State of Michigan

401(k) & 457 Plan Highlights

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401(k) & 457 PLANS

Saving Today, Planning for Tomorrow

The Michigan Public School Employees Retirement System provides competitive retirement and health care benefits and encourages you to take full advantage of them to plan for your future. This Plan Highlights guide provides you with useful plan information and resources to help you and your family make sound retirement decisions.

There are two retirement plans available to help you save for retirement:

- **The State of Michigan 457 Plan** for your pre-tax contributions
- **The State of Michigan 401(k) Plan** for employer contributions

Who Should Use This Guide:

Michigan public school employees who first worked on or after September 4, 2012 and chose the Defined Contribution (DC) Plan

For a complete list of who this e-book applies to, please return to the Plan Information page at **https://stateofmi.voyaplans.com**.

Questions? Need More Information?

This document has helpful links to more detailed information if you need it.

Navigation Tips

This document is optimized to help you navigate easily and includes tabs and hyperlinks (noted in green) to more information.

- To **Go to a Section**, click on any tab above.
- To **Move Forward or Back**, click on any page arrow below or scroll up or down.
- View in **Full Screen** mode for optimal viewing. Touch the escape key on your keyboard to exit Full Screen mode.

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How Enrollment Works

Your employer offers you the flexibility to customize your long-term investment strategy based on your individual needs and tax situation.

Employees are Automatically Enrolled

Because your employer supports your efforts to achieve retirement readiness, you were automatically enrolled.

- Your auto-enrollment in the 457 Plan is from the first day of work at an 8% contribution rate. 6% of your contribution is designated as retirement savings, and 2% is directed to the Personal Healthcare Fund. This is a special fund established to help you save now for health care expenses in retirement.
- This contribution is invested in a SSgA Target Retirement Fund (based on date of birth and an anticipated retirement age of 65). You can sign up for additional employee pre-tax contributions. You may change your contribution and investment options at any time.
- You will automatically receive password information from Voya Financial® in the mail for online access to your accounts to make contribution and investment changes.
- If you have questions about enrollment you can call the Plan Information Line at **1-800-748-6128**.

Manage Your Investments

To learn about your investment options go to **Fund Information**. To choose different investment options after you are automatically enrolled, log in to your account and go to **Manage Investments** under *My Account*. To learn more about investing, be sure to take advantage of our resources, such as investment advice offered by the Voya Advisory Service and Financial Engines.

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How Contributions Work

Contributions are made conveniently through payroll deduction, and your employer also makes contributions on your behalf. By working together, our goal is to help you achieve sufficient income in retirement.

Supporting Your Efforts to Save Towards Retirement and Retiree Medical Expenses

You were enrolled automatically into the 457 Plan at an 8% contribution rate. Your employer matches your 457 Plan contributions dollar for dollar on the first 2% of your wages and 50 cents on the dollar on the next 6% of your wages. This match is made to the 401(k) plan.

Your contributions are automatically invested in one of the **SSgA Target Retirement Funds**, based on your date of birth and assuming you will retire at age 65 until you direct otherwise. You may change your contribution and/or investment options at any time.

You may contribute as much as you wish to the 457 Plan, as long as you do not exceed the **annual contribution limits**.

The Power of the Match

Type of Contribution	You	State
Retirement Savings *Automatic enrollment level*	6%	3%
Personal Healthcare Fund *Automatic enrollment level*	2%	2%
Total	**8%**	**5%**
Grand total working for you!	**13%**	

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Contributions (continued)

Take Advantage of The Catch-Up Opportunity If You Are Over 50

If you'll be 50 or older this year, you're eligible to make catch-up contributions in the 457 Plan up to the **maximum catch-up limit**. This is a good opportunity to make up for years you may not have been able to contribute. If you are at least age 50 by the end of the calendar year, your contributions will automatically be allowed up to the maximum age 50 limit. If you have questions or want to make a catch-up contribution, call the Plan Information Line at **1-800-748-6128**.

- If you have not made the maximum contribution in prior years, you may be eligible for the Traditional Catch-Up Contribution. This allows you to contribute up to twice the annual dollar limit for the three calendar years prior to the year in which you become eligible for normal retirement benefits (between age 50 and age 70½). If you wish to take advantage of the Traditional Catch-Up Contribution, you must call the Plan Information Line at **1-800-748-6128**.
- You may not participate in the Over 50 Catch-Up and the 457 Traditional Catch-Up during the same calendar year in the 457 Plan.

Vesting

To be vested is to legally own the money in your account. You are immediately 100% vested in your own contributions and any earnings on those contributions. In the 401(k) Plan, employer matching contributions made on your behalf are vested according to the table below.

Employer Contributions Are Vested As Follows:

Years of Service*	Percent Vested
After 1 Year	0%
After 2 Years	50%
After 3 Years	75%
After 4 Years	100%

**A year of service is defined as 1020 hours.*

Consolidating Your Retirement Assets

If you have a retirement plan balance from previous employment, you may be able to transfer or roll over this balance into your 401(k) or 457 Plan account.

- **401(k) Plan:** Balances from an eligible retirement plan such as a 401(a), 401(k), 403(b), Roth 401(k), Traditional IRA or SEP-IRA may be rolled over into the 401(k) Plan
- **457 Plan:** Only approved balances from other governmental 457(b) plans may be transferred into the 457 Plan

To request a Rollover Contribution, you must complete a Rollover Contribution Form or Roth Rollover Contribution Form. For assistance, you may also contact the Plan Information Line and speak with a Customer Service Associate.

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Getting Ready for Health Care Costs in Retirement

Your employer supports your efforts to save for health care costs in retirement through the Personal Healthcare Fund. Planning for medical expenses in retirement is an important part of your overall retirement savings plan, because unexpected health care expenses could derail your overall strategy.

For many Americans, health care is likely to be one of their largest expenses in retirement. Why? Because not only do medical costs continue to rise each year, programs such as Medicare only cover a portion of what you might need to cover your care. Even if you are healthy when you retire, health care costs later in your retirement can erode your savings.

Typical Costs

Health Care	Cost
Assisted Living	$3,300/month
Nursing homes	$200+/day
Home health aid	$18 - $19/hour

Source: Genworth Cost of Care Survey, 2012

With people living longer all the time, health care is a key consideration in retirement income planning. It's smart to plan for medical expenses now, while you are still working, so you can take advantage of time and compounding. To learn more, call **1-800-748-6128**.

How Much a Typical Couple May Need to Budget for Health Care in Retirement

- Major medical coverage
- Deductibles and co-insurance
- Prescriptions
- Long-term illness
- Chronic conditions
- Assistance and caregiving

Total Estimate: $270,000

Source: OptumHealth Financial, a United Healthcare Company, April 2013

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Don't Forget to Name Your Beneficiaries

It's important to name beneficiaries for your 401(k) and 457 Plans so that in the event of your death, your savings will be distributed the way you want. Here's how it works:

- You may have the same beneficiary for both the 401(k) and 457 Plans, or you can have different beneficiaries for each Plan.
- You can change your designated beneficiary whenever you need to online.
- Beneficiary elections may also be made through written request using the **Designation of Beneficiary** form.
- Paper beneficiary forms are required if you are married and you wish to name someone other than your spouse as your primary beneficiary in the 401(k) Plan, since your spouse must provide consent. This form is available on the Plan Web site or by calling the Plan Information Line at **1-800-748-6128**.

Do you know who your beneficiaries are?

Pay Attention to Your Account

One of the best ways to stay on top of your account is to take a hands-on approach.

- **Account statements** — Semi-annual statements are mailed about two weeks following the months of June and December each year. It is very important for you to review your statement each time you get it. These statements summarize your transactions, account balance, and investment performance. The statements also list your contribution rates and beneficiary elections. You may choose to receive your statements electronically.
- **Online** — You can access account information online at anytime.
- **By Phone** — When you have questions about your account, you can call the Plan Information Line at **1-800-748-6128**.
- **You can access your Plan account using** — Your iPhone®, iPod touch® or Android™ device. Download the free app directly from the App Store℠ or the Google™ play store (keywords: Voya Retire).

Newsletter

You will receive a newsletter along with your account statement that includes important plan information, updates about any changes in the plans, or the effect of new laws on the plans. Newsletters are also available online.

Save Some Trees

Many participants are choosing to receive their statements and confirmations electronically. Go to the Preferences section of your online account to add your email address, select your preferred delivery options and you will be notified when your statement is available.

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Loans

A plan loan is available if you occasionally need access to your money for non-recurring financial needs. Bear in mind that the size and frequency of loans may affect the amount of money you will have at retirement. It's always a good idea to stay fully invested until retirement to improve your chances of retirement readiness.

Applying for a Loan

You can borrow from your 457 Plan account and pay yourself back with interest through an automated repayment plan.

- **Two Types of Loans** — General loans have a repayment period of 2 months to 60 months. Residential loans are designed to help you purchase your primary residence and have a repayment period of 61 to 360 months. Proof of purchase is necessary to qualify for a residential loan.
- **Loan Amounts** — The *minimum* loan amount allowed is $1,000. The *maximum* loan amount is the lesser of 50% of your account balance up to $50,000, minus your highest outstanding loan balance in the last 12 months and any defaulted loan balances, including accrued interest on defaulted loans.
- **Interest Rate** — The interest rate for loans is the Prime Rate as quoted in the Wall Street Journal on the first day of the month prior to the month in which the loan is requested.

Considering a Loan?

Although a loan is available if you need it, remember it's always a good idea to stay fully invested until retirement. To learn more about loans, call the Plan Information Line at **1-800-748-6128**.

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Loans (continued)

- **Restrictions** — Only one loan may be outstanding at a time. Balances in the Self-Directed Brokerage Account are not available for loans. In order to take a loan you will need to transfer the money back to the core funds. 401(k) account balances are also not available for a loan.
- **Fees** — There is a $75 non-refundable application fee for each loan and a loan maintenance fee of $8.75 per quarter.

Repaying a Loan

Payments on your loan must be made through periodic automatic repayment plan established with your bank. If you have insufficient funds at the time the transaction is processed, it will be re-processed the following month along with the next month's payment. Interest will also accrue on missed payments.

Loans can be repaid in full at any time by contacting the Plan Information Line to receive your loan payoff amount and instructions. Partial repayments are not accepted.

All outstanding loans must be kept up-to-date or fully repaid when you go on leave of absence (except military leave) or terminate employment. Otherwise, the loan will default after 90 days and the balance will become a taxable distribution to you.

Defaulting on a loan will prevent you from taking another loan for 24 months. In addition, defaulted loans that have not been paid in full or offset by plan distributions will count against the one loan maximum. Plus, defaulted balances are taxable in the year of default and may be subject to a 10% IRS early withdrawal penalty.

For additional detail, see the Loan Policy Statement online under **Publications**.

Check Your Loan Online

You can request or model a loan, or see your current loan balances online, or by calling the Plan Information Line at **1-800-748-6128**. Loans for the purchase of a home require a signed promissory note.

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In-Service Withdrawals

Age 59-1/2 Withdrawals

Participants over age 59½ who are still actively employed may take a distribution from their 401(k) accounts. Before taking a distribution, you should consider your decision carefully. Such distributions are made without a 10% penalty, but are taxable as ordinary income unless being rolled over. 20% will be automatically withheld from your distribution for Federal tax purposes. Due to US Department of Labor regulations, this type of in-service distribution is not available in the 457 Plan.

Rollover Withdrawals

Participants who have made rollover contributions may take a distribution of eligible monies from their 401(k) or 457 Rollover Contribution account. If you are under 59½, though, IRS early withdrawal penalties may apply unless you are rolling over the assets to another qualifying tax-deferred plan.

Hardship Withdrawals

Hardship Withdrawals may be taken from your 401(k) Plan account for the following reasons:

- To purchase a primary residence
- To prevent foreclosure or eviction from your primary residence
- To pay certain unreimbursed medical expenses
- To pay certain education expenses
- To pay for repairs to your principal residence
- To pay for funeral expenses

Withdrawals (continued)

Unforeseeable Emergency Withdrawals

Unforeseeable Emergency Withdrawals can be taken from your 457 Plan account for certain extreme financial emergencies that are caused by circumstances beyond the control of the participant.

You must first exhaust all other loan and withdrawal possibilities before requesting an Unforeseeable Emergency Withdrawal. After taking a 401(k) Plan Hardship Withdrawal or a 457 Plan Unforeseeable Emergency Withdrawal, you will be suspended from making contributions to the 457 Plan for six months and lose all employer matching contributions for this period. However, you will still receive the state mandatory 4% contribution.

Hardship withdrawals are limited to contributions only. If you take a 401(k) Plan Hardship or 457 Plan Unforeseeable Emergency Withdrawal, the amount will be subject to federal, state, and local income taxes. A 10% early withdrawal penalty may also apply to 401(k) withdrawals.

Requesting Withdrawals

- To request a Hardship or Unforeseeable Emergency Withdrawal, you must complete a Financial Hardship Withdrawal Form. For assistance, call the Plan Information Line and speak with a Customer Service Associate.
- To request an Age 59½, After-tax or Rollover In-Service Withdrawal, call the Plan Information Line and speak with a Customer Service Associate for assistance.
- There is a service fee of $50 for each approved In-Service Withdrawal request.

Considering a Withdrawal?

To withdraw your retirement money you must meet certain criteria. Call the Plan Information Line at **1-800-748-6128** to discuss your options.

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Options When Leaving Employment

When you leave employment you have several options for your retirement and health care savings.

Options For Your Retirement Savings

For most individuals, no immediate action is required. If your account balance is $500 or more and you are less than 70½ years of age, you have four choices:

1. **Leave the money in your 401(k) and/or 457 Plan account(s) and maintain tax-deferred growth.** You must begin taking distributions in the year you reach age 70½. Remember: If you withdraw your money before age 59½, the distribution is subject to income taxes and maybe a 10% federal penalty.
2. **Consolidate your retirement savings by rolling additional money in from other retirement plans** — such as from a 401(k), 401(a), 403(b), 457, or IRA. You can do this as an active employee or within one year of your termination of employment.
3. **Select among several flexible payout options,** similar to those in an IRA.
4. **Roll your account assets over** to an IRA or other eligible retirement plan.

If your vested account balance is less than $500, you will automatically receive a lump-sum payment if you take no action within 60 days. There is a service fee of $75 on all full distributions or rollovers from the 401(k) or 457 Plan and $25 on all partial distributions or rollovers from the 401(k) or 457 Plan.* Be sure to speak with an advisor to ensure you fully understand the consequences of rolling assets out of the State of Michigan 401(k) or 457 plans.

Leaving Employment?

- If you are leaving employment, review all available information to be sure you fully understand your options.
- If you are considering a distribution of your money, it's a good idea to call the Plan Information Line to discuss the process.
- Remember, it's best to stay invested until you retire to improve your chance of readiness.

**Excludes installments, participants over age 70, Required Minimum Distributions, distributions under $100, and automated payouts (for residuals and deminimus loans).*

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Leaving Employment (continued)

Your Distribution Payments*

You may begin receiving payments 30 days after Voya® receives your termination date from your employer if your paperwork is received in a timely manner. For Payout Request Forms received after 30 days, payment will be made as soon as administratively feasible. Voya must receive notice of your termination from your employer before payment can be issued.

All installment payments are made in the last week of the month for receipt by the 1st of the following month. A lump-sum payment may be issued on any business day.

Health Reimbursement Account

You may be eligible for a credit to a Health Reimbursement Account (HRA) for you at termination if you have at least 10 years of service. This 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.

Don't Forget To

- Update your beneficiary designation information with Voya.
- Update your address information with your employer and Voya.

**All payments, regardless of frequency, will be issued on a pro-rata basis from your existing funds. If all your money is in a Self-Directed Brokerage Account, you will have to sell assets and transfer money to the core funds as needed to allow liquidation and disbursement to you. You may choose to have payments made from your pre-tax funds or your Roth funds. Otherwise, payments will be made pro-rata across all fund sources.*