

Introducing Pension Plus 2 and the Defined Contribution plan

Welcome to the first and most important step on your journey to retirement: choosing your plan. Please explore this site carefully so you can make a confident choice for you and your family. You can elect the Pension Plus 2 plan or the Defined Contribution plan, both of which include a savings component for healthcare. If you don't make your choice, you will become a participant in the Defined Contribution plan.

After reviewing your retirement benefit options and you are ready to make your election, visit miAccount at www.michigan.gov/orsmiaccount. You'll need your Member ID, which is located in your welcome letter, to register in miAccount.

Pension Plus 2

Pension Plus 2 offers two types of retirement plans in one: it pairs a **Pension Component** with a **Savings Component**.

- The **Pension Component** guarantees you monthly retirement benefit payments over your lifetime once you meet age and service requirements.
- Retirement income from the **Savings Component** will depend on your contributions to your retirement investment account, employer contributions and investment performance. It is a tax-deferred account, which means you don't pay any taxes on your investments and earnings until you withdraw money from the account, generally at retirement. You choose how to invest the money in the account.

Defined Contribution

The **Defined Contribution plan** enrolls you in a tax-deferred retirement investment account. You don't pay any taxes on your investments and earnings until you withdraw money from the account, generally at retirement. Retirement income will depend on your contributions to your retirement investment account, employer contributions and investment performance. You choose how to invest the money in the account.

Depending on the retirement plan you elect, your contributions will be reconciled retroactively to your first day worked to the correct contribution rate for your plan. Your contributions to the Pension Plus 2 or Defined Contribution plan retirement investment account are invested in the State of Michigan 457 Plan. Your employer's contributions are invested in the State of Michigan 401(k) Plan.

Making Your Election

You have a short time to elect which plan is right for you.

You must make your retirement plan election in **miAccount** no later than **75 calendar days** from the end of your first payroll period.

If you're unsure about your first payroll end date, log in to miAccount at www.michigan.gov/orsmiaccount to see how many days you have left to make your election.

Once you make your election or the deadline passes, your retirement plan election can't be changed.

If the deadline passes, you'll be enrolled automatically in the Defined Contribution plan.

Income When You Retire

Pension Plus 2

With the Pension Component of the Pension Plus 2 plan, you will receive a monthly pension when you reach the regular retirement age, currently set at age 60, and you have at least 10 years of service.

Your pension amount depends on how long you work and how much money you earn. Your annual pension is based on this formula: The average of your highest earnings five years in a row multiplied by a 1.5 percent pension factor multiplied by your years of service.

For example, if you average \$50,000 a year in your five highest earning years, your annual pension will be \$22,500 after 30 years of service.

Your pension also depends on the pension payment option you choose when you retire: a straight life option or a survivor option. The straight life option pays you the maximum monthly pension payable throughout your lifetime, but no ongoing payments or insurances are provided to your survivors. The survivor option pays you a reduced pension throughout your lifetime, but upon your death, your pension continues for the lifetime of your survivor pension beneficiary.

With the Savings Component, retirement income is based on your contributions to your retirement investment account and the Personal Healthcare Fund, employer matching contributions and investment performance. There's no guaranteed benefit, and retirement income ends when the account is depleted. You can decide how much and when to withdraw the money from your retirement investment account, following IRS rules.

Note: The current age for receiving benefits is 60. As Americans live and work longer, this may increase by one year for every year that life expectancy grows. If the retirement age increases to 61, members within 5 years of retirement age will be unaffected.

Defined Contribution

Retirement income is based on your contributions to your retirement investment account and the Personal Healthcare Fund, employer contributions and investment performance. There's no guaranteed benefit, and retirement income ends when the account is depleted. You can decide how much and when to withdraw the money from your retirement investment account, following IRS rules. The plan does not include a pension.

Vesting

Vesting is a term for ownership of your retirement benefits. The Savings Component of the money you save and the related earnings are always yours while employer contributions vest over time.

	Your Contributions	Employer Match	
		Years of Service	Percent Vested
Pension Plus 2 – Savings Component	Your contributions are always 100% vested.	Before 2 years	0%
Defined Contribution		After 2 years	50%
Personal Healthcare Fund		After 3 years	75%
		After 4 years	100%

Pension Plus 2, Pension Component: You are vested for a pension benefit after earning 10 years of service. If you leave public school employment before reaching the 10-year vesting requirement, you may not be eligible to receive a pension at retirement. In that case, you may request a refund of a portion of your pension contributions with interest, but you will forfeit all corresponding service credit in the plan. See *The Money You Put In* section below for more information.

Retirement Investment Account

The world of financial planning can be scary, but ORS and Voya are here to help you navigate your retirement journey. As your fiduciary, ORS is obligated to make decisions that benefit you. In that role, we oversee the Voya contract and negotiate fees and investment expenses on your behalf.

The Pension Plus 2 and the Defined Contribution plan retirement investment accounts have features in common:

- You and your employer make contributions to the retirement investment account you choose and to the Personal Healthcare Fund, which is your retiree healthcare benefit.
- Your contributions to your retirement investment account and the Personal Healthcare Fund are deducted from your paycheck before taxes.
- Your contributions are invested in the State of Michigan 457 Plan.
- Your employer's contributions are invested in the State of Michigan 401(k) Plan.
- You can make withdrawals and borrow from your retirement investment account.
- The investment options are the same for both plans and the Personal Healthcare Fund.

Fund Elections and Transfers

The retirement investment account in both the Defined Contribution and Pension Plus 2 plans, and the Personal Healthcare Fund, offer plenty of flexibility when it comes to selecting your investments as well as making changes when you want to. At any time, on any day, you can:

- Choose different funds in which to invest new contributions versus your existing balance
- Transfer balances from fund to fund
- Reallocate your entire portfolio to different fund options

For a list of the investment options, go to stateofmi.voya.com > **Select a plan from drop-down menu > Plan Investments > Fund Information.**

Transactions

Account transactions made weekdays by 4:00 p.m. Eastern Time will be processed that evening; transactions made on weekends or after 4:00 p.m. Eastern Time will be processed the next business day.

Fees and Expenses

Details about fees for investment management and services associated with participating in the Defined Contribution plan, the Personal Healthcare Fund and the Savings Component of the Pension Plus 2 plan are available at stateofmi.voya.com > **Select a plan from drop-down menu** > **Plan Investments** > **Fund Information**.

Statements

Pension Plus 2 Savings Component and the Defined Contribution plan: You have access to your retirement investment account statement online at any time, including the ability to generate a statement based on the timeframe you select, even the last 24 hours. Printed statements are mailed to you twice a year around January 15 and July 15. You can choose to shut off paper statements, as well as other correspondence, and have the information sent to your account's online mailbox accessible through the plan website. This feature not only helps the environment and reduces mailbox clutter, but it's also more secure.

Loans

The time may come when you just need extra money for something important – a down payment on a house, college tuition, or other large bills. Should you need to, you can borrow from your Pension Plus 2 or Defined Contribution plan retirement investment account or your contributions to the Personal Healthcare Fund. The amounts and terms are established by the Internal Revenue Code and applicable regulations. See the Loan Policy at stateofmi.voya.com > **Select a plan from drop-down menu** > **Plan Information** > **401(k) Publications** > **Loan Policy**.

You repay the loan and interest by arranging automatic withdrawals (ACH payments) from your bank account. Keep in mind that borrowing from your retirement investment account will have an impact on the growth potential of your savings.

Rollovers

Who wants to keep track of their savings from a lot of different accounts? Consolidate. Balances from eligible retirement savings plans – like a previous employer's 401(k) – may be rolled into your Pension Plus 2 retirement investment account or Defined Contribution plan account. To learn more or for assistance from Voya's Account Consolidation Team (ACT), call toll free **866-865-2660**.

Withdrawals

Retirement investment account withdrawals are available through the Pension Plus 2 and Defined Contribution plans, including hardship withdrawals, unforeseeable emergency withdrawals and Age 59½ withdrawals.

For information and assistance, call the Plan Information Line at **800-748-6128** and speak with a Participant Services Representative.

Retiree Healthcare Benefit

Your retirement plan election does not affect your retiree healthcare benefit.

- You are automatically enrolled in the Personal Healthcare Fund, a portable, tax-deferred investment account that can be used to pay for healthcare expenses in retirement.
- The Personal Healthcare Fund provides a dollar-for-dollar match on the first 2 percent you contribute to your retirement investment account.
- These contributions began immediately upon your first day worked and are in addition to whatever retirement plan contributions you may elect.

In addition, after 10 years of service, you become eligible to receive a credit into a Health Reimbursement Account when you terminate employment. The credit will be \$2,000 if you are at least 60 years of age at termination or \$1,000 if you are less than 60 years of age at termination.

The Money You Put In

An early start means your investments have many years to grow into the kind of fund you want to support you in your later life. Investing now is the best first step in achieving your big plans.

Contribution is the term used for the money you put into your retirement plan. Your contribution amount is deducted automatically each payroll period.

Pension Plus 2

You contribute toward both your future pension and your retirement investment account.

Pension Component: The cost of the pension component is shared 50/50 between you and your employer. If you leave public school employment, your contributions can be returned to you or can remain on account should you later return.

Note: Pension Plus 2 has been designed to ensure that sufficient funds are invested early in your career to support the benefit you will receive after age 60. If market fluctuations cause that benefit to be at risk (i.e., underfunded) you and your employer will share the cost of restoring the plan (50/50) to fully funded status over a 10-year period. Contributions for this situation are not refundable.

Savings Component: You're automatically enrolled at a 4 percent contribution rate to your retirement investment account which allows you to receive your employer's full matching contributions to your retirement plan and Personal Healthcare Fund. You can make changes to your retirement investment account contributions at any time.

Defined Contribution

You're automatically enrolled in a 5 percent contribution to your retirement investment account so you receive a full employer matching contribution to your retirement savings and the Personal Healthcare Fund. You can make changes to your contributions at any time.

Additional voluntary contributions

In addition to making mandatory contributions to either Pension Plus 2 or the Defined Contribution plan, you may also make additional voluntary contributions to your retirement investment accounts. These voluntary contributions may be made up to the Plan Contribution Limits. At age 50 and up, you are allowed to make catch-up contributions to save even more. If you have balances in other qualified retirement savings plans such as a previous employer's 401(k), governmental 457 plan or traditional IRA, those balances may be rolled over into either your Pension Plus 2 or Defined Contribution retirement investment plan account.

The Money Your Employer Puts In

The employer match is your savings boost. It doesn't cost you anything – and all you need to do to get it is save in the plan. The employer match is a big part of your compensation package. That extra money adds up over time, enhancing your account's growth potential. Below is a description of your employer's contributions and a comparison chart follows. Depending on the retirement plan you elect, your contributions will be reconciled retroactively to your first day worked to the correct contribution rate for your plan.

Pension Plus 2

Pension Component: Your employer makes contributions to help fund member benefits.

Savings Component: You will automatically contribute a percentage of your paycheck to your retirement investment account, which is made up of your Personal Healthcare Fund and your retirement savings. This automatic enrollment earns you your full employer match.

- For every dollar you contribute, up to 2 percent of your wages, you will receive an equal matching contribution to your account from your employer. This is directed to your Personal Healthcare Fund.
- For the next 2 percent of your wages that you contribute, your employer's matching contribution will be half of what you contributed, up to 1 percent of your wages. This, plus any additional contributions you make, is directed to your retirement investment account.

Defined Contribution

You will automatically contribute a percentage of your paycheck to your retirement investment account, which is made up of your Personal Healthcare Fund and your retirement savings. This automatic enrollment earns you your full employer match.

- For every dollar you contribute, up to 2 percent of your wages, you will receive an equal matching contribution to your account from your employer. This is directed to your Personal Healthcare Fund.
- For the next 3 percent of your wages that you contribute, your employer's matching contribution will be 100 percent of what you contributed, up to 3 percent of your wages. This, plus any additional contributions you make, is directed to your retirement investment account.
- Your employer will also contribute an additional 4 percent to your retirement investment account, regardless of how much you're contributing.

Employer and Employee Contributions

(based on wages at automatic enrollment level)

	Pension Plus 2 Savings Component only	Defined Contribution
Employee contribution to Personal Healthcare Fund	2%	2%
Employer match to Personal Healthcare Fund	2%	2%
Employee contribution to retirement investment account	2%	3%
Employer match contribution to retirement investment account	1%	3%
Employer mandatory contribution	--	4%
Savings Component total	7%	14%
	Pension Plus 2 Pension Component only	Defined Contribution No Pension Component
Employer contribution to pension	6.2%*	N/A
Employee contribution to pension	6.2%*	N/A
Pension Component total	12.4%	N/A
Grand total working for you!	19.4%	14%

*This rate is subject to change.

Leaving Public School Employment

Pension Plus 2

Pension Component: If you are vested with at least 10 years of service and leave Michigan public school employment, you're guaranteed a monthly pension when you reach regular retirement age, currently set at age 60. If you haven't met the 10-year vesting requirement, you may not be eligible to receive a pension at retirement. You may request a refund of your pension contributions with interest, but you will forfeit all corresponding service in the plan.

Note: Pension Plus 2 has been designed to ensure that sufficient funds are invested early in your career to support the benefit you will receive after age 60. If market fluctuations cause that benefit to be at risk (i.e., underfunded) you and your employer will share the cost of restoring the plan (50/50) to fully funded status over a 10-year period. Contributions for this situation are not refundable.

Savings Component and Personal Healthcare Fund:

When you stop working you can take a distribution of your retirement investment account 45 days after termination, including all employee contributions, vested employer match, and related earnings. Distributions from the 401(k) Plan (where your employer contributions are invested) are subject to IRS early distribution penalties if you are under age 59½. Or you may choose to postpone the payment of benefits until a later date and leave your benefits to accumulate. In certain situations, you may also be eligible to roll over your account balance to another eligible retirement investment account or IRA, but you may want to do a comprehensive fee comparison first. If you leave public school employment before you're 100 percent vested in your employer's contributions, the non-vested portion will be forfeited and will not be included in future statement balances.

If you have at least 10 years of service, you will be eligible to receive a credit into a Health Reimbursement Account when you terminate employment. The credit will be \$2,000 if you are at least 60 years old at termination or \$1,000 if you are less than age 60 at termination.

Defined Contribution

Retirement Investment Account and Personal

Healthcare Fund: When you stop working you can take a distribution of your retirement investment account 45 days after termination, including all employee contributions, vested employer match, and related earnings. Distributions from the 401(k) Plan (where your employer contributions are invested) are subject to IRS early distribution penalties if you are under age 59½. Or you may choose to postpone the payment of benefits until a later date and leave your benefits to accumulate. In certain situations, you may also be eligible to roll over your account balance to another eligible retirement investment account or IRA, but you may want to do a comprehensive fee comparison first. If you leave public school employment before you're 100 percent vested in your employer's contributions, the non-vested portion will be forfeited and will not be included in future statement balances.

If you have at least 10 years of service, you will be eligible to receive a credit into a Health Reimbursement Account when you terminate employment. The credit will be \$2,000 if you are at least 60 years old at termination or \$1,000 if you are less than age 60 at termination.

If You Become Disabled

Pension Plus 2

Pension Component: The Pension Plus 2 plan provides a pension benefit 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.

If you incur a permanently disabling injury or illness at work, you may be eligible for a duty disability benefit. Your duty disability protection begins your first day on the job.

If your disabling illness or injury is incurred outside of work, you may qualify for a non-duty disability benefit. Your non-duty disability protection begins when you are vested with the equivalent of 10 years public school employment.

Savings Component: You will have access to your employee contributions and any related earnings in your retirement investment account, along with any vested employer contributions and related earnings.

Personal Healthcare Fund: You will have access to your employee contributions and any related earnings in your Personal Healthcare Fund, along with any vested employer contributions and related earnings. A credit into a Health Reimbursement Account would also be made if you have at least 10 years of service at termination (amount depends on age at termination). Neither you nor your beneficiaries would be eligible for any health insurance subsidy from the state.

Defined Contribution

If you suffer a disability of any kind and terminate public school employment, you would have access to your employee contributions and any related earnings in your retirement investment account and Personal Healthcare Fund, along with any vested employer contributions and related earnings. A credit into a Health Reimbursement Account would be made if you have at least 10 years of service at termination (amount depends on age at termination). Neither you nor your beneficiaries would be eligible for any health insurance subsidy from the state.

Upon Your Death

Pension Plus 2

Duty Death: If you suffer a duty-related death while an active employee, a survivor pension may be payable if a worker's compensation benefit is awarded. No vesting is required. In addition, your spouse and health benefit dependents would be eligible for subsidized healthcare at the maximum subsidy allowed by statute. Your spouse's insurance subsidy may continue until his or her death. Your dependents' insurance subsidy may continue until their eligibility ends.

In the event of a duty death, the Personal Healthcare Fund employer matching contributions and related earnings in your retirement investment account would be forfeited. However, your beneficiaries would receive the remaining retirement investment account and Personal Healthcare Fund contributions and related earnings.

Non-Duty Death: If you suffer a non-duty related death while an active employee, a survivor pension may be payable if you are vested with 10 years of service. Your beneficiaries would have access to your retirement investment account balance. Their access to your employer's contributions and related earnings would be determined based on your vesting status. Your survivors would not be eligible for any health insurance subsidy from the state. However, a credit would be applied to a Health Reimbursement Account upon your death if you had at least 10 years of service. The credit would be considered part of your estate.

Deferred Member Death: If you die while your retirement is in deferred status (that is, you leave public school employment after becoming vested for your pension, but before you're old enough to draw your pension), a monthly survivor pension will be payable to your eligible beneficiary 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.

Defined Contribution

Your employee contributions and related earnings, and your vested employer contributions and related earnings in your retirement investment account, including your Personal Healthcare Fund contributions, will go to your designated beneficiary or your estate.

Your survivors would not be eligible for any health insurance subsidy from the state. However, a credit would be applied to a Health Reimbursement Account upon your death if you had at least 10 years of service. The credit would be considered part of your estate.

Your beneficiaries would have access to your retirement investment account balance as well. And a credit would be applied to a Health Reimbursement Account upon your death. The credit would be considered part of your estate.

Death After Retirement: If you die after retirement and you chose a survivor option at retirement, a monthly pension may be payable to your surviving pension beneficiary. Your beneficiaries would also have access to your retirement investment account balance.

Choose With Confidence

Retirement isn't an event that happens when you are 60. It is the result of a lifetime of careful investment and planning, along with your service to Michigan's school children. The plan grants you 75 days to consider your options carefully. This is a time to consult with family members and with tax or investment advisors so you can confidently choose the plan that is best for you. The plan you choose will be your retirement plan throughout your career as a Michigan public school employee.

Don't miss your date! Log in to miAccount at www.michigan.gov/orsmiaccount any time to see how many days remain for you to make your choice. You will need the Member ID that is printed on your welcome letter. Once you make your choice, it is irrevocable. Your employer will be notified and will make any needed payroll adjustments back to your first day of work.

At the end of your election window, if you have not chosen a plan you will become a participant in the Defined Contribution plan.

Once you make your election or the deadline passes, you cannot change your retirement plan.

For More Information

You can contact us if you have questions. However, we cannot advise you on which retirement plan is right for you. Consider consulting a tax or financial advisor about your personal situation.

Visit PickMiPlan.org for complete details in the New Hire Retirement Plan Election Guide.

Call **800-748-6128** for information about the Pension Plus 2 retirement investment account, the Defined Contribution plan and the Personal Healthcare Fund.

Log into miAccount at www.michigan.gov/orsmiaccount and use the secure Message Board for information about the Pension Component of the Pension Plus 2 plan or call **800-381-5111**.