data, as established by the National Institute of Standards and Technology (NIST). How do we go about doing this?

We protect your data three different ways: through technical management, through appropriate data handling, and through incident response plans.

First, by technical management we mean the systems we use to store and retrieve your data. These systems and machines are managed by Information Technology (IT) professionals who will make changes when necessary to keep all security practices consistent with the NIST best practices.

Second, we have implemented policies and procedures at ORS for carefully handling your data. Our customer service employees abide by these policies. In fact, every ORS employee completes either online or in-person training six times each year on issues touching all kinds of security.

Third, we can never eliminate all threats, but we have detailed plans in place to act quickly if we receive any indication an incident may have occurred.

ORS is sometimes required by law to give data to individuals or organizations requesting it through the Freedom of Information Act (FOIA). We carefully review each request and always comply with state law in delivering what's required.

I hope you enjoy this issue of the Connections newsletter. The June issue is dedicated to reporting the financial health of each of our retirement systems. In this issue, you will find information about Medicare's new ID numbers and how to change insurance plans. We're also continuing our feature profile of two of our retirees, my favorite recurring feature of Connections. If you have a story to share, please send it to: ORS-RetireeStories@michigan.gov.

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.

What are the implications of the federal tax reform legislation on my pension?

President Trump signed the Tax Cuts and Jobs Act (TCJA) bill into law on December 22, 2017. The act provides a decrease in tax rates and an increase in standard deductions for tax years 2018 through 2025. Detailed information can be found on the Internal Revenue Service's website at [irs.gov](https://www.irs.gov). If you have additional questions, please contact your financial advisor.

How do I change my tax withholding in miAccount?

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

1. **Log into miAccount.**
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 dropdown 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.



Update ORS

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

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

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
September 3 Labor Day
November 6 Election Day
November 12 Veterans Day
November 22–23 Thanksgiving



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