State of Michigan

Your Retirement Benefits

Healthcare, Life Insurance, Disability and Death Benefits

state of michigan
401(k) & 457 PLANS

Who Should Use This Guide:

Defined Contribution – Personal Healthcare Fund Participants

State employees who began employment before January 1, 2012, and elected the **Personal Healthcare Fund**.

Save Today for Health Care Expenses Tomorrow

Navigation Tips

The State of Michigan provides competitive employee benefits and encourages you to take full advantage of them to plan for your future. Your benefits include an innovative way for you to save for health care expenses.

Personal Healthcare Fund

The Personal Healthcare Fund is a personal, portable fund within the State of Michigan 401(k) and/or 457 Plans that you can use to pay your healthcare expenses in retirement. It's made up of three components: Your contributions, your employer's matching contributions, and an additional one-time employer contribution to your tax-deferred account.

Questions? Need More Information?

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

Matching Contributions

You're eligible for a 2 percent employer match into your 401(k) plan account if you contribute up to 2 percent of pay to your 401(k) and/or 457 plan account. This, in addition to the 3 percent employer match you're already eligible for as participant in the Defined Contribution (DC) plan, gives you up to a 5 percent employer match into your 401(k) plan account.

Your first 3 percent will be applied to the retirement portion of your account, and the next 2 percent will be applied to your Personal Healthcare Fund.

If you haven't already selected investment options for your 401(k) or 457 accounts, your Personal Healthcare Fund contributions and employer match will go into a Target Date Fund, calculated based on your birth date and an assumed retirement age of 65.

Both your online account and your Voya Financial™ statements will list your Personal Healthcare Fund contributions separately from your retirement contributions.

Additional Employer Contribution

If you have at least 10 years of service when you first terminate employment, the Personal Healthcare Fund provides an additional one-time employer contribution to your 401(k) plan account.

The amount of the additional contribution will be based on your years of service, the value of your retiree health benefits as of March 31, 2012, and an annual interest adjustment based on the Medical Care Component of the Consumer Price Index (not to exceed 4 percent).

To get 100 percent of the calculated amount, you must be at least age 60 with 10 years of service or at least age 55 with 30 years of service when you first leave employment. If you have at least 10 years of service but don't meet the age requirements when you first leave employment, you'll receive 50 percent of the calculated amount. If you have less than 10 years of service, you will not be eligible for any portion of the amount.

The additional contribution will be distributed to your 401(k) account. However, if the contribution amount causes you to exceed the IRS limits, the amount in excess of the limits will be placed in your 457 account, and any remaining amount above the 457 Plan limit will be available to you in a Health Reimbursement Account (HRA).

Vesting

You begin earning credit towards vesting your first day on the job. Here's how you vest in your employer's matching contributions to your 401(k): 50 percent vested after the equivalent of 2 years of full-time service; 75 percent vested after 3 years; and 100 percent vested after 4 years, or upon your Normal Retirement Age (age 65), whichever comes first. You are immediately 100 percent vested in your own contributions.

You are vested in at least 50 percent of the additional employer contribution when you have at least 10 years of service prior to your first termination of employment following December 31, 2011.

Determining Years of Service

For most state employees, 2,080 hours equals one year of service. You can't be credited with more than one year of service in any given year, or earn more than 80 hours of service in a pay period. Exceptions to the 2,080-hour year are employees who work for the Legislative Service Bureau (1,950 hours). If you're working less than full time, your total hours will be divided by 2,080 to determine your equated years of service. Only full years count for vesting; your total years of service will be rounded down. Contact Voya™ or your HR representative to get your current years of service.

Military Leave of Absence

Up to 5 years of intervening military leave (which interrupts your State of Michigan employment) can be used to meet the vesting requirement for employer contributions to your 401(k), as well as your additional employer contribution, nonduty disability benefits, and nonduty death benefits. Upon returning from a military leave of absence, complete an ***Application for Military Leave of Absence Credit (R0717G)*** and return it to the Office of Retirement Services (ORS) along with the appropriate documentation. You will then be given credit for the years of service, and the state's 4 percent mandatory contributions missed will be credited to your 401(k) plan account. The form also gives you the option of making up missed employee contributions in order to qualify for missed employer match money to your retirement savings (3 percent) and your Personal Healthcare Fund (2 percent).

Nonintervening military service may not be used to meet vesting requirements or to qualify for mandatory or matching employer contributions for the 401(k) plan.



Health Insurance

When you terminate service, you may purchase health, prescription drug, dental, and vision insurance for you and your eligible dependents through the State of Michigan if you:

- Enroll immediately upon your termination (with no break in coverage)
- Meet age and service requirements, as shown in the chart below.

Position	Age and Service Requirement
Regular State Employee (Classified and unclassified service not otherwise listed)	Age 60 with 10 years of service Age 55 with 30 years of service
Covered Employees (Employees in covered positions responsible for the custody and supervision of prisoners)	Age 56 with 10 years of covered service Age 51 with 25 years of covered service The 3 years immediately before termination must be in a covered position.
Conservation Officers	Any age with 25 years of service You must have 23 years as a conservation officer, and the 2 years immediately before termination must be as a conservation officer.

You would be responsible for paying 100 percent of the premiums. If you disenroll from coverage after termination, you cannot re-enroll.

The Impact of Medicare

When you're eligible for Medicare, the amount you pay each month will be recalculated to reflect your new Medicare Supplemental premium amount. Be sure to enroll in Medicare Parts A and B when you or your dependents first become eligible.

Life Insurance

Your state-sponsored life insurance will continue for you and your dependents at no charge to you if you meet both the age and service requirements when you leave state employment. If you leave state employment after you have met the 10–year service requirement but not the age requirement, you waive your right to state-paid life insurance.

The coverage will be 25 percent of the coverage carried at the time you leave state employment, and your dependents' policies are capped at $1,000. The following qualified dependents can continue life insurance coverage after you retire if they were enrolled while you were an active employee:

- Your spouse.
- Your unmarried dependent children under age 23.
- Your incapacitated child who lives with you and depends on you for support as defined by IRS regulations.

Within 30 days of terminating employment, you can convert the remaining 75 percent of your active life insurance to a private, direct pay policy for yourself. You may also convert the amount by which the dependent policy was reduced. Minnesota Life can provide a rate schedule and a conversion application if you wish to convert life insurance coverage for yourself.

To Enroll in Insurances

About a year before you plan to leave state employment, begin to research your insurance options. If you're interested in the state's health, prescription drug, dental, or vision plans, or you wish to obtain information about continuing the state-sponsored life insurance, contact the Office of Retirement Services (ORS) to request a Defined Contribution Plan insurance packet about three months before you terminate employment and enroll in insurance benefits. It will contain forms, information about state insurance carriers and rates. Forms can also be found on the Forms tab at **www.michigan.gov/orsstatedc**.

Complete and return the forms to ORS with all required documents listed in the packet. ORS will verify your eligibility and send you a letter detailing your eligibility and life insurance information (if eligible).

Once you terminate ance enrollment data to the various insurance carriers, and you will receive information packets and identification cards from each. We will also send you payment coupons for your share of the premiums to be paid.

Disability Benefits

If you become totally and permanently disabled because of an injury or illness that occurred outside of work (a **nonduty disability**), you may be eligible for monthly benefits if you have the equivalent of at least 10 years of full time state employment.

If you become totally and permanently disabled because of an injury or illness incurred at work (a **duty disability**), you may be eligible for monthly benefits regardless of how long you have been employed by the state. Totally disabled means you are unable to perform the duties of your current position. Permanently disabled means the disability is likely to last your lifetime.

The benefits for a nonduty and duty disability are:

Health Insurance

If your nonduty or duty disability is approved, the state will pay the maximum health premium subsidy allowed by statute for health, prescription drug, dental, and vision coverage for you, your spouse, and eligible health benefit dependents* if they were covered on the day you became disabled.

Your spouse's health insurance subsidy may continue until his or her death; your health benefit dependents' insurance subsidy may continue until their eligibility ends (through marriage, age, or other event).

Because you would be receiving state subsidized health insurance, you would not qualify for and forfeit all rights to the Personal Healthcare Fund employer matching contributions and earnings on those contributions in your 401(k), as well as the additional employer contribution that you would have received at termination, if eligible. You would be required to repay any funds you had withdrawn that represent Personal Healthcare Fund employer contributions made on your behalf. However, you would retain full ownership of the contributions you made to the Personal Healthcare Fund and the earnings on those contributions in your 401(k) or 457 plan account.

*Health benefit dependents are your spouse and unmarried children who are considered dependents under Section 152 of the Internal Revenue Code.

***Disability Benefits** continued*

Life Insurance

If you become totally disabled for any reason prior to age 65, your life insurance will continue at no cost to you. The amount of your life insurance will be the amount in force on the day you became disabled.

After age 65 your life insurance amount will be 25 percent of the coverage in force on the day before you became disabled. Any dependents' life insurance policies you have will be reduced to $1,000 each. Your spouse's life insurance policy will continue until he or she dies; your eligible dependents will each be covered until age 23.

Supplemental Payment

If you suffer a nonduty or duty disability, you may be eligible for a monthly supplemental payment from the state. Your payment is based on a calculation that includes a final average compensation (FAC) amount, years of service, and the value of the employer-funded portion of your 401(k) plan account (excluding Personal Healthcare Fund contributions).

The first step in determining if a supplemental payment will be paid to you is calculating the value of an annual benefit. The annual benefit is calculated by multiplying the FAC times your years of service times 1.5 percent. Your highest three consecutive years of compensation are averaged to determine the FAC.

FAC x years of service x 1.5 percent = annual benefit

For example, if your FAC is $40,000 and you have 17 years of service, your annual benefit $10,200.

For a duty disability, the calculated annual benefit used will not be less than $6,000; for a nonduty disability, the calculated annual benefit used will not be less than $600.

Disability Benefits continued

Next, the state evaluates the employer-funded portion of your 401(k) plan account (excluding Personal Healthcare Fund contributions). This includes employer contributions the state has made to your 401(k) account during your employment, as well as associated investment growth (employer-funded portion). If this amount is sufficient to provide a lifetime annual income (actuarially determined) equal to the calculated annual benefit, no supplemental payment will be made. If it's insufficient, the state will pay a supplemental benefit to make up the difference—in the case of our example, up to $10,200 per year.

The supplemental payment for a nonduty or duty disability usually ceases at your death. However, if you die before age 60 and within three years of the same injury or illness in which your duty disability was granted, a supplemental payment may continue. Your survivors should contact ORS for further instructions.

To Apply for Disability Benefits

Death Benefits

If you die because of an injury or illness that occurred outside of work (a nonduty death), monthly benefits may be payable if you have the equivalent of 10 years of full-time state employment.

If you die because of an injury or illness incurred at work (a duty death), monthly benefits may be payable regardless of how long you have been employed by the state.

The benefits for a nonduty death and duty death are:

Health Insurance

In the event of a nonduty or duty death, the state will pay the maximum health premium subsidy allowed by statute for health, prescription drug, dental, and vision coverage for your surviving spouse and eligible health benefit dependents if they were covered at the time of your death. Your spouse's health insurance subsidy may continue until his or her death; your health benefit dependents' insurance subsidy may continue until their eligibility ends (through marriage, age, or other event).

By receiving state subsidized health insurance, your spouse and eligible health benefit dependents would forfeit all rights to the Personal Healthcare Fund employer matching contributions and earnings on those contributions in your 401(k), as well as the additional employer contribution that you would have received at termination if eligible. However, they would retain full ownership of the contributions you made to the Personal Healthcare Fund and the earnings on those contributions in your 401(k) or 457 account.

Life Insurance

If you suffer a nonduty or duty death, life insurance coverage continues for your surviving spouse and eligible dependents if they were covered at the time of your death. The amount of the coverage is $1,000 each. Your spouse's life insurance policy will continue until he or she dies; your eligible dependents will each be covered until age 23.

*Health benefit dependents are your spouse and unmarried children who are considered dependents under Section 152 of the Internal Revenue Code.

***Death Benefits** continued*

Supplemental Payment

The state may make an annual supplemental payment to your eligible survivor(s) in the event of a nonduty or duty death. Any payment will be determined based on the calculations defined in the **Disability section** of this booklet.

If a supplemental payment is approved for a nonduty death, it will be paid to your surviving spouse until he or she dies. If a supplemental payment is approved for a duty death, it will be paid to your spouse until he or she dies and to your surviving children until they reach 21 years of age, marry, or die, whichever comes first.

Information about reporting a death can be found at the Michigan Civil Service Commission website at **www.michigan.gov/mdcs**; click on Employee Benefits.

If You Die After Terminating Employment

If you die after terminating employment, your beneficiaries will not be eligible for any state subsidized insurance benefits. Your beneficiaries would receive any amount left in your 401(k) or 457 plan account, including any vested Personal Healthcare Fund employer matching contributions.

Have Questions About Your Benefits?

If You Have Questions About	Who to Contact	How to Reach
Your 401(k) and 457 Plans, eligibility including vesting, death, and insurance benefits.	Voya Financial™	**http://stateofmi.voyaplans.com** 1–800–748–6128 8:00 am – 8:00 pm P.O. Box 57669 Jacksonville, FL 32241–7669
How to apply for insurances and insurance premium payments after termination.	Office of Retirement Services (ORS)	**www.michigan.gov/orsstatedc** 1–800–381–5111 8:30 am – 5:00 pm P.O. Box 30171 Lansing, MI 48909–7671
Conversion of life insurance at retirement and health plan booklets and bulletins for current employees.	Employee Benefits Division (EBD) Civil Service Commission	1–800–788–1766
Terminating employment and verification of total hours counter.	MI-HR Civil Service Commission	1–877–766–6447