Department of Technology, Management & Budget

Public Act 264 of 2011 Summary

State Employees' Retirement System – Defined Contribution Plan

This summary highlights changes to the State Employees' Retirement Act and the Public Employee Retirement Health Care Funding Act as signed into law on December 15, 2011. Review more details at **www.michigan.gov/orsstatedc.**

Changes for Participants of the Defined Contribution (DC) Plan

Participants in the state's Defined Contribution (DC) Plan who were not former members of the Defined Benefit Plan have a choice regarding their retirement health care. They can keep the Graded Premium Subsidy where they can accrue credit towards insurance premiums in retirement, or they can choose the Personal Healthcare Fund that can be used to pay healthcare expenses in retirement.

- **Option 1–Graded Premium Subsidy:** DC participants who select this option will retain the current retiree health insurance graded premium subsidy offered by the state upon their retirement.
- **Option 2–Personal Healthcare Fund:** DC plan participants who select this option can establish a personal, portable fund which can be used for paying healthcare expenses in retirement. They will receive up to 2 percent matching employer contribution into a 401(k) account if they contribute 2 percent of pay.
  - Participants who elect this option will also receive a lump sum credit to a tax-deferred account when they terminate employment. The amount of the credit will be calculated based on the value of the retiree health benefits and the employee's years of service as of March 31, 2012, along with an annual interest credit. The amount of the credit shall not be less than $2,000 for participants employed by the state as of December 31, 2011.
    - Participants with at least 60 years of age and 10 years or service, or at least 55 years of age with at least 30 years of service, will receive 100 percent of the calculated amount upon termination of employment.
    - Participants with at least 10 years of service but who do not meet the age requirement at the time they terminate employment will receive 50 percent of the calculated amount upon termination.

Deadline:
Elections must be made in miAccount beginning Wednesday, January 3, 2012, and **no later than 5:00 p.m. EST, Friday, March 2, 2012**. Requests to change an election must be received before the election deadline.

Participants who make no election will remain in Option 1–Graded Premium Subsidy Plan.

Participants on layoff, leave of absence, or DB-DC transfers:
- Participants who have been on layoff for less than a year as of December 31, 2011, or who are on an approved leave of absence, will need to make an election by the March 2, 2012 deadline.
- Participants who transferred from the Defined Benefit plan during the 1997 reform remain eligible for the Defined Benefit retiree health insurance premium subsidy. This legislation does not affect them and they will not make an election.

Participants newly hired or returning to state employment:
- The state will no longer offer an insurance premium subsidy in retirement for workers hired on or after January 1, 2012. All new employees, including former qualified participants in the DC plan with less than 10 years of service, and former members of the Michigan Public School Employees Retirement System, will have support saving for retirement healthcare costs in the following ways:
  - Up to 2 percent matching employer contribution into a 401(k) or 457 account if the employee contributes 2 percent of pay.
  - A credit into a Health Reimbursement Account (HRA) at termination if they have at least 10 years of service at termination. The credit will be $2,000 for participants who are at least 60 years of age or $1,000 for participants who are less than 60 years of age.
- Former qualified participants in the DC plan with 10 or more years of service as of December 31, 2011, who are reemployed by the state on or after January 1, 2012, and before January 1, 2014, will be able to elect either Option 1 or 2 upon their reemployment. Former qualified participants in the DC plan with 10 or more years of service as of December 31, 2012, who are reemployed by the state on or after January 1, 2014, will be treated as if they elected Option 2.

Former and retired DC plan participants:
- Former qualified participants in the DC plan with 10 or more years of service as of December 31, 2011, who do not return to state employment will retain the graded premium subsidy.
- Retired state employees who are DC plan participants and who are currently enrolled in the state health plan are not affected by these changes and continue to receive their health insurance premium subsidy.
- Retired DC plan members who are eligible for but are not receiving a health insurance premium subsidy from the state health plan, retain their eligibility for the subsidy.

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Authority: 1943 P.A. 240, as amended