

Connections

An Office of Retirement Services Publication

March 2014, Vol. 17 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

As director, I'm tasked with being a good steward for the future of your pension system. I'm acutely aware of this responsibility and its impact on our members. Likewise, our dependable staff does its part to provide quality service and keep administrative costs low.

Like retirement systems around the country, our system has seen changes and reforms; the most recent focus on greater fiscal stability. On that note, I realize our work is never done. This is especially true for our system which has more retirees than active members. It's clear that safeguarding our system is at the forefront, and is certainly on my mind every day.

In the coming year, staff will focus on these main priorities: first is to continually improve the service we provide to our customers. Second is to explore ways to continue to provide high quality healthcare plans that

are affordable for both members and the system. Third, we'll continue to seek effective ways to fund our systems.

In 2014, we'll talk about the depth and meaning of our work through our website, newsletters, Facebook, and in other ways. Please take a few minutes to review the annual financial information provided in this newsletter. Your retirement is in good hands and we're on the right track, so you can focus on enjoying your well-deserved retirement.

Best wishes,



Phil Stoddard, Director
Office of Retirement Services



Finance in Plain English

Why is the funding ratio from Fiscal Year 2012, and the other information is from Fiscal Year 2013? The Comprehensive Annual Financial Report (CAFR), where ORS gets the data for this newsletter, is published after the newsletter is distributed, so the funding ratio in *Connections* is from the year before. To see a history of the funding ratio of your plan, take a look at the CAFR on www.michigan.gov/orsschools after it's published in the spring.

What is securities lending collateral? Securities are any kind of tradable asset like a bond or banknote, equity or stocks, or derivative contracts. Collateral is something you promise to give the lender if you can't pay back a loan. In this case, the collateral is put up by a borrower (an investor or firm) to guarantee the repayment of a securities loan.



State Employees Retirement System

for fiscal year ending September 30, 2013

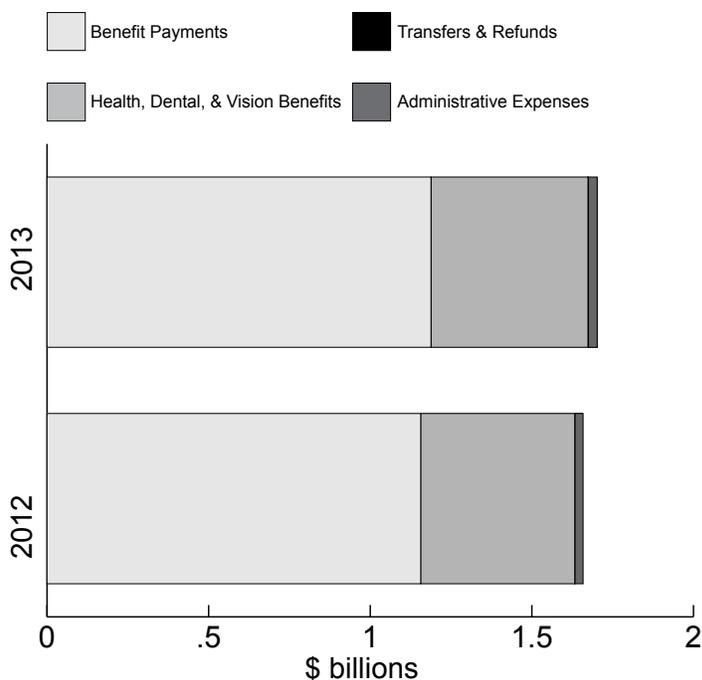
About Your Plan

This summary came from the complete 2013 *Comprehensive Annual Financial Report*, available on our website at www.michigan.gov/orsstatedb. The figures in this report are as of September 30, 2013.

The State Employees' Retirement System serves 56,854 retirees receiving monthly benefits, and 16,912 active members. Of those active members, 437 are participants in the Defined Contribution pension plan. The System's net assets are held in trust to meet future benefit payments.

Additions & Deductions		
	FY 2013	FY 2012
Additions		
Public Financed and Member Contributions	\$ 1,432,015,493	\$ 1,153,649,113
Net Investment Income (loss)	1,239,318,182	1,346,517,003
Total Additions	\$ 2,671,333,675	\$ 2,500,166,116
Deductions		
Benefit Payments	\$ 1,187,911,357	\$ 1,156,035,451
Health, Dental, & Vision Benefits	485,707,110	476,508,499
Transfers & Refunds	128,788	205,830
Administrative Expenses	28,262,217	25,872,036
Total Deductions	\$ 1,702,009,472	\$ 1,658,621,816
Beginning of Year Position	9,616,646,947	8,775,102,647
End of Year Net Position	\$ 10,585,971,150	\$ 9,616,646,947

FY 2013 Retirement Plan Deductions

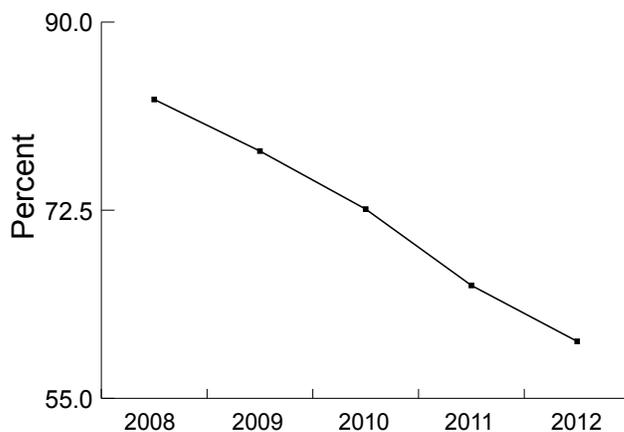


Pension Funding Ratio

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.

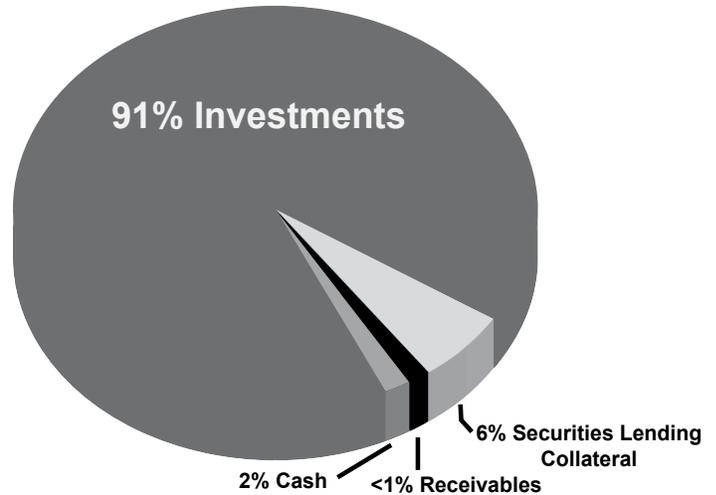
As of September 30, 2012, your retirement system is funded at 60.3 percent.

5-Year Pension Funding Ratio



Assets & Liabilities				
	FY 2013		FY 2012	
Assets				
Cash	\$	187,773,560	\$	88,967,266
Receivables		144,929,605		144,703,429
Securities Lending Collateral		669,859,393		730,911,161
Investments		<u>10,469,022,590</u>		<u>9,638,793,588</u>
Total Assets	\$	11,471,585,148	\$	10,603,375,444
Liabilities				
Accounts Payable and Other Liabilities	\$	33,264,388	\$	45,079,019
Obligations Under Securities Lending		<u>852,349,610</u>		<u>941,649,478</u>
Total Liabilities	\$	885,613,998	\$	986,728,497
Net Assets	\$	<u>10,585,971,150</u>	\$	<u>9,616,646,947</u>

FY 2013 Retirement Plan Assets



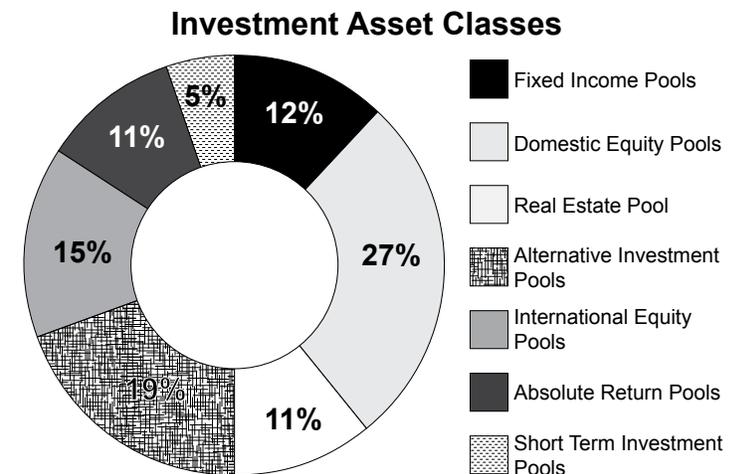
Investments & Earnings				
	Market Value*		Total Investment and Interest Income**	
Fixed Income Pools	\$	1,293,882,479	\$	(4,061,003)
Domestic Equity Pools		2,890,676,827		522,128,612
Real Estate Pool		1,158,664,375		100,243,417
Alternative Investment Pools		2,069,323,796		317,484,788
International Equity Pools		1,572,908,949		220,293,783
Absolute Return Pools		1,114,971,641		66,211,158
Short Term Investment Pools		556,368,083		1,107,664
Securities Lending Income				19,765,057
Investment Expenses				<u>(32,103,397)</u>
Market Value and Net Investment Gain	\$	<u>10,656,796,150</u>	\$	<u>1,211,070,079</u>

* Market value excludes \$669,859,393 in securities lending collateral for fiscal year 2013.

** Total Investment & Interest Income excludes net security lending income of \$17,132,229 and unrealized gain of \$28,248,100 for securities lending collateral for fiscal year 2013.

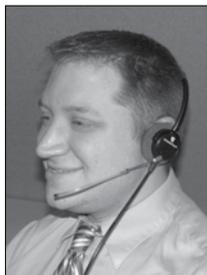
Investments

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.



Ask an Expert

ORS experts answer frequently asked questions



Q: *Can I get a reprint of my direct deposit statement from ORS?*

A: Direct deposit statements are sent from the Department of Treasury, so ORS can't send a reprint through the mail. But you can log into miAccount anytime and print a copy of your current (or past) direct deposit statements.

Q: *How do I change my life insurance beneficiary?*

A: You need to submit the *Life Insurance Beneficiary Designation (R0782GHB)* form. You can find it on our website at www.michigan.gov/orsstatedb by clicking Forms and Publications - For Retirees.

Q: *What happens when I age into Medicare?*

A: We'll adjust your healthcare premium automatically. If you have Blue Cross Blue Shield PPO, it will become a supplemental plan, and your prescription insurance will transition to Medicare Generation Rx and become a Medicare Part D plan. (Don't sign up for any other Medicare Part D plans, or your retiree coverage may be canceled.) Until you receive a new card, keep using your MedImpact card. If you have an HMO, contact your provider for details.

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. 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, if you want 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 the enrollment dates and HICN 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.



Office Closures

May 26 - Memorial Day
July 4 - Independence Day
September 1 - Labor Day

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

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Office of Retirement Services
Director Phil Stoddard

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