



MEMORANDUM
Department of Human Resources / Legal Affairs

TO: All Employees
FROM: David Rilley *DR*
Assistant Superintendent Human Resources and Operations
DATE: August 8, 2017
SUBJECT: Important Notice of School Employees' Retirement Plan (MPSERS) Changes

Dear MISD Employee,

Recently, legislative changes were enacted to the retirement plans available to school employees with virtually no direct input from the school community. In anticipation of these actions, MISD worked with outside experts to develop and submit factual information supporting the current Pension Plus (aka, Hybrid) plan to policy makers in Lansing. While our position did not ultimately prevail, our efforts on your behalf resulted in some significant reductions in unfavorable outcomes from the legislation as finally enacted. Below we have summarized most of the important effects of these legislative changes.

VERY IMPORTANT:

There are many technical changes to the MPSERS plans in addition to the changes summarized on the following pages. Be sure to read carefully any communications that you receive from the Office of Retirement Services.

If you are a Basic, MIP, or MIP Plus member who is currently eligible to purchase service credit but have not yet done so, be sure to discuss your needs and options with your personal advisors promptly. **The availability of this option is going away September 29th.**

Service Credit Purchases (Basic, MIP, and MIP Plus members)

The table on page 2 lists the expected effects of the recent MPSERS plan changes to existing and potential service credit purchases for those active MPSERS members who are eligible to purchase service credit (typically, Basic, MIP, and MIP Plus members, though there may be exceptions – be sure to verify your own plan type and options if you are considering purchasing additional service credit). Importantly, **service credit already “paid for” is unaffected** (see note 2 below for possible exceptions), and **TDPs (Tax Deferred Payments) that are in operation as of September 29th, 2017 at 5PM will continue unaffected** (this means almost all existing TDPs and any new ones activated before that date).

PLEASE SEE TABLE ON PAGE 2

Action	Before Sep 29, 2017 5PM	After Sep 29, 2017 5PM
Active members can initiate new service credit purchases (TDP or upfront lump sum)	Yes	No (see note 1)
Active members can submit one or more Supplemental TDPs to permanently increase the per-paycheck contribution for ongoing credit purchases	Yes	Yes
Retiring or terminating members can complete existing TDPs via lump sum payment	Yes	Yes
TDPs may be transferred to new employer during employment change. (90 day window)	Yes	Yes
TDPs not transferred to new employer during 90 day window can be restarted under a new TDP (with potentially new cost and terms).	Yes	No (see note 2)

* **TDP – TAX DEFERRED PAYMENT**

Notes:

- (1) New service credit purchases for Active Duty Military service and/or related to the repayment of refunded pension contributions will continue to be allowed after Sep. 29, 2017 deadline – all other new service credit purchase request types will be prohibited).
- (2) Some service credit purchase types may require full payment to receive any credit (no partial credit granted) – incomplete TDPs may result in loss of all purchased service credit (of that type/TDP) and refund when 90 day window is exceeded.

Effects on Contributions and Benefits

The following table summarizes how the recent legislative changes will affect key aspects of existing and future MPSERS retirement plans (please see notes on the attached page).

Plan	Member Contributions	Member Benefits (see note A)
Basic, MIP, MIP Plus (DB-only)	Unaffected	Unaffected
Pension Plus (DB + DC, aka "Hybrid")	Unaffected	Unaffected
DC-only (457b/401k)	Required employee contribution rate to receive maximum employer matching funds is decreased starting in February, 2018.	Employer contributions to DC plan: Current: 0% + 50% Match on up to 6% of Employee Compensation Begin Oct. 2017: 4% + 50% Match on up to 6% of Compensation Begin Feb. 2018: 4% + 100% Match up to 3% of Compensation (same as Future DC-only)
Future Pension Plus (Hybrid) (see notes B,C, and D)	Relative to the Current Hybrid plan, there is a MAJOR change in potentially required member contributions in the Future Hybrid plan – namely, any shortfalls in plan funding are to be addressed by increasing <u>employee</u> and employer contributions each year with no cap on increases.	Same as current Pension Plus (Hybrid)
Future DC-only (see note D)	Relative to the Current DC-only plan, the Future DC-only plan allows members to receive maximum employer matching funds at a lower required employee contribution rate.	4% Employer + 100% Match on up to 3% of Employee Compensation (the DC-only plan is becoming more generous than current benefit levels)

Notes:

- (A) The "Member Benefits" column excludes subsidized health care and personal health care fund considerations, as those are unaffected by PA 92 of 2017, and also excludes any consideration related to changes in service credit purchase options and requirements (see previous table).
- (B) Currently, by default, new hires are placed into the Pension Plus (Hybrid) plan, which includes both DB (pension) and DC (savings) components. To select the DC-only plan instead, new hires have to notify their employer and ORS within the first 75 calendar days of their employment. For new hires first employed after Jan. 31, 2018, the default placement will be into the DC-only plan and placement into the Hybrid plan will require new hires to notify their employer and ORS within the first 75 calendar days of their employment.
- (C) Should the Future Hybrid plan fall below 85% Actuarial Funded Ratio for two consecutive years, unless the legislature acts within one year to contribute more funds, the Future Hybrid plan will be closed to new entrants. The continued participation status of unvested members at that time is currently uncertain.
- (D) "Future" Pension Plus and DC-only plans apply only to those who first earn MPSERS service credit on or after Feb. 1, 2018.

In summary, for all current employees and retirees, there are no reductions in benefits or increases in employee contributions required by the new legislation, and a few current employees (DC-only members) will receive upgraded benefits in the coming months.

Finally, we will continue to monitor and support MPSERS plans so that they continue to be available for educators and staff so that we all can continue our focus on providing outstanding educational opportunities for all Macomb's students while receiving fair compensation for the dedicated efforts provided.

**FOR INFORMATION RELATED TO YOUR RETIREMENT PLAN PLEASE VISIT THE
OFFICE OF RETIRMENT SERVICES WEBSITE DIRECTLY AT:**

<http://www.michigan.gov/ors/0,4649,7-144-6182---,00.html>