

A photograph of a woman and a young boy looking at a nest of eggs in a tree. The woman is on the left, smiling and looking down at the nest. The boy is on the right, also smiling and looking at the nest. The nest is made of twigs and is filled with several white eggs. The background is filled with green leaves and branches, suggesting a forest or park setting. The overall tone is warm and positive.

Your Retirement Plan

A Member Handbook for Michigan's
Public School Employees

Public School Employees Retirement System

State of Michigan

October 2009

About the Office of Retirement Services

The Office of Retirement Services (ORS) is a division of the State of Michigan's Department of Management and Budget. ORS administers retirement programs for more than half million Michigan state and public school employees, judges, and state police.

About This Publication

The intent of this publication is to summarize basic plan provisions under Michigan's Public Act 300 of 1980, as amended. Current laws, rates, and factors are subject to change. Should there be discrepancies between this publication and the actual law, the provisions of the law govern.

This publication can be made available in alternative formats to meet the needs of our customers with visual or physical limitations. Please contact ORS if you require this service.

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Your Retirement Plan

A Member Handbook

for members of the
Michigan Public School Employees Retirement System



Office of Retirement Services
Department of Management and Budget
State of Michigan

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I. About This Publication

As a member of Michigan's Public School Employees Retirement System, you are eligible for one of the best public pensions around. Because it is



so essential to plan for your retirement early in life, this handbook aims to give you enough general information about your pension so that—between your pension, social security, and personal savings—your retirement is all you hope it will be.

Besides some general history about the system and its administration, this book explains how and when you will qualify for a pension and how your pension will be calculated. It includes guidelines on how to enhance your retirement by purchasing service credit. You'll also find information you'll need if you leave

public school employment, as well as an overview of the plan's disability protection, insurance, and survivor benefits.

Take charge of your retirement! Your pension is one of your most valuable assets—it is important that you monitor its value throughout your career so you can plan for additional sources of income in retirement.

Manage your plan with miAccount, our online account access tool where you can track your contributions and service credit totals, designate a beneficiary, estimate your pension, and more. Go to www.michigan.gov/orsmiaccount today to register and access your account. Return regularly throughout your career to ensure your secure financial future.



II. Plan Membership

The Basic Plan and the Member Investment Plan

Until 1974, both employers and employees contributed to the pension fund. It was then a contributory plan. By 1977, the system was funded entirely through employer contributions—a noncontributory plan known as the Basic Plan.

The Member Investment Plan (MIP) was introduced in late 1986. This contributory plan provides more generous pension benefit options. Those who were Basic Plan members at the time could choose the MIP, which took effect January 1, 1987. Basic Plan members again had the opportunity to select the MIP in the fall of 1991.

The majority of our members today are in the MIP. For the most part, this publication describes that plan, not the Basic Plan. The exceptions, mostly related to contribution rates and pension calculations, are noted. You can compare the key differences between the two plans by referring to Appendix B: MIP–Basic Plan Comparison.

Who Is a Member?

You become a member and begin accruing credit toward a pension on the first day you work in a participating Michigan educational institution. Members include employees of:

- K-12 public school districts.
- Intermediate school districts.
- District libraries.
- Publicly chartered schools.
- Tax-supported community colleges.

In some instances, membership includes certain employees who began working for Central, Eastern, Northern, and Western Michigan Universities, Ferris State and Lake Superior State Universities, and Michigan Technological University, before January 1, 1996.

Note: The terms *members* and *schools* throughout this handbook are referring to employees and employers who participate in the Public School Employees Retirement System.

You may be active, deferred, or retired.

Participants in the retirement system are classified in one of the following categories:

- **Active Member.** You are on the payroll of one of the participating Michigan educational institutions described earlier in this section. You remain an active member for up to one year while laid off, or as long as an employee-employer relationship exists while on a leave of absence. If you work as a substitute employee, you are only considered an active member on the actual days you are working.
- **Deferred Member.** You leave public school employment after you are vested but before you're old enough to draw your pension. You are vested for your pension—meaning you have sufficient service to qualify for a benefit but don't yet meet the age requirement—when you have the equivalent of 10 years of full-time employment. You remain in deferred status, as long as your contributions remain on account, until you apply for your pension at age 60 and become a retiree.
- **Retiree.** You are receiving a pension (disability or retirement) from the retirement system.

Membership exclusions.

The following employees are not members of the Public School Employees Retirement System:

- A person who retired from the system and is receiving a pension (even if he or she returns to public school employment).
- A person employed by a public school while enrolled as a full-time student in that system.
- A person under age 19 employed in a temporary, intermittent, or irregular seasonal or athletic position, whether a student or not.
- An instructor or administrator of a community college or eligible university who elected an optional retirement plan (such as TIAA/CREF) offered under Public Act 156 of 1967, as amended.
- An employee of a library or museum hired after it separated from the school district.

- A person working in the public school system only through a program resulting from the Federal Work Force Investment Act of 1998; Michigan Community Service Corps (Public Act 259 of 1983); Senior Community Service Employment Program (Public Law 89-73); or Work First Program.

Note: Administrators of these programs, who were previously members of the retirement system and remain employed by the school, may retain membership in the retirement system.

- An employee enrolled in a transitional public employment program.
- A person enrolled in a federally-funded neighborhood youth corps program or similar training program operated by an intermediate school district to prevent or rehabilitate high school dropouts.
- A person working for a school for the sole purpose of a political election.
- A person working in a public school who is contracted by an outside company, rather than hired directly by the school.
- A person working in a public school who is self-employed as an independent contractor.

Administration of the Plan

The operation of the Public School Employees Retirement System is controlled by the Michigan Public School Employees Retirement Act (Public Act 300 of 1980), as amended. Any changes to the act require passage by the Michigan Legislature.

The plan is administered by the Office of Retirement Services (ORS) with the oversight of a 12-member board. One board member represents state government; the remaining members are appointed by the governor to represent active and retired public school employees.

Throughout your working career, your employer takes care of your pension plan deductions, wage and service records, and plan contributions. Regular reports are sent to ORS to become part of your personal pension record. When it's time to retire, your employer hands off all your final records to ORS, and we become your partner in retirement.

III. Contributing to the Plan

The retirement system is funded by contributions of public school employers and employees, and by the investment earnings on these contributions. All contributions are a funding source for pensions and do not result in individual benefits in addition to the pension.

Who Contributes What

Employer contributions.

Each year, an actuary determines how much public schools need to contribute to fund their portion of member benefits. These contributions are not refundable to you or your employer.

Your contributions.

As a MIP participant, you contribute a percentage of your salary to the pension reserve fund. Your contribution rate depends on when you first began working for a Michigan public school reporting unit.

- If you elected the MIP before January 1, 1990, OR were a Basic Plan participant who enrolled in the MIP by January 1, 1993, you contribute 3.9 percent of your pretax salary.
- If you began Michigan public school employment between January 1, 1990, and June 30, 2008, OR are a returning member who did not work between January 1, 1987, and December 31, 1989, you contribute pretax contributions based on the following chart:

COMPENSATION (school fiscal year earnings)	MIP GRADED CONTRIBUTIONS
\$0 to \$5,000	3% of compensation (up to \$150 total)
\$5,000.01 to \$15,000	\$150, plus 3.6% of compensation from \$5,000.01 up to and including \$15,000 (up to \$510 total)
\$15,000.01 and over	\$510, plus 4.3% of compensation over \$15,000

- If you first became a member of the system on or after July 1, 2008, you contribute pretax contributions based on the following chart:

COMPENSATION (school fiscal year earnings)	MIP PLUS CONTRIBUTIONS
\$0 to \$5,000	3% of compensation (up to \$150 total)
\$5,000.01 to \$15,000	\$150, plus 3.6% of compensation from \$5,000.01 up to and including \$15,000 (up to \$510 total)
\$15,000.01 and over	\$510, plus 6.4% of compensation over \$15,000

In addition to your MIP contributions, you might have other personal contributions on account (from earnings before July 1, 1977, or from purchased service credit).

Your Personal Contributions

Though all member and employer contributions go into the reserve fund to pay all monthly pensions, we keep a separate account of your personal contributions. We do this for the following reasons:

- **Taxability.** Contributions you make on a tax-deferred basis will become taxable when you receive payments. We need to tell the IRS how much of your pension is taxable at retirement, and how much you've already paid taxes on.
- **Interest.** Personal contributions earn interest, and different rates apply depending on the type and time of the contribution. Ordinarily, this will only be important if you terminate employment and take a refund of contributions.
- **Refunds.** If you leave the retirement system before you're eligible for a pension, you can ask for a refund of your personal contributions, forfeiting all your rights to a monthly pension. See our publication *Leaving Public School Employment?* for more details.
- **Survivor Payments.** If you die while an active member, your contributions can be paid to your designated beneficiary or your estate. See Section VI—Additional Benefits for You and Your Dependents for more information.

You earn interest on personal contributions.

As your employer forwards your MIP contributions to ORS, we credit your account. At the close of each school fiscal year, we also credit you with interest on MIP contributions that have been on account for a full year. The interest rate on MIP contributions varies because it is statutorily determined each year based on the rate of investment return.

Personal contributions fund your pension plan. You cannot borrow or take a lump sum—unless you leave the system and forfeit your pension rights.

If you purchased service credit or have post-tax contributions from years when the plan was contributory, we will keep track of those personal contributions separately. These funds earn 6 percent interest after they are on account for a full year. As with MIP accounts, interest is posted at the end of each school fiscal year.

Monitor Your Account

A detailed and up-to-date record of your account is available through your secure online account management tool, miAccount. When you log into miAccount, you will have access to service credit and contribution totals, beneficiary information, pension estimates, and much more. miAccount allows you to monitor your account throughout the year and perform a number of transactions.



For more information on what miAccount has to offer, see Section VII—Reaching Your Retirement Goals.

Annual Member Statements.

Each year we send active (working) members a *Member Statement*. While the primary purpose of the statement is to help you plan for your retirement, it also gives you an update on your account balance and account activity through June 30, the end of the school fiscal year.



Along with your statement you will find our active member newsletter, *PROactive*. This newsletter provides additional support toward planning and reaching a secure financial future. You can find current and previous issues on our website, www.michigan.gov/ORSSchools.

Review your annual statement carefully for accuracy. If you think there are errors in your wages, contributions, service credit, or tax-deferred payments (TDP), talk with your school payroll officer. ORS can assist with any cumulative totals and interest questions.

We also suggest that you keep your statements in a safe place so you have a point of comparison when next year's statement arrives.

If You Leave Public School Employment

If you leave public school employment before you're old enough to draw your pension, you have options regarding your retirement account.

If you are vested, make sure you designate your pension beneficiary with our office before you terminate your membership in the system. If you do not have a beneficiary on file with our office when you leave employment, you will not be able to add a beneficiary while you are deferred.

Read our publication *Leaving Public School Employment?* before you terminate so you have information you need to make the best decisions. You can find it on our website, or by asking us or your human resource office for a copy.



IV. The Basics of Your Plan

When you become a vested member of the Public School Employees Retirement System, you can look forward to a monthly retirement pension benefit for your lifetime. This section explains the fundamentals—how you accumulate service credit, when you'll be eligible, and how much you'll get.

How You Earn Service Credit

Every day you get up and go to work, you earn service credit. And every time you get paid, your school payroll office reports your hours and wages to ORS. Your service credit reflects the number of hours you worked for a Michigan school that participates in the Public School Employees Retirement System.

You receive credit for teaching or nonteaching, full-time or part-time work, and for permanent, temporary, intermittent, or substitute employment (unless you are working for a contractual agency). You also receive credit for used vacation and sick leave, short-term disability payments which flow through your school's payroll system, and weekly workers' compensation payments you received after July 1, 1992. You do not earn credit while receiving long-term disability payments.

Per pay period caps apply.

In general, you earn one year of service when you work 1,020 hours within the July 1 through June 30 school fiscal year. You can earn no more than one year of service credit in any given school fiscal year, and no more than 30 hours can be credited in a one-week period.

For instance, administrative staff may work 2,080 hours a year, but will be limited to one year of service credit because the annual cap is 1,020 hours.



As the chart below illustrates, if you are paid every week you cannot be credited with more than 30 hours, worth 0.0294 service credit. The cap is 60 hours or 0.0588 if you are on a biweekly pay cycle.

FULL-TIME SERVICE CREDIT MAXIMUM		
PERIOD	HOURS	CREDIT
Weekly	30	0.0294
Biweekly	60	0.0588
Semimonthly	72	0.0706
Monthly	138	0.1353
Quarterly	396	0.3882
Annually	1,020	1.000

If you work less than full-time.

If you don't work a full school year or if you're considered part-time because you don't work a typical school day, you will earn proportional credit. See the chart below to see how service credit is earned for a variety of school work schedules, after considering the caps.

PART-TIME / PART-YEAR SERVICE CREDIT MAXIMUM			
DAYS WORKED	HOURS PER DAY	HOURS CREDITABLE	SERVICE CREDIT
17	6	102	0.1
34	6	204	0.2
68	6	408	0.4
85	6	510	0.5
119	6	714	0.7
51	4	204	0.2
102	4	408	0.4
153	4	612	0.6
260	4	1,020	1.0

Service credit and your pension.

Service credit is important because it affects when you retire and how much you'll receive. Your pension plan allows you to buy and/or transfer certain types of service credit. Learn more in Section V—Adding to Your Service Credit.

Qualifying for Your Pension

To be eligible for a monthly retirement pension, you must meet minimum age and service requirements. For more detailed information about pension eligibility provisions, visit the ORS website or ask for a copy of *Retirement Readiness: A Two-Year Countdown*.

Full Retirement – MIP Member.

As a MIP member, you will qualify for full retirement under any of the following provisions:

- **MIP 46 with 30.** You qualify for full retirement at any age with at least 30 years of service. However, if you purchased universal buy-in service credit, you must be at least age 46. At least 15 years of service credit must have been earned through the Michigan Public School Employees Retirement System.
- **MIP 60 with 10.** You are eligible for your pension at age 60 with at least 10 years of service credit.
- **MIP 60 with 5.** If you are age 60 and you have at least 5 years of service credit, you qualify for a pension if you have creditable service earned in each of the five school fiscal years immediately before your retirement effective date and you terminated your public school service immediately before your retirement effective date.

Full Retirement – Basic Member.

As a Basic Plan member, you qualify for a full retirement under the following retirement provisions:

- **Basic 55 with 30.** You qualify for your pension when you are at least age 55 and have 30 or more years of service credit. At least 15 years of service credit must have been earned through the Michigan Public School Employees Retirement System.
- **Basic 60 with 10.** You qualify for a pension at age 60 with at least 10 years of service credit.

A school fiscal year runs from July 1 through June 30.

Early Reduced Retirement – MIP and Basic Members.

Whether you are a MIP or Basic Plan member, you can take an early reduced retirement as early as age 55 if you have at least 15 but less than 30 years of service. Your pension amount is permanently reduced by one-half of one percent for each month and fraction of a month you take your pension before age 60 (6 percent per year).

You must be an active member to be eligible for the early reduced retirement (deferred members don't qualify).

If you become disabled.

There are special eligibility and calculation provisions for those who become disabled while a public school employee. This is explained in Section VI–Additional Benefits for You and Your Dependents, and in the ORS publication *If You Become Disabled: Your Disability Protection*.

How Much Will You Get?

Your annual pension is based on a formula that multiplies your final average compensation times a pension factor of 1.5 percent times your years of service.

The Pension Formula

$$\text{FAC} \times 1.5\% \times \text{YOS}$$

Final Average Compensation **Pension Factor** **Years Of Service**

Dividing the annual pension by 12 will tell you how much your monthly pension will be if you elect the straight life option. You can also choose a survivor option or an equated plan for your pension payments.

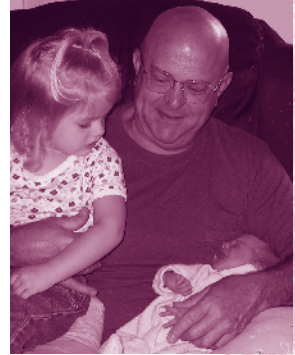
It is important that you understand all of these concepts because they have a direct effect on your pension amount:

- **Final average compensation (FAC).** For MIP members, the highest three consecutive years of earnings (36 months) are averaged to determine your final average compensation, or FAC. If you are a Basic Plan member, your highest five consecutive years of earnings (60 months) are averaged to determine your FAC.

For details on what counts in your FAC, see our website or get a copy of the ORS publication *Retirement Readiness: A Two-Year Countdown*.

Note: Your highest three or five consecutive years of earnings may occur early in your career, however, we still refer to it as your FAC.

- **Years of service (YOS).** Your service credit reflects the years, or fractions of years, you worked for a Michigan public school. In general, you earn one year of service when you work 1,020 hours in a school fiscal year. No more than 30 hours can be credited in a one-week period. Credited service can also include any additional service purchased or transferred. See Section V—Adding to Your Service Credit for tips on increasing your YOS.
- **Straight life option.** If you choose this payment option, you receive the maximum monthly benefit payable throughout your lifetime, and no benefits (pension or insurance) are paid to your survivors after your death.
- **Survivor options.** These options pay you less but continue monthly pension payments as well as health, dental, and vision insurance coverage to your beneficiary (spouse, sibling, parent, or child) upon your death. You elect either the 100, 75, or 50 percent survivor option; your survivor then receives the same monthly pension you received, 75 percent, or half of your pension amount. The monthly pension amount is based on actuarial tables that factor in life expectancies for you and your beneficiary.
- **Equated plan.** This plan pays you a higher pension until you are age 62, and then your monthly pension is permanently reduced based on the amount of your estimated social security benefit. You might choose to receive this equated plan “advance” on your pension if you want your total income to remain fairly level both before and after social security begins. The equated plan can be combined with a straight life or any of the survivor options.



Pension increases after you retire.

As a MIP retiree, after you are retired a full year, you'll receive a fixed 3 percent increase in your monthly pension each October. This postretirement increase doesn't compound, but it does accumulate. So each October, your pension will increase by 3 percent of your initial pension amount.

If you're a Basic Plan member, you should not plan on a scheduled postretirement increase. However, when the plan's investments exceed predictions over a period of years, you may receive a distribution of the excess earnings.

Let ORS do the math.

This booklet gives basic methods for figuring your pension. But you may want to factor in possible beneficiaries, various payment options, or compare different retirement dates. We can help. Log into miAccount and click on the

Get your personalized
pension estimate at
www.michigan.gov/ORSmiaccount.

Estimate Pension button to create and save up to four different pension estimates so you are confident that the retirement date and option you select meets your pension income needs.

A note about divorce.

If you divorce while an active or deferred member, the court may order that a portion of your pension be paid to an alternate payee such as your former spouse or dependent child. The order (generally, an Eligible Domestic Relations Order, or EDRO) must contain specific information in a specific format, and must be on file with ORS before your retirement effective date. Details and sample language can be found in the ORS publication *Eligible Domestic Relations Orders (R0259X)*. You can find this on the ORS website or you can request a copy.



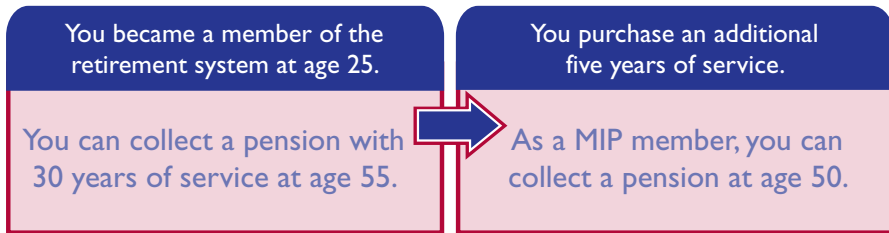
V. Adding to Your Service Credit

Service credit for certain other employment may be granted or transferred, service credit can be purchased, and service credit may be restored if you withdrew your personal contributions to the system and choose to repay. This section explains how you can boost your pension amount, or perhaps qualify earlier, by taking advantage of the plan's service credit provisions. It describes the different types of service credit, ways to pay, and how to initiate a purchase.

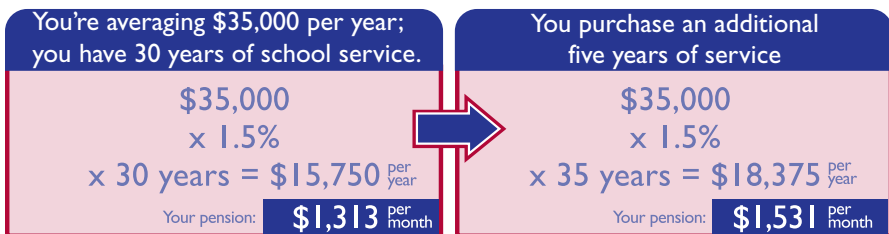
Why Boost Your Service Credit?

Your years of service as a Public School Employees Retirement System member determine *when* you will qualify for your pension and *how much* your pension will be.

Your plan allows you to add to your service so you can retire sooner:



Adding to your service will also boost your pension amount:



Considering a Purchase?

Before you dig into the details, read the following guidelines so you're ready to make what can be a complicated — and costly — decision.

- **You must be an active member.** Any service credit purchase or transfer must be completed while you are an active member, as described in Section II—Plan Membership. Credit can never be purchased after you've stopped working within the retirement system.
- **You need two years of earned credit.** You must *earn* at least two years of service credit before you initiate a purchase.
- **You may need to establish a wage base.** Purchasing early in your career is usually cheaper because the cost for many types of service credit is based on your highest previous school fiscal year earnings. If you had no school wages in the immediately preceding fiscal year, you may have to wait until after July 1. (This is explained further in Appendix C: Calculating Actuarial Cost.)
- **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.
- **You can't buy your way in.** Unless you plan to retire under one of the age 60 eligibility provisions, you'll need at least 15 years of service credit in this retirement system (transferred state of Michigan service under the State Employees' Retirement System's Defined Benefit plan is treated as earned in this system). In addition, most types of service credit have a maximum purchase limit.
- **A match may be required.** Some service credit types have a match provision; you can't buy credit that will exceed the amount of credit you will earn within this system. Say, for example, 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 "matched" with 12 years in this system. (If you purchase more than you ultimately earn, we'll refund the excess.)



■ ***You must be vested for your purchase to count.*** Most purchased service can't count toward your vesting requirement, nor will it count in your service credit total until you are vested. As explained in Section II–Plan Membership, 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 ten years.

Most purchased service is not credited to you until you are vested.

■ ***Purchased service 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 or graded premium. Visit www.michigan.gov/ORSschools for more information.

■ ***Your purchases are personal contributions.*** As explained under Your Personal Contributions in Section III, your payments for service credit are put into a separate, interest bearing, personal contribution account. Personal contributions are refundable if you leave public school employment before you've reached the minimum age and service requirement for a pension.

Types of Service Credit

There are different types of service credit, each with specific rules, costs, and applications. Review the following list to see what types of service credit you might be eligible for, but use it only as a general overview. Where “actuarial cost” is used for figuring cost, refer to Appendix C: Calculating Actuarial Cost. For more details on all types, refer to Service Credit–Earning and Purchasing on our website, www.michigan.gov/ORSschools.

SERVICE CREDIT COSTS AND LIMITS		
TYPE	COST / LIMIT	APPLICATION
Universal Buy-In (UBI)* (anyone can buy)	Actuarial cost/5 years, reduced by purchases of credit types eliminated from law as of 1/31/91	Request a <i>UBI Member Billing Statement</i> from ORS
Parental Leave*	Actuarial cost/5 years	Submit a <i>Parental Leave Service Credit Application (R0008C)</i>
Nonpublic Educational Service*	Actuarial cost/5 years	Submit an <i>Out-of-System Public or Nonpublic Educational Service (R0149C)</i> application
Out-of-System Public Educational Service Pre-1974	Contributions plus interest/15 years on a matching basis	Submit an <i>Out-of-System Public or Nonpublic Educational Service (R0149C)</i> application
Out-of-System Public Educational Service Post-1974*	5% of highest previous fiscal year salary/15 years on a matching basis	Submit an <i>Out-of-System Public or Nonpublic Educational Service (R0149C)</i> application
Active Duty Military Service	Intervening: No charge in most cases/6 years Nonintervening: 5% of highest previous fiscal year salary/5 years (combination cannot exceed 6 years)	Submit a <i>Military Service Credit Application (R0081C)</i>
Sabbatical Leave Pre-1981	Usually no charge/No limit	Submit an <i>Application to Purchase Sabbatical Leave Credit (R0148C)</i>
Sabbatical Leave Post-1981*	5% of highest previous fiscal year salary/No more than 1 year creditable per sabbatical leave	Submit an <i>Application to Purchase Sabbatical Leave Credit (R0148C)</i>
State of Michigan Civil Service Defined Benefit Plan	Pre-1974: Contributions plus interest / No limit Post-1987: MIP costs plus interest/ No limit	Submit an <i>Application to Transfer State of Michigan Service (R0317C)</i>
Weekly Workers' Compensation (WWC)	Pre-7/1/77: Contributions plus interest/No limit 7/1/77-12/31/86: No charge/No limit Post-1987: MIP costs plus interest/ No limit	If you received WWC payments after July 1, 1992, the credit should be reflected on your annual <i>Member Statement</i> . If you received WWC payments before July 1, 1992, submit an <i>Application for Weekly Workers' Compensation Credit (R0285C)</i> .
Comprehensive Employment and Training Act of 1973 (CETA)	No cost to member/No limit	Generally, credit is already granted for CETA service performed before May 3, 1976, and after October 1, 1978.

*If you purchased this type of service credit after June 30, 2008, your insurance premium subsidy may not begin when your pension begins. It may be delayed until you reach the age at which you would have become eligible for a pension had you not purchased service.

Below are additional ways you can boost your service credit.

Repayment of refunded contributions.

If you had a prior period of Michigan public school employment but then withdrew your contributions to the system when you left employment, you can ask to pay back the amount refunded to you, plus interest, to reinstate your prior service. For more information, visit the Service Credit–Earning & Purchasing section of our website.

Act 88 - Reciprocal Retirement Act of 1961.

If you are an active member and meet age requirements, Act 88 allows you to combine service you may have earned with a Michigan governmental unit in order to qualify for a pension. Examples of a governmental unit include (but are not limited to) a city, township, village or county, commission or court, state employment under the Defined Benefit Plan, as well as Michigan public schools that are not reporting units of this retirement system.

In general, Act 88 helps public servants who have worked either full- or part-time for more than one Michigan governmental employer, but perhaps fall short of pension eligibility with any or all of them. Combining years of service from multiple employers can help you qualify for a pension, but the other service won't count in the calculation of your pension amount. In most cases, Act 88 cannot be used to qualify for a deferred retirement.

The Cost of Service Credit

The price of service credit depends on the type of credit as well as your age, rate of pay, and years of service. Generally, the older you are, the higher the cost. Here are ways to learn the actual cost of your purchase:

- Use miAccount's pension estimator to see how adding most types of service credit would affect your pension. In addition, the Service Credit section in miAccount will help you determine eligibility, cost, and how many years of retirement it will take for you to recover the cost of your purchase.
- Use the Service Credit Costs and Limits chart for general cost information for each type of service credit. This can be used to figure a ball-park estimate for purchasing.

Weigh your cost versus benefit.

“Buying time” isn’t always an easy decision. miAccount helps you weigh the costs, which can be considerable, with the benefits. Use the Estimate Pension section to see how much more your pension will be if you buy service credit. Next, use the Service Credit section to understand the costs of the service credit and how long it will take you in retirement to recover the cost. Then you’ll have the right information to decide if you want to purchase service credit.

The miAccount
Cost Calculator
and Cost Recovery
feature helps you decide
whether a purchase is
right for you.

How to Purchase

The way to initiate a service credit purchase depends on the type you are considering. You’ll start with one of the applications referenced in the Service Credit Costs and Limits chart (most are available on the ORS website or you can request one from ORS). ORS will review your records upon receiving the completed application and any required documentation to check your eligibility and determine if a purchase is necessary. If the credit has no cost, you will receive a letter stating the service credit type and amount being credited to your account. If you must purchase the service, you will receive a *Member Billing Statement*.

Remember, service credit can never be purchased or granted after you have terminated public school employment.

Repayment of refunded contributions.

If you’re seeking a repayment of refunded contributions, contact an ORS customer service representative to request a *Member Billing Statement*. Be sure to specify that you want to repay a refund, and give us your approximate dates of employment for the refund period along with your full name and address.

Act 88.

Talk to your previous employer and ORS if you think Act 88 can help you qualify for a pension. We’ll need a letter from the governmental employer verifying (1) your dates of employment; (2) hours worked per day (full-time or part-time); and (3) that you participated in the employer’s

retirement plan.

Three ways to purchase.

You can buy service credit in three ways:

- **Direct payment.** Send a check or money order.
- **Plan-to-plan transfer.** Transfer or “roll over” funds from a qualified retirement plan such as a 401(a), 401(k), 403(b), 457, a qualified plan established with a previous employer, as well as a conduit IRA (individual retirement account). A traditional IRA is not eligible for a plan-to-plan transfer.
- **Tax-deferred payments (TDP).** Your payments are deducted from your paychecks by your employer. Taxes on the amount withheld are deferred until you begin receiving your monthly pension payment.

For more information on each method of purchasing, visit the Service Credit–Earning and Purchasing section of our website.

All service credit purchases must be paid off before your retirement effective date.

VI. Additional Benefits for You and Your Dependents

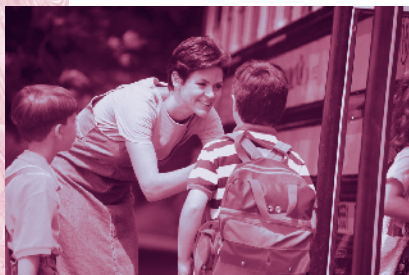
In this section, you'll learn about your disability protection while you're an active employee, and insurance eligibility once you retire. It also explains what you (and your loved ones) can plan for should you die, and it tells you how and when to designate your beneficiary.

If You Become Disabled

Your retirement plan provides protection for you and your dependents if, while you are an active employee of a participating Michigan public school, you become totally and permanently disabled and unable to perform duties for which you are trained, educated, or experienced.

You may qualify for one of two types of disability retirement benefits depending on where you acquire your injury or illness:

- If you incur a permanently disabling injury or illness at work, you may qualify for a duty disability benefit. Your duty disability protection begins your first day on the job.
- If you incur a permanently disabling injury or illness outside of work, you may qualify for a nonduty disability benefit. Your nonduty disability protection begins when you are vested with the equivalent of 10 years of public school employment.



Whether duty or nonduty, you must apply for a disability benefit within 12 months after you terminate employment.

Disability pensions are calculated the same as a regular retirement—multiplying your final average compensation times your years of service times a factor of 1.5 percent. If you qualify for a duty disability, we will always credit at least 10 years of service to calculate the benefit, even if you have less service credit when your work-related illness or injury occurs.

For more information about disability benefits, visit our website, or request a copy of the ORS publication *If You Become Disabled: Your Disability Protection*.

Insurance in Retirement

When you retire, you may enroll yourself and eligible dependents in the plan's medical, dental, and vision insurance. Your eligible dependents include the following:

- Your spouse. If he or she is an eligible public school retiree, you will be covered together on one contract.
- Your unmarried child by birth, legal adoption, or legal guardianship until December 31 of the year in which he or she turns age 19.
- Your unmarried child by birth, legal adoption, or legal guardianship until December 31 of the year in which he or she reaches age 25 if a full-time student and dependent on you for support.
- Your unmarried child by birth, legal adoption, or legal guardianship age 19 or older who is totally and permanently disabled, dependent on you for support, and unable to self-sustain employment.
- Either your parent(s) or parent(s)-in-law residing in your household—one or the other, but not both.



Subsidized premiums.

The retirement system may pay a portion of your health, dental, and vision insurance premiums. Whether, when, and how much the subsidy will be depends on many things — whether you are an active or deferred member when you apply, the date you first became a member of the system, how many years of credited service you have and how much of it was purchased service, and whether you are eligible for Medicare.

Health care is an important part of retirement security. As you get closer to retirement, we encourage you to visit our website at www.michigan.gov/ORSSchools, read our publication *Retirement Readiness: A Two-Year Countdown*, and check current insurance provisions and rates.

Upon Your Death

Whether and what benefits are payable to your survivors depends, in part, on if your death occurs while you are active, deferred, or retired. In this section, we provide some general guidelines so you can plan for your loved ones.

Naming a beneficiary.

When you become a member of the retirement system, it is important that you name a survivor pension beneficiary, a refund beneficiary, or request that the default provisions of the law apply.

Use miAccount
to name or
change your
beneficiary.

Access your account at www.michigan.gov/orsmiaccount to name your beneficiary. Once you enter your information in miAccount, you can view and change your beneficiary information at any time with just a few simple clicks. If you don't have internet access, you can also designate your beneficiary using the *Beneficiary Nomination (R0315C)* form.

While you are actively employed, the default provision of the law automatically provides a lifetime monthly survivor pension benefit (if eligible) to your spouse, or if not married, equal payments to your unmarried children until they reach age 18.

Note: ORS must receive your beneficiary designation *before* you terminate employment—see “If you die as a deferred member” in this section (the default provision does not apply to deferred members).

Before giving ORS your beneficiary designation, be sure you have a good understanding of if, when, and to whom a benefit may be payable upon your death. Carefully read the details in this section or the beneficiary form.

Factors that may influence your decision about whether to name a beneficiary or use the default provisions of the law are:

- What is your marital status? Your family composition?
- What is your vesting status?
- Are you naming a survivor pension beneficiary or a refund beneficiary?
- Are you active, deferred, or retired?

Keep ORS informed of your beneficiary wishes throughout your career.

If you die while an active member.

Nonduty death. If your death is not a result of an injury or illness incurred at work, it is called a nonduty death. A monthly pension may be payable to your survivor pension beneficiary if you were vested with at least 10 years of service (5 years if you were at least age 60). Basic Plan members must have at least 15 years of credited service if they are under age 60, or 10 years if they are at least age 60, for their survivors to be eligible for a survivor pension.

A nonduty death survivor benefit is payable beginning the month following your death. It is calculated as if you retired the day before you died and elected the 100 percent survivor option. Health, dental, and vision insurance coverage is also available to beneficiaries receiving a survivor pension.

If you do not designate your beneficiary with ORS (see “Naming a beneficiary” in this section), your spouse is automatically your survivor pension beneficiary. If you are not married, your unmarried minor children are automatically your beneficiaries until they reach age 18, marry, or are adopted.

If your spouse waives the pension benefit by signing the *Beneficiary Nomination (R0315C)* form, you may designate any of the following eligible beneficiaries if they depend on you for at least 50 percent of their personal support: your child, your brother or sister, or your parent. You must have designated this person on the *Beneficiary Nomination (R0315C)* form, and the form must be on file with ORS before your death.

If you have no surviving spouse or unmarried children under age 18, no continuing monthly benefit will be payable unless ORS has your valid beneficiary designation on file *and* only as long as the survivor pension beneficiary you named remains dependent on you/the income provided by the pension.

If you die before retirement and no monthly survivor pension is payable, any personal contributions and interest in your account will be paid to your refund beneficiary in a lump sum. If you haven't named a beneficiary, your contributions may be distributed by probate court order.

Keep your beneficiary designation current, especially if you're not married and have no minor children.

Duty death. If you die from a work-related injury or illness incurred during your public school employment, it is considered a duty death. A monthly survivor pension may be payable, regardless of your age or years of service, if a workers' compensation benefit is awarded based on your work-related injury or illness.

The duty death survivor benefit is payable beginning the month following your death and is calculated as if you retired the day before you died and elected the 100 percent survivor option. We will use no less than 10 years of service in the pension calculation, even if you have less service credit at the time of death. Health, dental, and vision insurance coverage is also available to beneficiaries receiving a survivor pension.

If your death is duty related, a monthly survivor pension may be payable to your named beneficiary, as long as he or she meets eligibility requirements, whether you were vested or not. If a valid beneficiary nomination is not on file, the default provision allows duty-related survivor benefits to your spouse, or if not married, to your children until they reach age 18, are adopted, or marry. If you are not survived by a spouse or eligible children, your totally and permanently disabled parent who depends on you for more than 50 percent of his or her support may be eligible for the duty-related survivor pension.

If you die before retirement and no monthly survivor pension is payable, any personal contributions and interest in your account will be paid to your refund beneficiary in a lump sum. If you haven't named a beneficiary, your contributions may be distributed by probate court order.

If you die as a deferred member.

If you die while your retirement is in deferred status (that is, you left public school employment after vesting but before you're old enough to draw your pension), a monthly survivor pension will be payable to your eligible beneficiary provided (1) you have at least 10 years of service credit as a MIP member, 15 years if you're a Basic Plan member; *and* (2) you designated your beneficiary with ORS before you terminated employment.



If you designate a beneficiary with ORS before you terminate employment, you can change your beneficiary while in deferred status. If the nomination you filed with ORS specified the default provision, you must resubmit your nomination to name an eligible person as your beneficiary because the default provision will not apply while you are deferred.

The monthly survivor pension becomes payable beginning the month you would have otherwise become eligible to receive your pension; it is paid as if you chose the 100 percent survivor option.

If you die before retirement and no monthly survivor pension is payable, any personal contributions and interest in your account will be paid to your refund beneficiary in a lump sum. If you haven't named a beneficiary, your contributions may be distributed by probate court order.

If you die after leaving employment and before being vested.

If you die after leaving public school employment and before you have sufficient service to be vested in the plan, no survivor pension is payable. Upon notification by your survivor, we will return any personal contributions and accumulated interest to your refund beneficiary or your estate.

Before you leave your job, designate who will receive your contributions using miAccount or the *Beneficiary Nomination (R0315C)* form. If no beneficiary is on file with ORS, your contributions and accumulated interest may be distributed by probate court order.

If you die after you retire.

A monthly pension is payable only to the person you designated as your survivor pension beneficiary. Ordinarily, this person is named when applying for retirement.

VII. Reaching Your Retirement Goals

We've explained the roles ORS and your employer play in your retirement readiness. In this section, you'll learn the steps you should take to ensure your retirement is all you want it to be.

What You Need To Do

Your first step is to understand your pension benefits—what you'll get, and when.

Educate yourself.

ORS provides many resources you can reference to learn about your Michigan public school retirement plan.

- ***Publications.*** This book is your first stop for retirement information. It is also important to check out the Other ORS Publications section of this book for more details.
- ***Seminars.*** These two-hour meetings are offered throughout the state and are an opportunity for you to hear an overview of your retirement benefits. These are also offered as webinars and online tutorials. Visit the Webinars and Seminars section of our website for more information.
- ***Website.*** The ORS website, www.michigan.gov/ORSschools, offers a wealth of up-to-date information about your retirement plan and options. You will also find links to ORS newsletter archives, what's new at ORS, and much more.

Register for miAccount.

Your online account management tool, miAccount, allows you to securely monitor your records and correspond with ORS representatives at a time that's convenient for you. Keep www.michigan.gov/orsmiaccount bookmarked, and use it often to:

- ***Keep tabs on your retirement account.*** miAccount will list the wage, service, and contribution amounts reported by your employers, as well as your cumulative service total. It will also show your MIP contributions, interest, and balance as well as activity and interest on your personal contributions, if any.

- **Run estimates.** miAccount's pension estimator uses your actual wage and service records to estimate your pension under various scenarios. This will help you target and reach your overall retirement goals.
- **Perform transactions.** You can use miAccount to update your beneficiary or email address. You can also purchase service credit, estimate your pension, and apply for retirement.
- **Get in touch with ORS.** Use the miAccount Message Board if you have questions or need to discuss your account with an ORS representative. You will get a response within one business day.

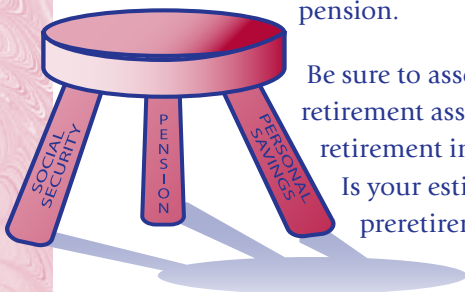
To register for miAccount, you'll need your Member ID (found on your *Member Statement*, any ORS correspondence, or by contacting ORS).

Catch up on your deferred compensation.

Don't overlook your tax sheltered annuity (TSA) as a way to boost your income in retirement. Remind yourself of the tax advantages when you contribute to your account through regular payroll deductions. And refresh your knowledge of all the higher limits and additional incentives the law permits for savers age 50 and older.

Have a plan and follow it.

It's important to remember that your pension should not be your only—or even your primary—source of income in retirement. Financial planners will tell you that, like a three-legged stool, a secure retirement depends on a balance of social security benefits and personal savings, in addition to your pension.



Be sure to assess all your retirement assets. Have you estimated how much retirement income you will receive from all sources? Is your estimate between 60-80 percent of your preretirement income? Are you on target for your retirement goals? Try some of the free

The average monthly pension for a public school retiree = \$1,603.75. That's about \$19,245 per year. Will it be enough to cover your living expenses, travel, and leisure plans during retirement years?

online retirement calculators for help, or talk to a financial planner.

Finally, after setting your target and your savings goals, follow your plan. Check it regularly to make sure you're on track toward financial security in retirement.

Stay in Touch With ORS

Tell us your beneficiary.

As long as you're an active or deferred member of this retirement system, be sure we know your beneficiary wishes (refer to Upon Your Death in Section VI—Additional Benefits for You and Your Dependents). If you have a life change such as a birth, death, marriage, or divorce, or if the beneficiary you named no longer meets the eligibility requirements, be sure to update your record.

Use miAccount to quickly estimate your pension, update your beneficiary, and much more!

We will always honor your most recent beneficiary designation on file, so it is not necessary to rename your beneficiary each year or whenever you change jobs. However, do remember that you must have your beneficiary's name on file with ORS before

you terminate employment and cease membership in the retirement system, otherwise a monthly survivor pension will not be payable to any person.

Tell us how we can help you.

Of course, you should also contact ORS whenever you have a question about your retirement plan. You'll find the most current plan information on our website, but we also welcome questions using the miAccount Message Board, as well as your call or visit. Complete contact information is shown inside the back cover of this book.

VIII. We're Here to Help

We hope this booklet answers questions you may have about your retirement plan. We also hope that you have a better understanding of the importance of preparing for retirement, including having savings goals and considering other ways to enhance your pension.

Please don't hesitate to contact us if you have any questions. Complete contact information can be found under At Your Service at the end of this booklet.



Other ORS Publications

The following publications are available on the ORS website, or you can request a copy by contacting ORS.

- ***Retirement Readiness: A Two-Year Countdown.*** For members who are within a few years of retiring. This book contains specifics on how pensions are calculated, the various payment options, how to prepare for retirement, and the application process.
- ***After You Retire: What Every Pension Recipient Should Know.*** You will receive this booklet when you apply for your pension. It tells you what to expect, and how and when you should contact ORS after your retirement benefits begin.
- ***If You Become Disabled: Your Disability Protection.*** For members who are facing an illness or injury that prevents them from working. This brochure defines the criteria to receive a disability benefit and gives an overview of the application process.
- ***Leaving Public School Employment?*** For members who are terminating employment before retirement age. This brochure helps you choose what to do with your accumulated retirement benefits.

Note: Our printed materials are current as of their publication dates. Because retirement provisions and policies change, we encourage our customers to refer to our website for up-to-date information.

Appendix A: Retirement At A Glance

RETIREMENT TYPE	AGE & SERVICE REQUIREMENTS	STRAIGHT LIFE FORMULA
Full Retirement - MIP	Age 46 with 30 years of service. Age 60 with 10 years of service. Age 60 and working with 5 years of service.	FAC X 1.5% X YOS
Full Retirement - Basic	Age 60 with 10 years of service. Age 55 with 30 years of service.	FAC X 1.5% X YOS
Early Reduced (MIP and Basic)	Age 55 and working with at least 15 years but less than 30 years of service.	Straight life pension MINUS 1/2% for each month before age 60.
Duty Disability Duty Death	No age or service requirements.	FAC X 1.5% X YOS
Nonduty Disability MIP and Basic	Any age; 10 years of credited service.	FAC X 1.5% X YOS
Nonduty Death - MIP	If under age 60, 10 years of credited service. If at least age 60, 5 years of credited service.	FAC X 1.5% X YOS
Nonduty Death - Basic	If under age 60, 15 years of credited service. If at least age 60, 10 years of credited service.	FAC X 1.5% X YOS

Appendix B: MIP–Basic Plan Comparison

Until 1974, both employers and employees contributed to the pension fund. It was then a contributory plan. By 1977, the system was funded entirely through employer contributions—a noncontributory plan known as the Basic Plan.

In late 1986, the Member Investment Plan (MIP) was introduced. This contributory plan provides more generous pension benefit options. Those who were Basic Plan members at the time could choose the MIP, which took effect January 1, 1987. Basic Plan members again had the opportunity to select the MIP in the fall of 1991.

Public school employees newly hired after January 1, 1990, are in the Member Investment Plan. The most notable differences between the two plans are found in the chart below.

COMPARISON	MEMBER INVESTMENT PLAN	BASIC PLAN
Membership	Employees first hired on or after January 1, 1990. Employees who elected MIP during enrollment periods.	Employees who did not elect the MIP plan during the MIP enrollment periods.
Contributions	Yes	No
Eligibility	46 with 30 60 with 10 60 with 5 (with stipulations) 55 with 15 (with stipulations)	55 with 30 60 with 10 55 with 15 (with stipulations)
Nonduty death benefit eligibility	10 years if member under age 60 at time of death. 5 years if member 60 or older at time of death.	15 years if member under age 60 at time of death. 10 years if member 60 or older at time of death.
FAC period	36 months	60 months
Cost of actuarial-based service credit	Actuarial Cost Table	Actuarial Cost Table less 4%
Vesting	10 years 5 years if retiring under the 60 with 5 provision.	10 years

Appendix C: Calculating Actuarial Cost

The cost for universal buy-in (UBI), parental leave, and nonpublic education service credit is based on an actuarial formula. An actuarial cost helps keep the pension fund healthy because it takes the eventual pension payout into consideration.

Your cost for each year purchased is a percentage of your highest previous school fiscal year earnings. That percentage is found in the Actuarial Cost Table on page 43. It is based on your age and number of years of service.

Remember, you must *earn* at least two years of service credit, and you must have wages in the prior year, before you initiate a purchase.

Step 1. Determine your highest previous school fiscal year earnings. The cost of actuarial credit is based on your highest wages on record earned during a school fiscal year (July 1 to June 30).

We will equate any part-time or partial year wages to a full-time, full-year wage for your service credit cost calculation.

On leave? If you don't have wages in the prior year because of a sabbatical or military leave of absence, you may be able to purchase UBI, parental, and nonpublic education service credit based on your highest previous school fiscal year earnings, or the earnings you normally would have earned during the period you were on leave—assuming an employer-employee relationship still exists. If there is no employee-employer relationship, you'll have to return to employment before you can initiate a purchase. Contact ORS if this applies to you.

Laid off? If you have been laid off a year or less, and you maintain an employer-employee relationship, you can purchase credit based on your highest previous school fiscal year earnings. A layoff of more than a year requires an employer memo stating the employer-employee relationship is still in effect.

You must *earn* at least two years of service credit, and you must have wages in the prior year, before you initiate a purchase.

Step 2. Determine your years of service. Your years of service for cost calculation purposes includes all earned service, service already purchased, service that is purchased but is pending vesting, and service credit being purchased with TDP (tax-deferred payment) agreements as of July 1 of the year you are making the purchase.

For instance, let's say as of July 1, 2009, you have worked a total of 7.5 years. You have already purchased 2 years of military service, and you have an ongoing TDP agreement for 1.5 years of parental leave. The total years of service used to determine the actuarial cost of your purchase is 11 years (7.5 plus 2.0 plus 1.5).

Step 3. Determine your age. Use your age as of July 1 of the current school fiscal year. Remember, a school fiscal year runs from July 1 to June 30.

Step 4. Determine your actuarial percentage. In the Actuarial Cost Table (following page), find the rate that applies to your age and years of service. If you're a Basic Plan member, deduct 4 percentage points from that rate before going to the next step.

Step 5. Do the math. Multiply the actuarial percentage rate by your highest previous school fiscal year earnings from Step 1. The result is your estimated cost to purchase one year of service credit.

Highest Compensation x Actuarial % = Cost to Purchase 1 Year

Section V—Adding to Your Service Credit, explains how to get an exact cost from ORS, and how to proceed with a purchase of any or all service credit you're eligible to buy.

ACTUARIAL COST TABLE

Effective January 1, 2004

Age	Years of Service			Age	Years of Service		
	0 - 9.9999	10-19.9999	20 & Over		0 - 9.9999	10-19.9999	20 & Over
Up to 24	10.5%	14.5%	18.5%	43	12.5%	16.5%	20.5%
25	10.7	14.7	18.7	44	12.5	16.5	20.5
26	10.9	14.9	18.9	45	12.5	16.5	20.5
27	11.1	15.1	19.1	46	12.5	16.5	20.5
28	11.3	15.3	19.3	47	12.5	16.5	20.5
29	11.5	15.5	19.5	48	12.5	16.5	20.5
30	11.7	15.7	19.7	49	12.5	16.5	20.5
31	11.9	15.9	19.9	50	12.5	16.5	20.5
32	12.1	16.1	20.1	51	12.5	16.5	20.5
33	12.3	16.3	20.3	52	12.5	16.5	20.5
34	12.5	16.5	20.5	53	12.5	16.5	20.5
35	12.5	16.5	20.5	54	12.5	16.5	20.5
36	12.5	16.5	20.5	55	12.5	16.5	20.5
37	12.5	16.5	20.5	56	12.5	16.5	19.5
38	12.5	16.5	20.5	57	12.5	16.5	18.5
39	12.5	16.5	20.5	58	12.5	16.5	17.5
40	12.5	16.5	20.5	59	12.5	16.5	17.0
41	12.5	16.5	20.5	60 & over	12.5	16.5	16.5
42	12.5	16.5	20.5				

Note: Percentage rates for Basic Plan members are 4 percentage points lower.

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AT YOUR SERVICE



www.michigan.gov/ORSSchools



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



www.michigan.gov/orsmiacount

Use **miAccount** for personalized online account access. Use our **message board** to contact a representative with your questions.



(Payments only)

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Lansing, MI 48909-8173



General Office Building
Office Hours: 8:30 - 5:00
(800) 381-5111 or (517) 322-5103
7150 Harris Dr., Dimondale MI 48821



Directions to Our Office

From I-96, take Exit 98 A-South Lansing Road. Turn north on Canal Road. ORS is in the 3-story brick building bordered by Canal Road, Ricks Road, Harris Drive, and Billwood Highway.



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