



# Connections

Staying connected with Michigan's retirees

September 2022

Vol. 25 No. 3

## Retiree spotlight

### 'Life's reversals' mark serendipitous journey

Redirection is a constant for Paul Jackson, a retired information specialist-librarian with Flint roots who sees his "life's reversals" as serendipitous.

"I got into library work and it fit perfectly," said Jackson, an Eastern Michigan University and University of Michigan graduate who served in the U.S. Army. "I've had some reversals with divorce, health, and so forth, but it's got me where I needed to be."

The 86-year-old resides in Steilacoom, Washington. Married seven years to JoAnn Lakin, a retired teacher from Nebraska, their lives revolve around family, writing, and music.

He writes non-fiction as an essayist, reviewer, and contributor to Public Libraries Online, a publication of the Public Libraries Association. He self-published *Letters from Paul*, a compilation written as a deacon to parish members. He edits stories for the 50-member Plateau Area Writers Association's *Quarterly* and anthology *Contrasts*.



*Paul Jackson drumming with his grandchildren.*

Jackson has three grown children from two previous marriages: a son in suburban Seattle; a son in Deadwood, South Dakota; and a daughter in Texas. He has 11 grandchildren, sharing four with Lakin.

He retired in 1996 after 10 years with Thumb Correctional Facility, the Lapeer medium-security prison where he established a library supporting GED achievement and vocational trades for 1,200 inmates. He relocated to help his son, whose wife was dying of cancer. He left on family leave and discovered he could retire.

"I'm so grateful for having the state's pension and medical insurance, which has kept me able, alive, and well," said Jackson, a colon cancer survivor.

He was a percussionist with the 214th Army Band at Fort Richardson, Alaska, and played with Anchorage Symphony Orchestra. He spent 16 years with Gateway Concert Band in Enumclaw, Washington, leaving in 2019 because of his cancer diagnosis.

He longs to return to Michigan and the 1938 Long Lake cottage near Interlochen his dad built. "I haven't been there for a while, but I'd like to go more often," Jackson said.

*Do you have a story to share? Send it to [ORS-RetireeStories@Michigan.gov](mailto:ORS-RetireeStories@Michigan.gov).*



*Paul Jackson (top right) playing Timpani in 2014.*



## From the director

Welcome to the September 2022 issue of your *Connections* newsletter.

It's been a rugged year when it comes to household and family finances, with inflation hovering near a 40-year high. That means something even more important is budgeting, which you know doesn't end when you're retired.

Strategies like determining monthly expenses reviewing your emergency fund, planning for safe withdrawals, diversification considerations, and better organizing your finances are all worth considering. It's always a good time to review your spending and expenses.

Your retirement journey involves making adjustments. The Office of Retirement Services (ORS) is here to help you and your family navigate life. Acting in the best interests on your behalf and for the state pension systems is about being conscientious, one of ORS' core values, in protecting and maintaining the health of your retirement benefits.

Meanwhile, I am pleased to deliver you the 2020-21 financial summary for the State Employees' Retirement System (SERS) in this issue. While the financial summary provides many details, more information is available in the **SERS 2021 Summary Annual Report**.

Not everything is about balanced budgets, however. For instance, Paul Jackson's retiree story is an inspiration. If you have a retiree story you'd like to share with us, please send it to **[ORS-RetireeStories@Michigan.gov](mailto:ORS-RetireeStories@Michigan.gov)**.

A handwritten signature in black ink, appearing to read 'Anthony Estell', with a horizontal line extending to the right.

**Anthony Estell, director**

Michigan Office of Retirement Services

“It’s always a good time to review your spending and expenses.”

# Financial summary fiscal year 2020-21

## For the State Employees' Retirement System (the System)

This summary includes details from the complete **2021 annual comprehensive financial report (ACFR)**, which was produced for fiscal year (FY) 2020-21. Totals and subtotals may not add up due to rounding. The full report is available on our website at [Michigan.gov/ORSStateDB](http://Michigan.gov/ORSStateDB).

### Assets and liabilities

The System's net assets were \$19.6 billion at the close of FY 2020-21. Total net assets held in trust for pension and other post-employment benefits (OPEB, i.e., retiree healthcare) increased by \$3.9 billion from the previous FY, primarily due to positive investment returns.

### Revenue and expenditures

The reserves needed to finance pension and OPEB are accumulated through the collection of contributions by employer and employees and through earnings on investments.

Contributions and net investment income for FY 2020-21 totaled \$5.7 billion. Investment earnings accounted for 73% of the System's revenue.



#### Assets and liabilities<sup>1</sup> (dollars in thousands) (combined pension and OPEB)

Assets	FY 2020	FY 2021
Cash	\$ 224,039	\$ 193,801
Receivables	180,757	205,495
Investments	15,276,574	19,197,511
Securities lending collateral	633,795	630,025
<b>Total assets</b>	<b>\$ 16,315,165</b>	<b>\$ 20,226,832</b>
Liabilities	FY 2020	FY 2021
Unearned revenue	\$ 5	\$ 721
Accounts payable and other liabilities	31,611	32,237
Obligations under securities lending	633,795	630,025
<b>Total liabilities</b>	<b>665,410</b>	<b>662,983</b>
<b>Net assets</b>	<b>\$ 15,649,755</b>	<b>\$ 19,563,849</b>

1. ACFR for the FY ended Sept. 30, 2021, Page 15. Liabilities in this context are exclusive of AAL for pension and OPEB. The sum total of all the line items may not equal the total due to rounding.

**73% of the System's funding came from net investment earnings in FY 2019-20.**

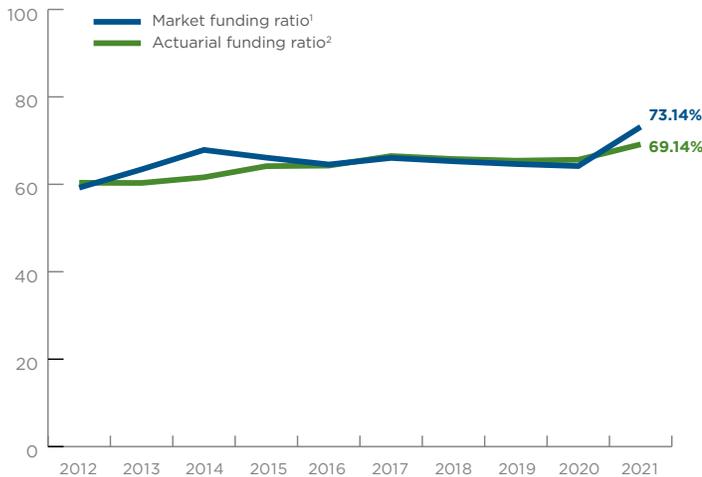
#### Additions and deductions<sup>1</sup> (dollars in thousands)

Additions	FY 2020	FY 2021
Member contributions	\$ 25,265	\$ 23,881
Employer contributions	1,317,296	1,434,045
Other governmental contributions	123,515	104,777
Net investment income (loss)	762,256	4,167,279
Other non-operating revenue	-	2
Miscellaneous income	9,888	3,639
<b>Total additions</b>	<b>\$ 2,238,221</b>	<b>\$ 5,733,624</b>
Deductions	FY 2020	FY 2021
Pension benefits	\$ 1,432,401	\$ 1,459,749
Healthcare benefits	405,513	401,720
Refunds and transfers to other systems	340	428
Uncollectable receivables	-	33,881
Administrative and other expenses	21,998	18,186
<b>Total deductions</b>	<b>\$ 1,860,251</b>	<b>\$ 1,913,964</b>
Net position	FY 2020	FY 2021
Net increase (decrease) in net position	\$ 377,970	\$ 3,819,659
Beginning of year	15,271,786	15,744,190
<b>End of year</b>	<b>\$ 15,649,755</b>	<b>\$ 19,563,849</b>

1. ACFR for the FY ended Sept. 30, 2021, Page 16.

## Pension funding ratio

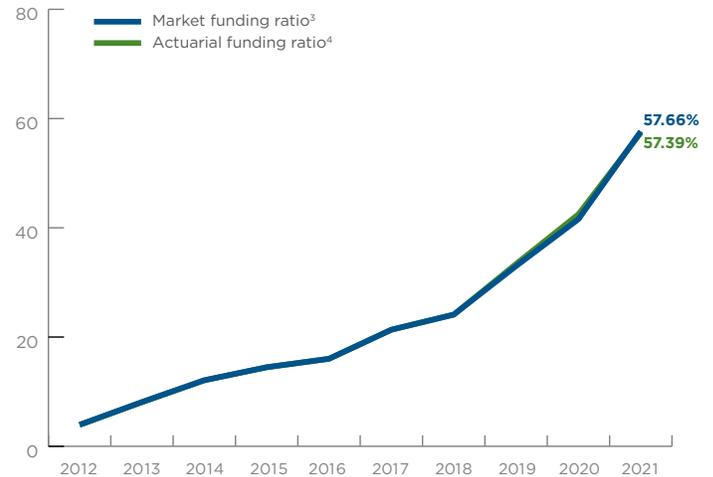
The market funding ratio is based on the market value of assets at the fiscal year-end. The actuarial funding ratio is the best practice used by all pension plans nationwide. It incorporates a five-year smoothing period of investment gains and losses, which minimizes volatility in a pension system's funding requirement. The System is on schedule to be fully funded in 2036.



1. Calculated on market value of assets.
2. Pension Actuarial Valuation for the FY ended Sept. 30, 2021, pages B-5 and C-6.

## Healthcare funding ratio

Starting in FY 2012-13, the System began pre-funding OPEB costs, which significantly decreased the liability and increased the asset levels. Pre-funding is a best practice that invests assets and allows investment returns to help fund the plan. Many states do not pre-fund OPEB costs. This reform put Michigan on the leading edge of the OPEB funding best practices.



3. Calculated on market value of assets.
4. OPEB Actuarial Valuation for the FY ended Sept. 30, 2021, pages A-2 and D-2. Actuarial value of assets is equal to the reported market value of assets as of the valuation date.

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

## Are you planning a return to work?

You may have heard that Governor Gretchen Whitmer recently signed legislation that changed the working after retirement rules. While Public Act (PA) 184 was signed into law on July 25, 2022, these rules apply only to Michigan public school retirees who return to work for a public school. Rules for retired state workers have not changed.

As a state of Michigan retiree, if you return to work for the state as an employee, independent contractor, or through a contractual arrangement

with another party, you must forfeit your state pension for the duration of the reemployment. For more information on rules for former state employees who return to state employment, see the **Working After You Retire** section of our website.

While PA 184 does not directly apply to state retirees, be aware that former state employees can pursue employment at a Michigan public school with no effect on their pension or insurance benefits.



## UM-Flint economist says to save more

Chris Douglas is blunt about the sluggish economy hurting household finances, but says there are moves you can make to improve your financial outlook.

“It’s tough the way things are going,” the University of Michigan-Flint associate economics professor said. “All terminology aside, we’re in a slowdown.”

**Inflation** lingers near its recent 40-year high. The University of Michigan’s index of consumer sentiment hovers not far from hitting the lowest point in its 70-year history.

“Inflation is frustrating, especially when you see prices rising 10% and your purchasing power is being eroded,” Douglas said. “You’ve got to up your savings, however you can. Rebuild the nest egg. When you’re 60, 70, or whatever, risk is not your friend. Volatility is not your friend.”

“I think for retirees in the retirement system there’s an adjustment coming and they’re at least going to get a steady stream of income,” said Douglas, whose parents are retired educators who are both Michigan Public School Employees’ Retirement System members. “When there’s a slowdown, you want to be able to get through it.”

The post-retirement increase arrives in October for the State Employees’ Retirement System. The annual increase is 3%, spread over the next year’s 12 pension payments.

## Suggestions to hedge against inflation:

- Delay — or at least think hard about — major projects or purchases, such as a new vehicle, roof, or furnace, unless absolutely necessary.
- Set aside savings, particularly for an emergency fund.
- Avoid changing your asset mix on investments.
- Don’t overextend yourself, live within your means, and “don’t overdo it on credit cards or dip into your nest egg or home equity.”

# Medicare Open Enrollment



Since the beginning of September, you've probably received a lot of information about Medicare, healthcare and prescription drug insurance plans, premiums, deductibles, and networks. The information is meant to prepare you for what is known as Medicare Open Enrollment.

Medicare Open Enrollment runs from Oct. 15 through Dec. 7 each year. During this annual period, you can compare your current coverage to your choices for 2023 and if you want select a new insurance plan outside of the retirement system for 2023.

We know this process can be confusing but gathering the information you need before the start of Medicare Open Enrollment will make the process simpler.

## Tips to help you navigate Medicare Open Enrollment.



If you do not want to change your current coverage elections through the retirement system, you do not need to do anything.



Medicare allows enrollment in one Medicare Advantage plan and/or one Part D prescription plan.

Notify ORS when you or anyone on your insurance has coverage with another insurance plan. You can do this in miAccount or by sending in a completed *Insurance Enrollment/Change Request (R0452G)* form. (It is your responsibility to keep ORS informed of any changes that may affect coverage.)



Enrolling in a plan outside this retirement system could put your ORS insurance at risk of being terminated due to the other plan. Before signing up for additional coverage, call your current your health and prescription plan to find out if enrollment in additional coverage would impact your coverage with ORS.



If you need help making decisions about your coverage or understanding the terminology, several national and state resources offer help.

**Medicare.gov** can tell you how original Medicare and Medicare Advantage plans work.

**Medicare Rights Center** is a non-profit that provides free questions and answers about Medicare rules and deadlines.

**State Health Insurance Assistance Program (SHIP)** has counselors available in every state to providing free one-on-one assistance.

# Ask our experts

Michigan Office of Retirement Services (ORS) experts answer frequently asked questions.

## I'm concerned about phishing attempts and spam. Are emails I receive from govDelivery legitimate?

Yes. All state agencies, including ORS, use the web-based email application govDelivery for bulk emails. When you receive an email from our office, the *from* address field may show that it came from **ORS@public.govdelivery.com**. This is a legitimate message.

Note also that our emails include a banner with the ORS logo. Any email without a banner showing our logo did not come from ORS.

In addition, ORS sends occasional surveys via email. Those emails show **ORS-Outreach@michigan.gov** in the *from* address field.



## Update ORS

It is critical that you report any of the following changes in personal information to ORS: address, email, tax withholding, direct deposit, death, divorce, marriage, and Medicare information.

The fastest way to report these and other life events is through **miAccount**.

**You can also contact us at:**



**Michigan.gov/ORS**  
**Facebook.com/MichiganORS**  
**Twitter.com/MichiganORS**



**PO Box 30171**  
**Lansing, MI 48909-7671**



**Phone: 800-381-5111**  
**Fax: 517-284-4416**

## 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. In December, it's a week earlier.

If your payment is not credited within three days after the scheduled payment date, check with your bank first and then contact ORS.

## Office closures

Nov. 8 ..... Election Day

Nov. 11 ..... Veterans Day

Nov. 24-25 ..... Thanksgiving

Dec. 23-26 ..... Christmas

Dec. 30-Jan. 2 ..... New Year's