MICHIGAN OFFICE OF RETIREMENT SERVICES

P.O. Box 30171 · Lansing, MI 48909-7671

🖥 www.michigan.gov/ors   📞 800-381-5111 or 517-322-5103

July 14, 2017

«FIRSTNAME» «LASTNAME» «SUFFIX»   Member ID: «member_id»
«ADDRCONM»   Email Address: «EMAIL»
«ADDRLINE1»
«ADDRLINE2»
«ADDRLINE3»
«ADDRLINE4»

Option to Purchase Service Credit Ending September 29, 2017

Dear «Firstname» «Lastname»:

Public Act 92 of 2017, which was signed into law on July 13, discontinues the option to initiate a service credit purchase as of September 29, 2017. This change in the law has no other effect on your pension or retiree healthcare benefits, and it does not affect purchases you've already made or tax-deferred payment agreements you may already have in place.

If you're planning any additional service credit purchases, full payment for the amount of service you wish to buy or a fully completed *Tax-Deferred Payment (TDP) Agreement (R0392C)* signed by both you and your employer must be received in our office **by 5:00 p.m. EDT, September 29, 2017**. Any service credit applications received after that time will not be processed and payments will be refunded appropriately. However, the ability to receive credit for time spent in military service and to reinstate service credit by repaying any refunded pension contributions will remain available to you after that date.

To find out what types of service credit you may be eligible to purchase, the cost, and how to purchase, our website is your best resource. Go to **www.michigan.gov/orsschools** and click on Service Credit – Earning and Purchasing. Consider the following before initiating a service credit purchase.

1. **Am I eligible?** Enclosed you'll find the rules for service credit purchases. You'll also want to review the various types, which are detailed on our website under Types of Service Credit.

2. **How much will it cost?** Our website explains how the cost for each type of service credit is calculated. But the best way to find out your cost is to log in to miAccount at **www.michigan.gov/orsmiaccount** and go to Your Service. There, you can estimate the cost of purchasing Universal Buy-In service credit and other types of service credit.

3. **What's my cost versus the benefit?** Buying service credit isn't always an easy decision. You should weigh costs with benefits. Fortunately, there are tools in miAccount that can help you decide. First, create a pension estimate. The Estimate Pension tool lets you enter any number of "what-if?" scenarios to create multiple estimates. Next, click on Your Service. From there, you can estimate the cost of purchasing Universal Buy-In service credit and various other types of service credit. After calculating your cost, click on "When will I recover this cost." The Breakeven Point for Your Service Purchase calculator uses one of your pension estimates to determine how many years after retiring it would take to recover the cost of your purchase.

4. **When would I need to take action?** Don't delay! Initiating a purchase can be a lengthy process, especially with Out-of-System Public School Educational Service. Make sure you allow enough time

for the entire process to be completed before the closing date. If you request a *Member Billing Statement*, expect it in the mail in about 30 days. If you decide a service credit purchase is right for you, you'll need to coordinate the purchase with ORS, your employer, or, if you're using a plan-to-plan transfer, your investment account administrator. Your check or money order or transfer from a pre-tax retirement account must be received by ORS by 5:00 p.m. EDT, September 29, 2017. If you plan to set up a *Tax-Deferred Payment (TDP) Agreement (R0392C)* with your employer, ORS must receive the completed agreement from your employer by 5:00 p.m. EDT, September 29, 2017.

5. **Are you switching schools?** If you already have a tax-deferred payment agreement in place and you're changing public school employers, you'll need to resume the deductions on the tax-deferred payment agreement with your new employer within 90 days to continue payment on that service credit purchase. If you don't resume deductions within 90 days, you will not be able to make further payments on that agreement and only the amount of service you've already paid for will be added to your account, if partial credit is allowed for that type.

If you have any questions after reviewing the resources on our website, log in to miAccount and use our online Message Board for secure, direct access to our representatives.

Sincerely,

Office of Retirement Services

MICHIGAN OFFICE OF RETIREMENT SERVICES
Big Plans. Small Steps.

R3517C (7/2017)
Page 2

MICHIGAN OFFICE OF RETIREMENT SERVICES
Big Plans. Small Steps.

💻 www.michigan.gov/ors
✉ P.O. Box 30171 ·Lansing, MI 48909-7671
📞 800-381-5111 or 517-322-5103

General Rules for Service Credit Purchases

Each type of service credit has specific rules, costs, and applications. Before you dig into the details, read the following tips so you're ready to make what can be a complicated-and costly-decision. Next, go to **www.michigan.gov/orsschools** and click on Service Credit – Earning and Purchasing. There you'll find full details on each type of service credit including eligibility requirements, the costs, and how to purchase.

1. **You must be an active member in the Defined Benefit (DB) plan.** Any service credit purchase or transfer must be completed while you are an active member – that is, while you are still employed by a participating public school system. The purchase must be completed before you terminate employment from a Michigan public school reporting unit. Service credit purchases can never be initiated after you've stopped working within the retirement system or after switching to the Defined Contribution (DC) plan.

> **How much would a service credit purchase cost?**
>
> **Log in to miAccount to find out.** You can estimate the cost of purchasing Universal Buy-In and other types of service credit.
>
> **www.michigan.gov/orsmiaccount**

2. **You will need to establish a wage base.** You must earn at least two years of service before you're eligible to make a purchase, and some time must be earned in the immediately preceding fiscal year.

3. **Purchased service credit and insurance subsidies.** Buying service can help you qualify for your pension earlier, but it won't necessarily help you qualify for the plan's health insurance premium subsidy earlier. If you are planning on enrolling in insurances when you retire, be sure you understand whether you will be subject to a delayed subsidy.

4. **No double-dipping.** When you get credit for other service, whether granted or purchased, you typically have to give up your rights to any benefit that would have been payable under the other pension system.

5. **You can't buy your way in.** To be eligible to retire, at least 15 years of service must be earned service under the Michigan Public School Employees' Retirement System, unless you plan to retire under one of the age 60 eligibility provisions. (Transferred State of Michigan service under the DB plan and Intervening Active Duty Military Service are treated as earned service.)

6. **A match may be required.** You can't buy credit that will exceed the amount of service you'll earn within this system. For example, if you worked for an Ohio school for 12 years and want to purchase that service, you may purchase all 12 but you won't be credited with the service until you've earned or "matched" with 12 years in this system. (If you purchase more than you ultimately earn, we'll refund the excess.)

7. **You must be vested for your purchase to count.** Unless otherwise noted, most purchases won't count in your service total until you are vested. You are vested when you have sufficient service to qualify for a future monthly benefit, whether or not you continue working for a public school. Most school employees are vested after the full-time equivalent of 10 years.

8. **With few exceptions, purchased service credit can't count toward your vesting requirement.** Only transferred State of Michigan service under the DB plan and Intervening Active Duty Military Service can count toward your vesting requirement. All other types of service credit won't count in your pension calculation until you have earned ten years working under this system.