

FREQUENTLY ASKED QUESTIONS **ON THE NEW RETIREMENT LAW**

(information updated as of May 18)

Below is a list of frequently asked questions MEA members have posed related to the legislative action on May 13 regarding an early retirement incentive and school employee pension changes. The answers below are meant to provide you with what MEA believes to be the latest and most accurate information; however, for your specific situation, you should seek guidance from the Office of Retirement Services (ORS) directly.

1. What is the incentive to retire?

The incentive is an increase in the pension multiplier from 1.5% to 1.6% on final average compensation up to \$90,000, for those who are currently eligible to retire and choose to do so now. For those who are not currently eligible, but whose age plus years of service total 80, you will be able to retire with an increased pension multiplier of 1.55% on final average compensation up to \$90,000.

2. How much will I get?

Exactly what you will receive is based on your final average compensation and years of service. You should carefully consider the financial impact of choosing to retire or to continue to work. You can download a basic guide to calculating your pension at www.mea.org/retirement/retirement_formula.pdf.

3. I have 30 years of service and am eligible to retire on July 1, 2010. What are the financial considerations whether to retire and take the incentive or continue working?

If you decide to retire on July 1, 2010, your final average compensation will be multiplied by 1.6%, instead of 1.5%. This 0.1% increase multiplied by 30 years of service results in an additional 3% retirement allowance. If you were to continue working, in two more years you will have recouped the additional 3%, plus you will have received your regular salary during those two years instead of a lower retirement allowance.

4. What is the deadline for applying in order to receive the retirement incentive?

A written application must be submitted to the Office of Retirement Services (ORS) on or before June 11, 2010.

5. If I submit an application to retire but later change my mind, may I withdraw my application?

An application to retire may be withdrawn on or before June 11, 2010, but the application is irrevocable after June 11.

6. When must I actually retire in order to receive the retirement incentive?

Your retirement must be effective no earlier than July 1, 2010, but not later than September 1, 2010. The effective date of retirement may be extended for up to one year with the agreement of your superintendent. Each school district may extend the retirement date for one employee and up to an additional 2,500 extensions shall be allocated throughout the state.

7. If I receive one of the extensions to allow me to work during the 2010-2011 school year, will I still receive a retirement incentive when I retire?

Yes.

8. If I submitted an application for retirement prior to the passage of this law, do I need to withdraw that application and file a new one in order to receive the incentive?

No. The ORS will consider applications filed before the new law becomes effective as eligible for the retirement incentive, as long as the effective date of retirement is on or after July 1, 2010, but not later than September 1, 2010.

9. Is there any active duty requirement in order to be eligible for the retirement incentive?

Yes. An employee must have worked for the school district from November 1, 2009 through May 1, 2010. An employee on layoff or an approved leave of absence is also eligible if the employee has actively performed services for the school district during some time period between November 1, 2009 and May 1, 2010.

10. When must my age and years of service credit total at least 80 in order to be eligible for the retirement incentive?

Your age and years of service credit must total at least 80 by August 31, 2010, in order to be eligible for the retirement incentive. Your effective date of retirement must be on or after the date upon which your age and years of service credit total 80.

11. *Does purchased service credit count when determining whether your age and service credit totals at least 80?*

Yes.

12. *If I qualify for the retirement incentive based upon 80 or more total years of age and service credit, do I still suffer a reduction in my retirement allowance for each month that I am shy of 60 years of age?*

No.

13. *I am a member of the basic plan and have not paid into the Michigan Investment Program (MIP) plan. Am I eligible to retire based upon my years of service and age totaling at least 80?*

Yes. Your pension will be calculated based upon the calculation of your final average compensation used for basic members, not MIP members.

14. *Is my school district responsible for my health benefits through August, if I retire under this law?*

This law does not affect your eligibility for health benefits prior to the effective date of your retirement. You will begin to receive health benefits from the Michigan Public School Employees Retirement System on the effective date of your retirement. If your effective retirement date is not until September 1, 2010, whether you receive health benefits from your school district during the summer will be determined by your collective bargaining agreement.

15. *What happens if I choose not to retire?*

If you choose not to retire, you will continue to earn service credit, but you will be subject to an additional contribution of 3% to the retiree health fund beginning July 1, 2010.

16. *Are my health benefits into retirement guaranteed if I retire under this legislation?*

No. The Michigan Supreme Court previously decided that health benefits are not guaranteed to retired school employees – the Legislature's actions last week did not change this fact. The House version of the legislation would have created a right to retiree health benefits for those who will pay the additional 3% into the health benefits trust. Unfortunately, the final version of the bill that was passed did not include this provision.

17. Is it guaranteed that the 3% paid into a retirement health benefits trust will stay in that fund - protected from raid to cover "emergency" costs elsewhere?

The money will be placed into a trust account that may only be used for retiree health care. However, there is nothing that stops the Legislature from using those funds to cover some of the costs of health benefits for current retirees and no guarantee that it will be used for retiree health benefits for those who contributed the 3%.

18. If I retire from my school district employment on or after July 1, 2010, but continue teaching at a Michigan community college, are my retirement benefits affected?

It depends upon whether your community college participates in MPSERS and how much you earn at the community college. Assuming your community college participates in MPSERS, rather than an alternative retirement program, if your earnings from the community college during a calendar year exceed one-third of your final average compensation, then you will forfeit your pension and health benefits for as long as you continue to work for the community college or any other employer covered by the Michigan Public School Employees Retirement Act. Once you leave that employment, your pension and retiree health benefits will resume.

19. Will the "hybrid plan" apply to school employees who are laid off and return to work after July 1, 2010?

No. The so-called "hybrid plan," which includes a reduced defined benefit plan along with a defined contribution plan, only applies to school employees hired after July 1, 2010, who have not previously been members of the Michigan Public School Employees Retirement System. If you have any service credit prior to July 1, 2010, you will not be subject to the hybrid plan.

20. If I have deferred some of the pay that I earned during the current school year, is the deferred money that is paid to me after July 1, 2010, subject to the additional 3% contribution?

The Office of Retirement Services is currently considering this question and has not announced its position. MEA believes that the language of the statute clearly supports the interpretation that money earned prior to July 1, 2010, is not subject to the additional 3% contribution.

21. When does the 3% start coming out of my check? Is it all at once or per pay period?

The additional 3% will be deducted from earnings received after July 1, 2010. It should be deducted from each paycheck. The ORS may also decide that pay received after July 1 is subject to the additional 3%. See FAQ # 20.

22. I have a family member who will begin working in a Michigan public school after July 1, 2010. If the family member does not choose to contribute to the defined contribution plan during the first year of employment, is she still able to choose to contribute in later years?

The new legislation does not specifically address this situation. Therefore, it will be up to the ORS to decide. However, it is expected that school employees subject to the defined contribution plan will be able to change whether and how much to contribute, so long as the change does not occur so frequently as to create an administrative burden for either the school district or the ORS.

23. How does this affect those of us already retired?

The changes in the law should have no effect upon those already retired.

Please remember to check with the Office of Retirement Services regarding specific questions related to your retirement decision. The phone number for ORS is (800) 381-5111 or (517) 322-5103– online at www.mi.gov/ors.