

# New Employee Welcome Guide



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The State of Michigan Defined Contribution 401(k) Plan is the primary retirement plan for all new employees. Starting with your very first paycheck, the State of Michigan began contributing an amount equal to **4%** of your salary into your account in the 401(k) Defined Contribution Plan. These contributions are automatically invested in one of the SSgA Target Retirement Funds, based on your date of birth and assuming you will retire at age 65.

# Welcome

## Target Retirement Funds

Target retirement funds are designed to provide a mix of stocks, bonds, and cash equivalents based on your targeted retirement date. The State's automatic contributions will continue to be invested in your target retirement fund until you direct otherwise. For more information on investments, refer to **page 5**.

## Free Money — The Power of the Match

As soon as you begin contributing to your 401(k), the State of Michigan will match your contributions, dollar for dollar, up to a maximum of 3% each pay period. By contributing just 3% of your salary, you will have an amount equal to 10% of your salary going to work on your behalf. Of course, you can contribute even more if you wish!

### Taking a hands-on approach is as easy as 1, 2, 3!

- 1** Log on to the Plan Web site at <http://stateofmi.ingplans.com> and select the **401(k) Plan**.
- 2** Click on **Contributions**, then on **Enroll** and enter the percent you'd like to contribute.
- 3** Select your investments. You may choose to invest in a Target retirement fund or choose your own mix of investment funds. See **page 5** for more information on investments.

**Remember — contributing at least 3% will get you the full State Match!**

If you wish, you may also call the Plan Information Line at **1-800-748-6128** to start contributing.

## Learn More

Please read through this guide carefully to learn more about what's available to you, including Plan selection, your investment options, and how to manage your account to keep it working toward the goals you establish. State of Michigan employees are encouraged to attend the seminars offered by ING to learn more about the retirement plans.

# Getting Started

## Your Password

Passwords are mailed to all eligible Plan participants. Your password is your key to your account. You will need it to log on to the Plan Web site or call the Plan Information Line to access your account.

### Misplaced your Password?

There are two ways to get your password mailed to you again. You may click on **Forgot your Password?** on the login page of the Plan Web site, or you can call the Plan Information Line and follow the instructions for requesting a password reminder. Your password will be mailed within three business days to your address on file.

## Choosing Your Plan

The State of Michigan makes both a pre-tax 401(k) and an after-tax Roth 401(k) available, giving you the flexibility to customize your long-term investment strategy based on your individual needs and tax situation. See **page 4** to compare the benefits and features of pre-tax 401(k) contributions versus after-tax Roth 401(k) contributions.

For those employees looking for the most in plan flexibility and trying to shelter as much of their income from current taxes, the State of Michigan also offers a 457 Plan. The 457 Plan has many of the same features as the pre-tax 401(k). The Key Features on the back of this guide may help you in deciding which Plan, or combination of Plans, is most appropriate for you.

## Your Contributions

Contributions are made through easy payroll deductions. Your contributions may not exceed the annual limits set by the IRS (see table below).

If you are age 50 or older, you may contribute additional money in the form of Catch-Up Contributions, up to the IRS limit. In the 457 Plan, if you have not made the maximum contribution in prior years, you may be eligible for the Traditional Catch-Up Contribution. This allows you to contribute up to twice the annual dollar limit — \$34,000 in 2012 — for the three calendar years prior to the year in which you become eligible for normal retirement benefits. You may not participate in the Over 50 Catch-Up and the 457 Traditional Catch-Up during the same calendar year in the 457 Plan, but you can contribute to the Over 50 Catch-Up in both the 457 and 401(k) Plans in the same year. Detailed information on Catch-Up Contributions can be found on the Plan Web site. You must call the Plan Information Line before starting to use the catch-up provisions. Contributions to both Plans combined may not exceed 100% of your total salary in any given year.

### 2012 IRS Contribution Limits

	401(k) Plan*	457 Plan
Regular Limit	\$17,000	\$17,000
Over 50 Catch-Up Limit**	\$5,500	\$5,500
457 Traditional Catch-Up Limit**	n/a	\$17,000

\*Combined limit for pre-tax and after-tax Roth contributions

\*\*These limits are in addition to the regular limit of \$17,000.

To be vested is to legally own the money in your account. You are immediately 100% vested in your own contributions and any earnings accumulated on those contributions. Your years of service with the State determine how much you are vested in contributions made by the State to your account. The chart below details the vesting schedule for the 4% mandatory contributions and 3% matching contributions and any associated earnings from the State. If you leave employment before you are 100% vested, the non-vested portion will be forfeited.

### Vesting — who owns what, when?

Years of Service*	Percent Vested
After 1 year	0%
After 2 years	50%
After 3 years	75%
After 4 years	100%

\*A year of service is defined as 2080 hours.







## Designation of Beneficiary

You will need to assign your beneficiary designations for your 401(k) and 457 Plans. This should be done as soon as possible. Completing this process ensures that in the event of your death, your savings will be distributed to the person or persons you intended. You may have the same beneficiary for both the 401(k) and 457 Plans, or you can have different beneficiaries for each Plan. You can change your designated beneficiary whenever necessary.

Just log in and visit the **Personal Information** section. Select **Beneficiary Information** from the drop down list. Select **Add/Edit Beneficiary** and complete the required fields for naming your beneficiaries. If you have a balance in both the 401(k) and 457 Plans, you will need to complete beneficiary information for each Plan. Beneficiary elections may also be made through written request using the *Designation of Beneficiary* form.

Paper beneficiary forms are required if you are married and you wish to name someone other than your spouse as your primary beneficiary in the 401(k) Plan. Since your spouse must provide consent, a paper *Designation of Beneficiary* form must be used with the 401(k) Plan. This form is available on the Plan Web site or by calling the Plan Information Line.

## Account Statements

Quarterly statements are mailed about two weeks after the end of each quarter. It is very important for you to review your statement each time you get it. These statements summarize your transactions, account balance, and investment performance. The statements also list your contribution rates and beneficiary elections. You may choose to receive your statements electronically. You can access account information on the Plan Web site or by calling the Plan Information Line.

## Quarterly Newsletter

You will receive a newsletter along with your account statement each quarter that includes important Plan information, updates about any changes in the Plans, or the effect of new laws on the Plans. This newsletter is the primary way the State of Michigan communicates with Plan participants, so please read your newsletter. Past issues are available on the Plan Web site in the **Publications** section.

The chart below is a comparison of the tax advantages of the Plans.

Feature	401(k) and 457 pre-tax options	Roth 401(k) after-tax option*
<b>Tax treatment on contributions</b>	<ul style="list-style-type: none"> <li>Contributions reduce taxable income dollar-for-dollar, which may lower the taxes you pay today</li> </ul>	<ul style="list-style-type: none"> <li>No current tax savings since contributions are taxed when made</li> </ul>
<b>Tax treatment on withdrawals</b>	<ul style="list-style-type: none"> <li>Contributions and investment earnings are taxed as ordinary income</li> </ul>	<ul style="list-style-type: none"> <li>Contributions and investment earnings are withdrawn tax-free for qualified withdrawals</li> </ul>
<b>Advantages</b>	<ul style="list-style-type: none"> <li>Contributions may reduce current income taxes</li> <li>Earnings grow tax-deferred over time</li> </ul>	<ul style="list-style-type: none"> <li>Earnings grow tax-free</li> <li>No taxes on qualified withdrawals</li> <li>Required Minimum Distributions are not mandatory if Roth 401(k) is rolled to a Roth IRA</li> </ul>
<b>Who might benefit?</b>	<ul style="list-style-type: none"> <li>Employees who:               <ul style="list-style-type: none"> <li>Want to lower their taxes today</li> <li>Expect to be in a lower tax bracket in retirement</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Employees who:               <ul style="list-style-type: none"> <li>Want tax-free withdrawals in retirement</li> <li>Expect to be in a higher income tax bracket at retirement</li> </ul> </li> </ul>

\* Qualified tax-free distributions on earnings from a Roth 401(k) occur after you reach age 59½ and you have held the account for at least five years. Prior to making a decision, you are encouraged to review these options with your financial and/or tax advisor.

### Your tax credit — remember to take it if you can

To encourage people to save for retirement, the federal government offers a tax credit on the first \$2,000 in contributions for some savers. Your eligibility for the credit is based on your adjusted gross income (AGI). The AGI limits are \$57,500 for married couples filing jointly; \$43,125 for heads of household; and \$28,750 for married individuals filing separately and for singles. Refer to the IRS web site ([www.irs.gov](http://www.irs.gov)) or call the Plan Information Line for more details.



# Investment Options

## Target Retirement Funds

Target retirement funds offer instant diversification by providing a mix of stocks, bonds, and cash equivalents. Each fund adjusts the mix of stocks, bonds, and cash equivalents over time, becoming more conservative as the fund nears its target retirement date. Rather than trying to select and manage a collection of different funds, you may select just one of these funds to ensure a well-diversified investment mix for years to come. Simply choose the fund with the date closest to when you expect to retire and direct all of your contributions and account balances into that fund. These funds are used as the default investment option until you make other choices. For more information, go to the Plan Web site or call the Information Line.

### Target Date Funds

SSgA Target Retirement Income Fund
SSgA Target Retirement 2010
SSgA Target Retirement 2015
SSgA Target Retirement 2020
SSgA Target Retirement 2025
SSgA Target Retirement 2030
SSgA Target Retirement 2035
SSgA Target Retirement 2040
SSgA Target Retirement 2045
SSgA Target Retirement 2050
SSgA Target Retirement 2055

## Core Investment Options

The State of Michigan Plans also offer investment options that allow investors to choose how to invest their funds. These investment options include index funds and actively managed investment options and cover stocks, bonds, and cash equivalents.

### Passively Managed

Investment Option	Category
SSgA Yield Enhanced STIF	Short-term money market
Stable Value Fund	Investment contract/short-term investment
SSgA Bond Market Index	Bond Index
SSgA S&P 500 Index	Domestic large cap stock index
SSgA S&P MidCap Index	Domestic mid cap stock index
SSgA Russell 2000 Index	Domestic small cap stock index
SSga Global all Cap Equity ex-U.S. Index	International equity index

### Actively Managed

Investment Option	Category
PIMCO Total Return Fund	Intermediate term bond fund
SSgA Global All Cap Equity ex-U.S. Index	International equity index
Oakmark Equity and Income Fund	Balanced (stocks and bonds)
Dodge & Cox Stock	Domestic large cap value stock
Rainier Large Cap Growth Equity Fund	Domestic large cap growth stock
T. Rowe Price Mid Cap Value Fund	Domestic mid cap value stock
Artisan Mid Cap	Domestic mid cap growth stock
RidgeWorth Small Cap Value Equity: I	Domestic small cap value stock
ING Small Cap Growth Equity	Domestic small cap growth
American Funds EuroPacific Growth Fund: R5	Foreign large cap blend stock
SSgA Emerging Markets	Foreign emerging markets stock

*Prior to investing, please make sure that you carefully review all investment information. More information on each investment option, including fund fact sheets, is available on the Plan Web site at <http://stateofmi.inplans.com> or by calling 1-800-748-6128.*

## The Self-Managed Account (SMA)

The SMA is a brokerage account that gives you access to most individual stocks, bonds, certificates of deposit (CDs), exchange-traded funds (ETFs), and more than 10,000 different mutual funds. See the Plan Web site for details and an SMA application if you wish to take advantage of this option.



### Changing your investment elections

To change the way your current or future contributions are allocated among the various investment options, simply log on to the Plan Web site or call the Plan Information Line at any time.

### Trading restrictions & redemption fees

Frequent trading and attempting to time the market is discouraged.

Before you can transfer money from the Stable Value Fund into the SSgA Yield Enhanced STIF, or the Self-Managed Account (SMA), you must first transfer the money into another core investment option and keep it there for 90 days. Once the 90-day period is over, you may transfer the money into any fund or the SMA.

Some funds may enforce trading restrictions and/or redemption fees, including those in the SMA. You should always read the fund's prospectus carefully before investing.

As of this printing, the following funds impose trading restrictions:

- American Funds imposes trading restrictions on its EuroPacific Growth Fund. If an investor transfers \$5,000 or more out of the fund, he or she must wait a period of 30 days before he or she can transfer \$5,000 or more back into the fund. Transfers of less than \$5,000 into the fund during the 30-day period will be accepted.



# Need Help?

## Attend a seminar

Free informational seminars are offered to give you the opportunity to learn more about the features and benefits of the Plans and how to best put them to work for you. Visit the Plan Web site for a current seminar schedule, or call the Plan Information Line to find a seminar in your area.

## Investment Advice

With the ING Advisor Service\*, you can get personalized, objective investment and retirement planning advice that can help you determine how much you should save and which investments to choose. You can access the advice through two levels of service: the Personal Online Advisor or the Professional Account Manager.

### The Personal Online Advisor

Take advantage of the easy-to-use Web-based retirement planning service, powered by Financial Engines®. You will get: personalized retirement forecasts, risk assessments, e-mail notifications when you have new advice, and step-by-step instructions that include savings and specific fund recommendations. Access to the Personal Online Advisor is available at no cost to all Plan participants.

### The Professional Account Manager

With the Professional Account Manager program, powered by Financial Engines, you get a personalized mix of funds appropriate for you, out of the funds available in the Plan. The Professional Account Manager monitors and manages your investments every quarter on your behalf. Investment Advisor Representatives are here to help whenever you have questions. To speak with an ING Investment Advisor Representative for an initial no-cost retirement assessment, call the Plan Information Line at **1-800-748-6128**. After the initial no-cost assessment, the cost for using the advisor service is 2.5 basis points per month\*\*. This service may be canceled at any time. Fees are listed on your 401(k) and 457 statements in the "Account Activity Summary." 401(k) fees are listed under the "distributions/other debits" column; 457 fees are listed under the "fees" column.

This program provides:

- personalized advice, forecasts, and one-on-one support
- help with making the most of your retirement plan
- ongoing account management
- quarterly progress reports

To learn more about these services, visit the Plan Web site or call the Plan Information Line for the ING Advisor Service Fact Sheet. ING Investment Advisors are available 8:00 a.m. to 8:00 p.m. Eastern Time.

## Fees

All retirement plans charge fees of one kind or another. Under Michigan State law, the 401(k) and 457 Plans must be self-supporting. This means that the Plan participants must pay all costs. The investment expense fees charged by each investment fund cover most of these costs. The only other fees are for optional services such as the Self-Managed Accounts, some Investment Advice services, and 401(k) loans. For more information on fees, call the Plan Information Line and speak with a Customer Contact Associate.

Types of Fees	Amount
<b>Investment Expense Fees</b>	Vary by fund.
<b>Self-Managed Account Fees</b>	\$50 annual fee. Other fees may apply depending on the chosen investments.
<b>Loan Initiation Fee</b>	\$50 per loan.
<b>Advisor Service Fees</b>	
<i>Personal Online Advisor</i>	No cost for participants with a balance.
<i>Professional Account Manager</i>	2.5 basis points** of total account balance per month.

## Investment Expense Fees

Each investment fund charges a management fee. These fees are deducted from each fund's performance. You can find the current fees on the Plan Web site under **Plan Investments** in the **Fund Information** section. You will also receive a report on these fees with your quarterly statement.

\* *Advisory Services provided by ING Investment Advisors, LLC. ING Investment Advisors does not give tax or legal advice. A Disclosure Statement may be viewed online by accessing the ING Advisor Service link (access via <http://stateofmi.ingplans.com>). You may also request a Disclosure Statement from an ING Investment Advisor by calling the Information Line at 1-800-748-6128. Please read the Disclosure Statement before deciding to participate. Financial Engines is a registered trademark of Financial Engines, Inc.*

\*\* *A charge of 2.5 basis points per month on an account balance of \$10,000 equals \$2.50 per month, which would be 0.00025 times \$10,000.*

# Key Features

Category	401(k) Defined Contribution Plan	401(k) Plan	457 Plan
<b>Maximum Employee Contributions*</b>	The lesser of \$17,000 or 100% of compensation for both pre-tax and Roth contributions combined		The lesser of \$17,000 or 100% of compensation
<b>Mandatory Employer Contributions</b>	4% of compensation	Not applicable	Not applicable
<b>Employer Matching Contributions</b>	Dollar-for-dollar up to 3% of compensation	Not applicable	Not applicable
<b>Loan Provisions</b>	YES — a minimum of \$1,000 and a maximum of 50% of vested account balance up to \$50,000		NO
<b>Catch-Up Provisions</b>			
<b>Age 50+ Catch-Up</b>	Anyone age 50 or over can contribute an additional \$5,500		Anyone age 50 or over can contribute an additional \$5,500, but not in the same year as a Traditional Catch-Up
<b>Traditional Catch-Up</b>	Not applicable	Not applicable	Increases maximum contributions up to twice as much — must meet eligibility requirements
<b>Service Credits for Defined Benefit Plans</b>	Not applicable	You may be eligible to purchase or reinstate service credits	You may be eligible to purchase or reinstate service credits
<b>Vesting</b> ( <i>ownership of employer contributions</i> )	50% after 2 years of service 75% after 3 years of service 100% after 4 years of service	Not applicable	Not applicable
<b>Rollover / Transfer INTO Plan</b>	YES — from Traditional IRAs, SEP-IRAs, 401(k), 401(a), and 403(b) plans		YES — from 457 plans only
<b>Rollover / Transfer OUT of Plan</b>	Rollover to IRA or other plan that allows transfers in		Rollover to IRA or other plan that allows transfers in
<b>Early Withdrawal Penalty</b>	Pre-tax and employer contributions — 10% of amount withdrawn before age 59½. Some exceptions apply  Roth contributions — the earnings portion is taxable and incurs a 10% tax penalty for withdrawals taken before age 59½ or before account is held for at least five years		NO
<b>Over Age 59½ Withdrawal</b>	Anyone over age 59½ can take distributions from their account. Such distributions are taxable as ordinary income unless being rolled over		Not applicable
<b>Taxability of Distributions</b>	Payments may be subject to Michigan income tax under Public Act 38 that was signed into law in 2011. The first tax returns affected will be the calendar year 2012.	Taxable to Federal and State of Michigan	Taxable to Federal and State of Michigan
	No taxes on qualified withdrawals from Roth 401(k) if age 59½ or older and money has been held in Roth account for at least 5 years		

\* The maximum annual contribution may be contributed to both the 401(k) and 457 Plans each year. Contribution limits are for 2012.



For complete details about the features of the Plans, visit the Plan Web site at <http://stateofmi.ingplans.com> or call the Plan Information Line at 1-800-748-6128.