New Hire & Rehire Benefit Overview
PA 264 of 2011

For State Employees

Department of Technology, Management & Budget

Beginning State Employment (New Hires)

Retirement Account
Employees first hired on or after January 1, 2012, become qualified participants in the Defined Contribution (DC) plan. They will receive a 4 percent employer contribution to the State of Michigan 401(k) plan starting with their first paycheck. In addition, they are eligible for a dollar-for-dollar employer match of up to 3 percent of pay. Employee contributions may go into their 401(k) or 457 account, and the employer match will go into the 401(k) account.

Employees will be automatically enrolled for a 3 percent contribution in the 401(k) plan for the purposes of this matching program. Employees hired on or after January 1, 2012, who made a deferral election from January 1, 2012 to April 1, 2012, will not be affected by the automatic enrollment. Those hired as of April 1, 2012, will be automatically enrolled beginning with their first paycheck.

After the equivalent of two years of service, employees are 50 percent vested in employer contributions and earnings in their 401(k) account; they are 75 percent vested after 3 years and 100 percent vested after 4 years. Employees are immediately 100 percent vested in their own contributions to their 401(k) account.

Retiree Healthcare
The state will not offer an insurance premium subsidy in retirement for employees first hired on or after January 1, 2012. All new employees, including former members of the Michigan Public School Employees Retirement System, will participate in a Personal Healthcare Fund that can be used to pay for healthcare expenses in retirement. Their fund consists of:

- A dollar-for-dollar employer match up to 2 percent of pay into a separate account within the State of Michigan 401(k) plan as described above. Employees will be automatically enrolled for a 2 percent contribution in their 401(k) account for the purposes of this matching program. This 2 percent employer match follows the same vesting and auto enrollment schedule as for the 3 percent employer match noted above.
- 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 qualified participants who are at least age 60 or $1,000 for qualified participants who are less than age 60. Employees who terminate employment with less than 10 years of service are not eligible for any credit to an HRA.

Death & Disability Benefits
Employees first employed on or after January 1, 2012, are eligible for any applicable supplemental benefit in the event of a duty death or a duty disability (no vesting required) or a non-duty death or non-duty disability (10 years vesting required). Subsidized health insurance coverage is not provided under these provisions, but may be purchased by the employee at his or her own expense, under certain conditions.

Returning to State Employment (Rehires)

Defined Benefit (DB) Plan Members

Deferred members (10 or more years of service), who are reemployed by the state on or after January 1, 2012.

Retirement Account
These employees become qualified participants in the Defined Contribution (DC) plan as of the date of their rehire. They will receive a 4 percent employer contribution to the State of Michigan 401(k) plan starting with their first paycheck upon

rehire. In addition, they are eligible for a dollar-for-dollar employer match of up to 3 percent of pay. Employee contributions may go into their 401(k) or 457 account, and the employer match will go into the 401(k) account.

Employees will be automatically enrolled for a 3 percent contribution in the 401(k) plan for the purposes of this matching program. Employees rehired on or after January 1, 2012, who made a deferral election from January 1, 2012 to April 1, 2012, will not be affected by the automatic enrollment. Those rehired as of April 1, 2012, will be automatically enrolled beginning with their first paycheck.

Vesting requirements look back to the date of first hire and are as follows: after the equivalent of two years of service, employees are 50 percent vested in employer contributions and earnings in the 401(k) account; they are 75 percent vested after 3 years and 100 percent vested after 4 years. Employees are immediately 100 percent vested in their own contributions to their 401(k) account.

Pension

When these employees meet eligibility requirements (age 55 with 30 years of service or age 60 with 10 years of service), they will qualify for a pension. Their pension calculation is determined by their Final Average Compensation and years of service in the DB plan as of the date they terminated employment as a DB member.

Retiree Healthcare

These employees retain their eligibility for the retiree health insurance premium subsidy offered by the state.

Death & Disability Benefits

These employees retain their eligibility for retiree death and disability benefits offered by the state.

Any nonvested member (less than 10 years of service) who made the retirement plan election during the 2012 election window (under PA 264 of 2011) and is reemployed by the state on or after January 1, 2012 *and*

Former nonvested members who are reemployed by the state on or after January 1, 2012, and before January 1, 2014.

Retirement Account

These employees become qualified participants in the Defined Contribution (DC) plan as of the date of their rehire. They will receive a 4 percent employer contribution to the State of Michigan 401(k) plan starting with their first paycheck upon rehire. In addition, they are eligible for a dollar-for-dollar employer match of up to 3 percent of pay. Employee contributions may go into their 401(k) or 457 account, and the employer match will go into the 401(k) account.

Employees will be automatically enrolled for a 3 percent contribution in their 401(k) account for the purposes of this matching program. Employees hired on or after January 1, 2012, who made a deferral election from January 1, 2012 to April 1, 2012, will not be affected by the automatic enrollment. For those hired between January 1, 2012, and March 31, 2012, the automatic enrollment will begin April 1, 2012, and qualifying contributions made prior to April 1, 2012, will be matched retroactively to January 1, 2012. Those rehired as of April 1, 2012, will be automatically enrolled beginning with their first paycheck.

Vesting requirements look back to the date of first hire and are as follows: after the equivalent of two years of service employees are 50 percent vested in employer contributions and earnings in the 401(k) account; they are 75 percent vested after 3 years and 100 percent vested after 4 years. Employees are immediately 100 percent vested in their own contributions to their 401(k) account.

Pension

If and when they have earned sufficient service credit for vesting (10 years) they would be eligible for a pension based on their Final Average Compensation and years of service in the DB plan as of the date they terminated employment as a DB member.

Retire Healthcare

If and when they have earned sufficient service credit for vesting (10 years) they would be eligible for the retiree health insurance premium subsidy offered by the state.

Death & Disability Benefits
These employees retain their eligibility for retiree death and disability benefits offered by the state.

Former nonvested members (less than 10 years of service), who are reemployed by the state on or after January 1, 2014.

Retirement Account
These employees become qualified participants in the Defined Contribution (DC) plan as of the date of their rehire. They will receive a 4 percent employer contribution to the State of Michigan 401(k) plan starting with their first paycheck upon rehire. In addition, they are eligible for a dollar-for-dollar employer match of up to 3 percent of pay. Employee contributions may go into their 401(k) or 457 account, and the employer match will go into the 401(k) account.

Employees will be automatically enrolled for a 3 percent contribution in the 401(k) plan for the purposes of this matching program, beginning with their first paycheck.

Vesting requirements look back to the date of first hire and are as follows: after the equivalent of two years of service employees are 50 percent vested in employer contributions and earnings in the 401(k) account; they are 75 percent vested after 3 years and 100 percent vested after 4 years. Employees are immediately 100 percent vested in their own contributions to their 401(k) account.

Pension
These employees will not be eligible for a pension.

Retiree Healthcare
These employees will not be eligible for a retiree health insurance premium subsidy, but will participate in a Personal Healthcare Fund that can be used to pay for healthcare expenses in retirement. Their fund consists of:

- Automatic enrollment in a dollar-for-dollar employer match at up to 2 percent of pay into a 401(k) plan. This 2 percent employer match follows the same vesting and automatic enrollment schedule as for the 3 percent employer match noted above.
- 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 qualified participants who are at least age 60 or $1,000 for qualified participants who are less than age 60. Employees who terminate employment with less than 10 years of service are not eligible for any credit to an HRA.

Death & Disability Benefits
These employees are eligible for any applicable supplemental benefit in the event of a duty disability or duty death (no vesting required) or a non-duty disability or non-duty death (10 years vesting required for either). Subsidized health insurance coverage is not provided under these provisions, but may be purchased by the employee at his or her own expense, under certain conditions.

Returning to State Employment (Rehires)

Defined Contribution (DC) Plan Participants

Retirement Account
Former qualified participants in the DC plan who are reemployed by the state after January 1, 2012, will become qualified participants in the DC plan. They will receive a 4 percent employer contribution to the State of Michigan 401(k) plan starting with their first paycheck after rehire. In addition, they are eligible for a dollar-for-dollar employer match of up to 3 percent of pay. Employee contributions will go into their 401(k) or 457 account, and the employer match will go into the 401(k) account.

Employees will be automatically enrolled for a 3 percent contribution in the 401(k) plan for the purposes of this matching program. Employees hired on or after January 1, 2012, who made a deferral election from January 1, 2012 to April 1, 2012, will not be affected by the automatic enrollment. Those rehired as of April 1, 2012, will be automatically enrolled beginning with their first paycheck.

Vesting requirements look back to the date of first hire and are as follows: after the equivalent of two years of service employees are 50 percent vested in employer contributions and earnings in the 401(k) account; they are 75 percent vested after 3 years and 100 percent vested after 4 years. Employees are immediately 100 percent vested in their own contributions to their 401(k) account.

Retiree Healthcare

Former qualified participants 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 their retiree healthcare plan from the choices below. They will receive information and instructions from ORS and must make their election within 60 days after the first pay date. If they do not make an election by the deadline, they remain in the Graded Premium Subsidy. They may choose between the:

- **Graded Premium Subsidy** where, in addition to the service credit they already have, they continue to accrue annual credit toward their insurance premium subsidy in retirement, or the
- **Personal Healthcare Fund** that can be used to pay healthcare expenses in retirement. The fund consists of:
  - A dollar-for-dollar employer match up to 2 percent of pay into a separate account within the State of Michigan 401(k) plan as described above. Employees will be automatically enrolled for a 2 percent contribution in their 401(k) account for the purposes of this matching program. This 2 percent employer match follows the same vesting and automatic enrollment schedule as for the 3 percent employer match noted above.
  - 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.
    - Qualified participants who, at first termination of employment after January 1, 2012, are at least age 60 and have 10 years or service, or who are at least age 55 with at least 30 years of service, will receive 100 percent of the calculated amount upon their termination of employment.
    - Qualified participants who, at first termination of employment after January 1, 2012, have at least 10 years of service but who do not meet the age requirement noted above at the time they terminate employment will receive 50 percent of the calculated amount upon their termination of employment.

Former qualified participants with 10 or more years of service as of December 31, 2012, who are reemployed by the state on or after January 1, 2014, are no longer eligible for any retiree health insurance subsidy that they may have qualified for through their previous years of service. Instead, they will receive a Personal Healthcare Fund that can be used to pay healthcare expenses in retirement. Their fund consists of:

- A dollar-for-dollar employer match up to 2 percent of pay into a separate account within the State of Michigan 401(k) plan as described above. Employees will be automatically enrolled for a 2 percent contribution in their 401(k) account for the purposes of this matching program, beginning with their first paycheck.
- A lump sum credit to a tax-deferred account when they terminate employment after January 1, 2012. 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.
  - Participants with at least age 60 and 10 years or service, or at least age 55 with at least 30 years of service, will receive 100 percent of the calculated amount upon their termination of employment after January 1, 2012.
  - Participants with at least 10 years of service but who do not meet the age requirements listed above at the time they terminate employment after January 1, 2012, will receive 50 percent of the calculated amount upon termination.

Former qualified participants with less than 10 years of service as of December 31, 2011, who are reemployed by the state on or after January 1, 2012, will participate in a Personal Healthcare Fund that can be used to pay for healthcare expenses in retirement. Their fund consists of:

- A dollar-for-dollar employer match up to 2 percent of pay into a separate account within the State of Michigan 401(k) plan as described above. Employees will be automatically enrolled for a 2 percent contribution in their 401(k) account for the purposes of this matching program. Employees hired on or after January 1, 2012, who made a deferral election from January 1, 2012 to April 1, 2012, will not be affected by the automatic enrollment and any eligible contributions made during that period will be matched retroactively back to January 1, 2012. Those rehired as of April 1, 2012, will be automatically enrolled beginning with their first paycheck.

- 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 qualified participants who are at least age 60 or $1,000 for qualified participants who are less than age 60. Participants who terminate employment with less than 10 years of service are not eligible for any credit to an HRA.

Reemployment after making the retirement healthcare election. Former DC plan qualified participants who made the retirement healthcare election in 2012 to opt out of the Graded Premium Subsidy and into the Personal Healthcare Fund (under PA 264 2011), who are reemployed by the state will be placed in the Personal Healthcare Fund and would be eligible for the 2 percent matching contribution as of the date of their rehire. Because they elected the Personal Healthcare Fund and already received the lump sum payout at their first termination of employment, they would be eligible only for the 2 percent matching contribution as of the date of their rehire.

Former qualified participants in the DC plan who made the retirement healthcare election in 2012 to remain in the Graded Premium Subsidy (or made no election under PA 264 of 2011), who are reemployed by the state, would return to the Graded Premium Subsidy and continue to accrue service credit towards their subsidy amount.

If they failed to elect a retirement plan prior to termination, they will retain the Graded Premium Subsidy.

Death & Disability Benefits.
Former qualified participants with 10 or more years of service as of December 31, 2011, who are reemployed by the state on or after January 1, 2012, are eligible for any applicable duty death or duty disability (no vesting required) or non-duty death or non-duty disability (10 year vesting required) supplemental benefits, and are also eligible for any applicable health insurance premium subsidies under those provisions.

- If they were rehired between January 1, 2012, and January 1, 2014, and elected the Graded Premium Subsidy option, they will be eligible for maximum health insurance premium subsidy allowed by statute.
- If they elected or are placed in the Personal Healthcare Fund, they will receive the maximum health insurance premium subsidy allowed by statute. However, they (or their spouse and health benefit dependents) will lose all rights to the 2 percent employer matching contributions and earnings on those contributions in their 401(k) accounts, as well as the lump sum amount that they would have received at termination. They (or their survivors) retain full ownership of their 2 percent contributions and the earnings on those contributions in their 401(k) or 457 account.

Former qualified participants who have less than 10 years of service as of December 31, 2011 and who are rehired on or after January 1, 2012, are eligible for any applicable duty death or duty disability (no vesting required) or non-duty death or non-duty disability (10 year vesting required) supplemental benefits. Subsidized health insurance coverage is not provided under these provisions, but may be purchased by the employee at his or her own expense, under certain conditions.