

Connections

An Office of Retirement Services Publication

March 2013, Vol. 16 No. 1

State 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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From the Director

At the Office of Retirement Services we appreciate how important it is for individuals and families to live within their means and invest for the future. We follow these principles as well by operating in a cost-effective manner, investing for the long-term health of the pension system, and continually updating our technology to adapt to the changing pension and insurance environments. Our ultimate responsibility is to you, our customers, so in the next two pages you'll find a comprehensive summary of your retirement plan.

In 2012, your retirement system underwent a reform that helped to ensure a healthy financial future for retirees and fiscal responsibility in state government. These changes support a retirement plan worthy of the people who are dedicated to public service.

You invested for your future during your work years by diligently planning and saving for a secure retirement. I encourage you to pass those values and skills onto a new generation.

How can you encourage savings and planning with those that you love?



Best wishes,



Phil Stoddard, Director
Office of Retirement Services

Stay alert for phishing scams

If you use the internet there's a good chance you've received emails from fraudulent sources that ask for personal information. *Phishing* is when identity thieves trick people into providing personal or account information by sending messages disguised as messages from companies you trust.

Phishing attempts try to convince you to reply to an email or click on a link to a counterfeit website. Phishing can also be a telephone call from someone pretending to be from a company or government agency, making the same kinds of false claims and asking you for personal information.

ORS will never send you an unsolicited email

asking you to click on a link or provide confidential information. Whenever you need personal information from us or we need personal information from you, we'll use our secure online tool, miAccount. miAccount uses the latest industry standards to keep your information secure, and you can be sure that any links we send through miAccount are safe.

If you get a suspicious email that looks like it's from ORS, don't respond or click on any links; give us a call first.

For more information on safe internet practices, visit www.michigan.gov/cybersecurity.



State Employees Retirement System

for fiscal year ending September 30, 2012

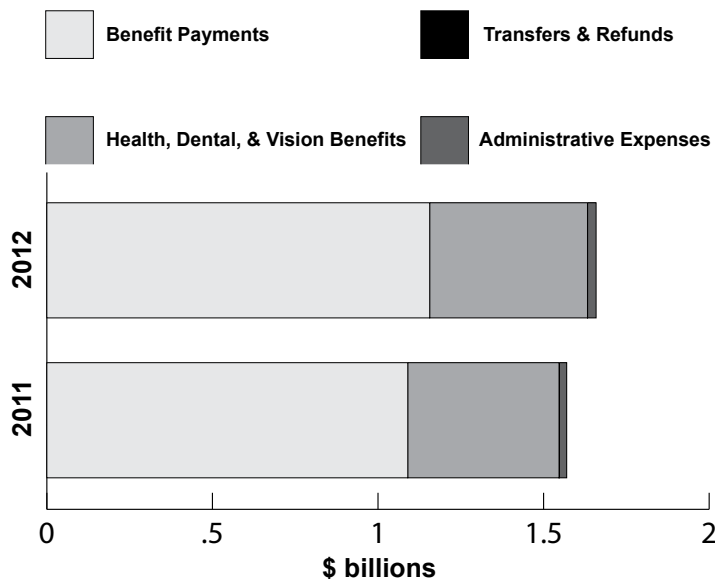
About Your Plan

This summary came from the complete 2012 *Comprehensive Annual Financial Report*, available on our website at www.michigan.gov/orsstatedb. The figures in this report are as of September 30, 2012.

The State Employees' Retirement System serves 56,288 retirees receiving monthly benefits, and 17,860 active members. Of those active members, 516 are participants in the Defined Contribution pension plan. Your pension is protected by Michigan's Constitution, and the Office of Retirement Services' net assets are held in trust to meet future benefit payments.

Additions & Deductions		
	FY 2012	FY 2011
Additions		
Public Financed and Member Contributions	\$ 1,153,649,113	\$ 931,435,456
Net Investment Income (loss)	<u>1,346,517,003</u>	<u>373,134,764</u>
Total Additions	\$ 2,500,166,116	\$ 1,304,570,220
Deductions		
Benefit Payments	\$ 1,156,035,451	\$ 1,089,822,880
Health, Dental, & Vision Benefits	476,508,499	456,878,993
Transfers & Refunds	205,830	496,071
Administrative Expenses	<u>25,872,036</u>	<u>22,615,185</u>
Total Deductions	\$ 1,658,621,816	\$ 1,569,813,129
Beginning of Year Assets	<u>8,775,102,647</u>	<u>9,040,345,556</u>
End of Year Net Assets	<u>\$ 9,616,646,947</u>	<u>\$ 8,775,102,647</u>

FY 2012 Retirement Plan Deductions

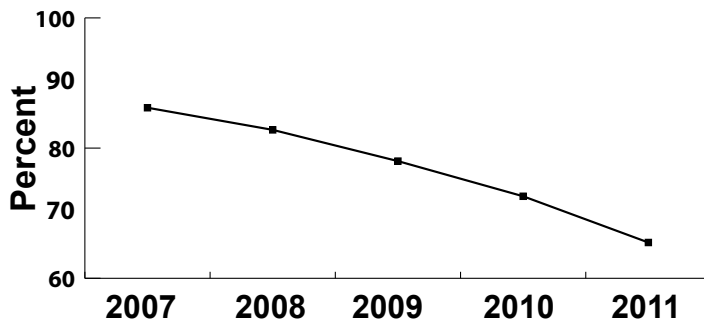


Pension Funding Ratio

A pension plan is 100 percent funded when it has enough money in reserve to meet all expected future obligations to members. Funding a pension plan is similar to a mortgage. If you have a \$100,000 mortgage, and \$1,000 in the bank, your mortgage is 1 percent funded. You have a certain number of years to fund your mortgage, as long as you keep making your payments.

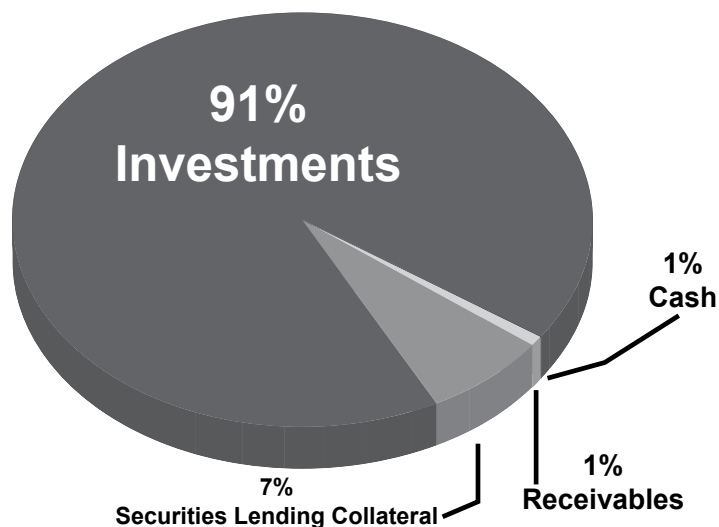
As of September 30, 2011, your retirement system is funded at 65.5 percent.

5-Year Pension Funding Ratio



Assets & Liabilities				
	FY 2012		FY 2011	
Assets				
Cash	\$	88,967,266	\$	111,418,144
Receivables		144,703,429		178,808,832
Securities Lending Collateral		730,911,161		1,018,987,155
Investments		<u>9,638,793,588</u>		<u>8,857,648,347</u>
Total Assets	\$	10,603,375,444	\$	10,166,862,478
Liabilities				
Accounts Payable and Other Liabilities	\$	45,079,019	\$	122,046,266
Obligations Under Securities Lending		<u>941,649,478</u>		<u>1,269,713,565</u>
Total Liabilities	\$	986,728,497	\$	1,391,759,831
Net Assets	\$	<u>9,616,646,947</u>	\$	<u>8,775,102,647</u>

FY 2012 Retirement Plan Assets



Investments & Earnings				
	Market Value*		Total Investment and Interest Income**	
Fixed Income Pools	\$	1,281,654,027	\$	75,563,565
Domestic Equity Pools		2,588,722,160		686,300,776
Real Estate Pool		1,029,782,551		80,879,392
Alternative Investment Pools		2,031,277,179		230,345,905
International Equity Pools		1,380,938,501		194,282,288
Absolute Return Pools		832,041,801		53,758,715
Short Term Investment Pools		583,344,635		1,077,904
Securities Lending Income				20,161,254
Investment Expenses				<u>(35,866,061)</u>
Market Value and Net Investment Gain	\$	<u>9,727,760,854</u>	\$	<u>1,306,503,738</u>

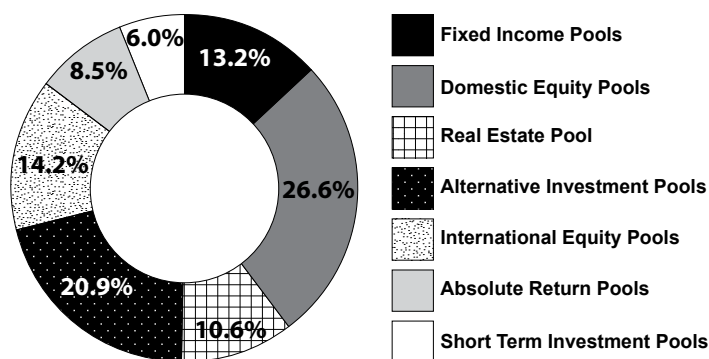
* Market value excludes \$730,911,161 in securities lending collateral for fiscal year 2012.

** Total Investment & Interest Income excludes net security lending income of \$17,517,748 and unrealized gain of \$39,988,092 for securities lending collateral for fiscal year 2012.

Investments

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



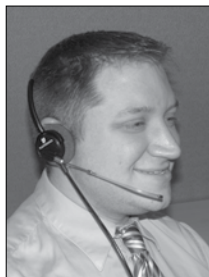
Finance in Plain English

Why does the funding ratio change? One of the main contributors to the rise or fall of the funding ratio is investment performance. Performance affects the amount of assets available to offset the system's liabilities. Any liabilities that aren't offset make up the unfunded accrued liability (UAL).

Why are there different types of assets in the retirement plan's portfolio? Having a diverse portfolio is like having shocks on a car. It minimizes the volatility, so the returns vary less from year to year. Even though market performance may fluctuate, the long-term performance of the retirement system's portfolio remains stable. This ensures our funds are financially sound.

Ask an Expert

ORS experts answer frequently asked questions



Q: *I (or my spouse) enrolled in Medicare early. Will you automatically update my insurance coverage?*

A: If you or your spouse enrolled in Medicare before your 65th birthday, you'll need to complete the *Insurance Enrollment Change Request (R0452G)* form and send a copy of your Medicare card to our office. Until ORS receives that information, you're likely overpaying for your premiums.

Q: *How can I get my 1099R or my income verification letter?*

A: The quickest way to get both these documents is through miAccount at www.michigan.gov/orsmiaccount, where you can view and print copies for your records. ORS representatives are not able to give you your 1099R tax information over the phone. If you believe you need a corrected 1099R, please contact our office.

Q: *What's the best way to contact ORS?*

A: The best way to contact ORS is through the miAccount Message Board. An ORS representative will respond to your message within one to two business days. If you need to speak to someone on the phone, the best time to call our office is before 1 p.m.

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 direct deposit is not credited within three days after that date, contact ORS.

When to contact ORS

Address, email, tax, or changing banks: right away. It's critical that you make these changes with our office. If you're on Medicare, correct address information could affect your eligibility to be enrolled in our insurance plan.

Death: right away. If a pension recipient, a pension beneficiary, or anyone enrolled in your health, prescription drug, dental, or vision insurances dies.

Divorce: right away.

Marriage: within 30 days.

Medicare: right away, if you, your spouse, or any of your dependents become eligible for Medicare before age 65. Be sure to have the enrollment dates and policy numbers ready.

The fastest, easiest way to report these and other life events is through miAccount. You can make instant changes from 5 a.m. to midnight, rather than calling our office during work hours.



Office Closures

May 27 - Memorial Day
July 4 - Independence Day
September 2 - Labor Day

Our website is available seven days a week, even when our office is closed: www.michigan.gov/orsstatedb

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