



**MICHIGAN OFFICE OF
RETIREMENT SERVICES**
Big Plans. Small Steps.



Choosing Your Retirement Plan

For new Michigan public school employees



Start
here



Your retirement journey begins now

If you first worked at a Michigan public school on or after July 1, 2024, you have the opportunity to choose a retirement plan that fits your needs.

You have two options: the Defined Contribution (DC) Plan, which is a savings plan, or the Pension Plus 2 Plan, which pairs a pension component with a savings component. In this booklet, you'll find information about the plans, a comparison of plan features, and an activity to help you make your decision.

Carefully review [PickMiPlan.org](https://www.pickmiplan.org), our website that has detailed information about the different retirement plans.

The plan that's best for you depends on your unique situation and retirement goals. You may want to consult with a tax or financial advisor.

Don't miss the deadline to choose a retirement plan. You have 75 calendar days from the last day of your first pay period to pick your retirement plan. If you don't meet the deadline, you'll default into the Pension Plus 2 Plan. Once you submit your choice or the deadline passes, you cannot change your retirement plan.



Retirement 101

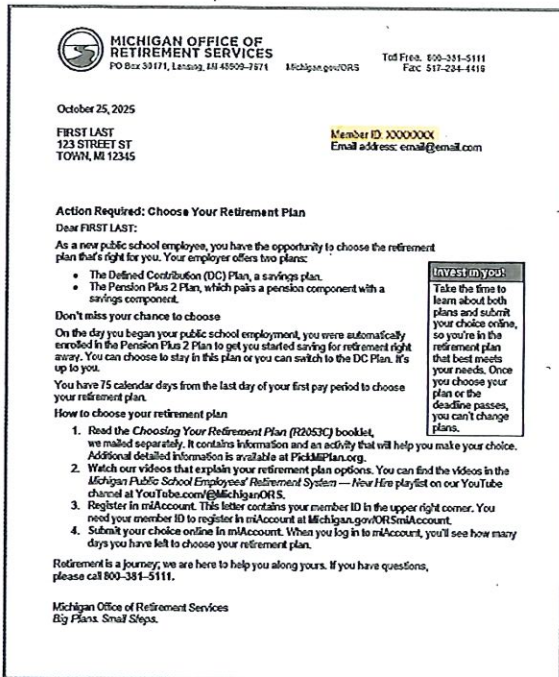
Are you new to saving for retirement? Are you unsure what a pension is or a defined contribution plan? For explanations of common retirement terms check out our playlist on YouTube.



You must act soon!

Your decision is due no later than 75 calendar days from the last day of your first pay period.

Once you receive your member ID in your welcome letter (shown below) from the Michigan Office of Retirement Services (ORS), log in to miAccount at Michigan.gov/ORSmiAccount to submit your choice online. If you don't submit your choice online within the 75-day deadline, you'll default into the Pension Plus 2 Plan.



On the day you began public school employment, you were automatically enrolled in the **Pension Plus 2 Plan** to get you started saving for retirement right away. It's up to you whether to stay in this plan or switch to the **DC Plan**.



Two retirement plans:

The choice is yours

The two plans have some features in common, including the opportunity to invest in the State of Michigan 401(k) and 457 Plans, which includes the Personal Healthcare Fund (PHF). But there are distinct differences, too. Get to know each plan and pick the one that best fits your retirement needs.

DC Plan

The DC Plan enrolls you in the State of Michigan 401(k) and 457 Plans, which are tax-deferred retirement accounts.

Retirement income is based on your contributions, your employer's contributions, and investment performance in the State of Michigan 401(k) and 457 Plans. You choose how to invest the money in your 401(k) and 457 accounts.

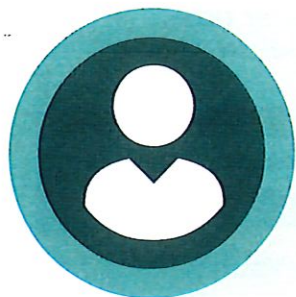
There's no guaranteed benefit and retirement income ends when your accounts are depleted. You decide how much and when to withdraw the money from your accounts, following IRS rules.

Pension Plus 2 Plan

This plan offers two types of retirement plans in one: It pairs a pension component with a savings component.

The pension component guarantees you a monthly pension payment for life after reaching age and service requirements.

The savings component enrolls you in the State of Michigan 401(k) and 457 Plans. Retirement income from the savings component will depend on your contributions, your employer's contributions, and investment performance in the State of Michigan 401(k) and 457 Plans. You choose how to invest the money in your 401(k) and 457 accounts.



Which plan is right for you?

On the following pages you'll find plan comparisons of several key features to help you think about what you want from your retirement plan. Learn about all the plan features at [PickMIPlan.org](https://www.PickMIPlan.org) before making your decision.



How long you have to work to qualify for your benefit

DC Plan

You always keep 100% of your contributions and related earnings. Your employer's contributions and related earnings vest over time, as shown in the table below. Vesting is the guaranteed right to receive a benefit in the future. It's also another word for ownership.

Your employer's contributions and related earnings	
Your years of service	Your % vested
Before 2 years	0%
After 2 years	50%
After 3 years	75%
After 4 years	100%

Regardless of which plan you choose, you'll earn 1 year of service (YOS) when you work 1,020 hours within the July 1 through June 30 school fiscal year.

1 YOS = **1,020** hours

Pension Plus 2 Plan

Pension component

Once you have the equivalent of 10 years of full-time public school employment, you'll qualify for a pension, which is payable when you reach age 60.

In general, you earn 1 YOS when you work 1,020 hours within the July 1 through June 30 school fiscal year.

If you leave before 10 years, you can request a refund of your pension contributions with interest, but you would forfeit all corresponding service in the plan.

Savings component

You always keep 100% of your contributions and related earnings. Your employer's contributions and related earnings vest over time, as shown in the table below.

Your employer's contributions and related earnings	
Your years of service	Your % vested
Before 2 years	0%
After 2 years	50%
After 3 years	75%
After 4 years	100%

How you receive your income in retirement



DC Plan

Your retirement income is based on:

- Your contributions.
- Your employer's contributions.
- Your investment performance in your State of Michigan 401(k) and 457 Plans.

You decide how your contributions and your employer's contributions are invested. There's no guaranteed benefit and retirement income ends when your accounts are depleted.

You decide how much and when to withdraw the money from your accounts, following IRS rules.

You also have the option to purchase an annuity, which would provide guaranteed income in retirement.

Pension Plus 2 Plan

Pension component

You would receive a guaranteed monthly pension payment for life after reaching age and service requirements.

To calculate your annual pension amount, we'll multiply the average of your five highest consecutive years of earnings (your final average compensation or FAC) by a pension factor of 1.5% times your YOS.

$$\text{FAC} \times \text{Pension Factor} \times \text{YOS}$$

Savings component

You would receive the additional retirement income you accumulate in the State of Michigan 401(k) and 457 Plans.

You decide how your contributions and your employer's contributions are invested. There's no guaranteed benefit and retirement income ends when your accounts are depleted.

You decide how much and when to withdraw the money from your 401(k) and 457 accounts, following IRS rules. You also have the option to purchase an annuity.



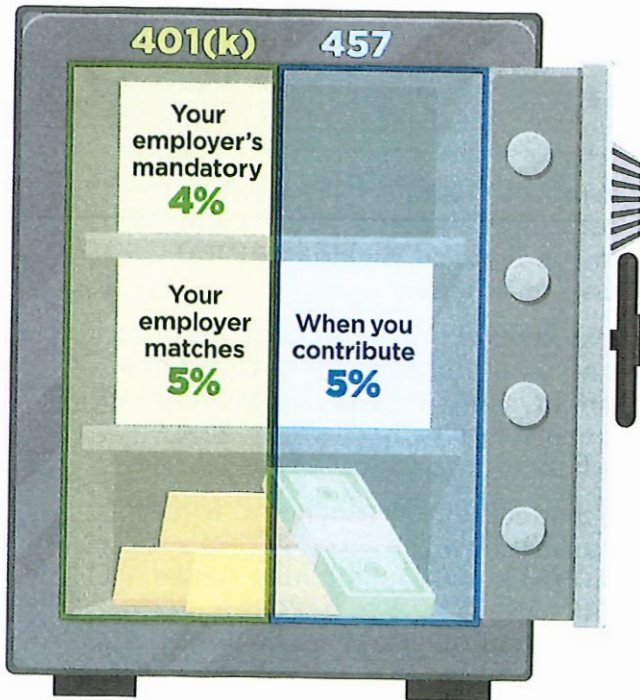
How contributions in the plan work

DC Plan

You'll be automatically enrolled at a 5% contribution rate to the State of Michigan 457 Plan so you'll receive the maximum employer matching contribution rate of 5% to your State of Michigan 401(k) Plan. You can make changes to your contribution rate at any time.

Your employer will also contribute 4% of your wages to your 401(k) Plan, regardless of how much you're contributing.

Through the Small Steps program, your contributions will increase by 1% annually until you reach the target rate of 15% unless you opt out of the increase each year.



Pension Plus 2 Plan

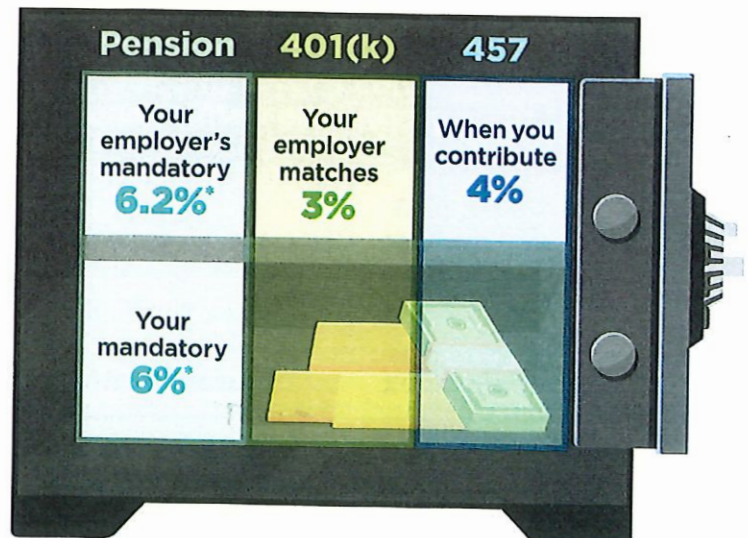
Pension component

The cost of the pension component is shared between you and your employer. You will contribute 6%* of your wages and your employer will contribute 6.2%*.

Savings component

You'll be automatically enrolled at a 4% contribution rate to your retirement account which will allow you to receive your employer's full matching contribution rate of 3% to your retirement plan. You can make changes to your retirement account contributions or investments at any time.

Through the Small Steps program, your contributions will increase by 1% annually until you reach the target rate of 15% unless you opt out of the increase each year.



*This rate could change each year.

What you can leave to the ones you love



DC Plan

You can name individuals as your beneficiaries who would receive your balance in the State of Michigan 401(k) and 457 Plans upon your death.



Pension Plus 2 Plan

Pension component

You would have the opportunity to continue your pension for the lifetime of an eligible survivor after your death.

Savings component

Your beneficiaries would also receive your balance in the State of Michigan 401(k) and 457 Plans upon your death.



What disability protections exist

DC Plan

If you become disabled, you'll have access to your employee contributions and any related earnings. You'll also have access to any vested employer contributions and related earnings if you qualify for Social Security Disability Insurance, or you've ended your employment, or you're at least age 59½.

A one-time credit into a Health Reimbursement Account (HRA) would be made if you have the equivalent of at least 10 years of full-time service on your last day of work (the amount depends on your age when you terminate employment). Neither you nor your beneficiaries would be eligible for any health insurance subsidy from the state.

Pension Plus 2 Plan

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 work, you may qualify for a non-duty disability benefit. Your non-duty disability protection begins when you're vested with the equivalent of 10 years of full-time public school employment.

Savings component

If you become disabled, you'll have access to your employee contributions and any related earnings. You'll also have access to any vested employer contributions and related earnings if you qualify for Social Security Disability Insurance, or you've ended your employment, or you're at least age 59½.

A one-time credit into a HRA would be made if you have the equivalent of at least 10 years of full-time service on your last day of work (the amount depends on your age when you terminate employment). Neither you nor your beneficiaries would be eligible for any health insurance subsidy from the state.

How much risk is involved in the plan



DC Plan

Your State of Michigan 401(k) and 457 Plans would be affected by market fluctuation. You would invest the money you and your employer contribute to potentially build the balance in your accounts. This is a plan with investment options including the option to purchase an annuity. There are several options to manage your State of Michigan 401(k) and 457 Plans.

Pension Plus 2 Plan

Pension component

Your pension payments would not be affected by market fluctuations or the risk of low returns on investments. The pension component has the lowest risk and is a guaranteed benefit. ORS manages your pension.

Savings component

However, your State of Michigan 401(k) and 457 Plans would be affected by the market's ups and downs. You would invest the money you and your employer contribute to potentially build the balance in your accounts. This is a plan with investment options including the option to purchase an annuity. There are several options to manage your State of Michigan 401(k) and 457 Plans.





What are the retirement healthcare benefits

DC Plan and Pension Plus 2 Plan

A portion of the money you and your employer contribute to the State of Michigan 401(k) and 457 Plans is directed to the PHF. While it's not a separate fund or account, the PHF is meant to help you save for healthcare costs in retirement, although you may use it for any purpose.

After you have the equivalent of 10 years of full-time service, you would be eligible to receive a one-time credit into a HRA when you stop working. The credit would be \$2,000 if you're at least 60 years old on your last day of work or \$1,000 if you're younger than 60.

When you retire, you won't be eligible for subsidized health insurance through the retirement system. So, it's important to save for your future healthcare expenses now — while you're working — by contributing to your 457 Plan.



Which retirement plan is best for you?

Below are two separate statements that best fit each plan. Mark the statement in each row that applies more to you. If you have more selections in one column, consider picking that plan.

DC Plan

- I plan on working at a Michigan public school less than 10 years during my lifetime.
- I want the opportunity to potentially build the value of my 401(k) and 457 accounts, which could be more or less than what the Pension Plus 2 Plan provides. I'm comfortable risking investment losses while investing to help meet my retirement goals.
- I want to decide how much and when I withdraw money from my 401(k) and 457 accounts when I'm retired, following IRS rules.
- I want the ability to increase or decrease my contributions throughout my career to help meet my retirement goals.

If you have more selections in this column, then you might consider the DC Plan, which is a savings plan.

Pension Plus 2 Plan

- I plan on working at a Michigan public school at least 10 years in my lifetime. If my plans change and I work less than 10 years, I can request a refund of my pension contributions with interest, but I'll forfeit all corresponding service in the plan.
- I want a guaranteed monthly pension payment for life plus the opportunity to potentially build additional retirement income in the State of Michigan 401(k) and 457 Plans.
- I want ORS to provide my monthly pension payments. Additionally, I want to decide how much and when I withdraw money from my 401(k) and 457 accounts when I'm retired, following IRS rules.
- I am comfortable knowing my contribution rate to the pension component is set by law.

If you have more selections in this column, then you might consider the Pension Plus 2 Plan, which pairs a pension component with a savings component.

What to expect throughout the process

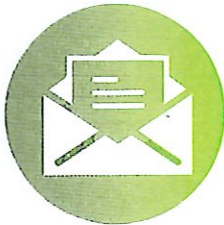


First week of work

You'll receive retirement information from your employer.

10 to 15 calendar days from the last day of your first pay period

You'll receive your welcome letter from ORS with your member ID that you'll use to register for miAccount.



Pick your retirement plan

Log in to miAccount at Michigan.gov/ORSmiAccount and submit your choice online. Although you have 75 days to pick your retirement plan, it's important to make your choice as early as possible so you don't run out of time. Your 75-day countdown begins the last day of your first pay period.



25 to 50 calendar days from the last day of your first pay period

If you submit your choice online in miAccount, you'll receive your plan confirmation letter from ORS.

If you don't submit your choice online in miAccount, you're running out of time to pick your plan, so don't delay.

75 calendar days from the last day of your first pay period

If you don't submit your choice online in miAccount by the deadline, you will default into the **Pension Plus 2 Plan**.

Contact your employer to confirm your first day worked.



