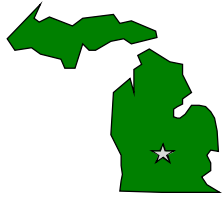


2009 MPSERS
Pre-Retirement
Information Meeting

*Presented by
Kim & Mike Foster
MEA Financial Services*



What does retirement
look like to you?

Three leg stool of retirement
income

1. Pension
2. Social Security
3. Investment Income



Do you know the value of your pension?

Example: Pension Calculation

- 30 Years of Service, Age 55
- 3 or 5 Year Consecutive Salary Average (\$30,000)
- $\$30,000 \times .015 \times 30 = \$13,500$ Annually
- $\$13,500 \times 30$ years of retirement = **\$405,000***
- *does not include Annual MIP Increase
- *does not include 13th check (Basic)
- *does not include insurance subsidy

Important Numbers

MPSERS Office
Customer Service: 800-381-5111
Web Site: www.michigan.gov/ors

Social Security Administration
Customer Service: 800-772-1213
Web Site: www.socialsecurity.gov

MPSERS Insurance
Blue Cross: 800-422-9146 www.bcbsm.com
Delta Dental: 800-345-8756 www.deltadental.com
EyeMed Vision Care: 866-263-1815 www.evemedvisioncare.com

Medicare: 800-633-4227 www.medicare.gov

Social Security Administration

You can contact the Social Security Administration
at: **1-800-772-1213**

or visit the Social Security homepage at:
www.socialsecurity.gov



Social Security Retirement Benefits

Year of Birth	Full Retirement Age	Per Cent of Full Benefit @ Age 62	
		<u>Worker</u>	<u>Spouse</u>
Before 1938	65	80.0	75.0
1938	65 + 2 mos.	79.2	74.2
1939	65 + 4 mos.	78.3	73.3
1940	65 + 6 mos.	77.5	72.5
1941	65 + 8 mos.	76.7	71.7
1942	65 + 10 mos.	75.8	70.8
1943-1954	66	75.0	70.0
1955	66 + 2 mos.	74.2	69.2
1956	66 + 4 mos.	73.3	68.3
1957	66 + 6 mos.	72.5	67.5
1958	66 + 8 mos.	71.7	66.7
1959	66 + 10 mos.	70.8	65.8
1960 or after	67	70.0	65.0

Social Security Earnings Limitations

Calendar year limits with Social Security:

• **Social Security Income Limit (in 2009):**

Under Full Retirement Age \$ 14,160

Month in which Full Retirement Age is attained and later No limit

Information Available Online



**Customer Information
Center**

Connect directly to a retirement representative to answer questions and handle most retirement related issues.

The Toll Free Number is

1-800-381-5111

MPSERS is also on the Internet!!

Visit their homepage at:

<http://www.michigan.gov/ors>

Establish your personal miAccount

Ø miAccount is an online time-saving retirement tool.

Ø Access to personal account

Ø Add/change pension beneficiary

Ø View your wage & service credit history

Ø Track your contribution totals

Ø Estimate pension calculations

Ø Apply for retirement

Your Annual Member Statement of Account



- Read your statement carefully
- Save your statement each year
- Save payroll stubs/employment info

Service Credit

- Maximum credit per school fiscal year is 1.0 year of service credit
- Maximum hours per year is 1020

Partial Credit

If employed less than six hrs/day,
divide hours worked by 1,020

Example: $740/1,020 = .7$ Year

MPSERS' Reporting Requirements

School Fiscal Year
July 1 through June 30

Hours Required for One
Year of Service Credit
1020 Hours

Maximum Hours Used Per Quarter
378 Hours

Why Purchase Service Credit?

Ø To retire early.

Ø To enhance your pension.

Cost of Service Credit

- You must weigh the costs versus benefits when considering a service credit purchase.

Is right for you?

Service Credit Changes

Effective January 1, 2004:

- **8% interest will be charged** on all Tax Deferred Purchase (TDP) agreements executed on or after January 1, 2004. **Agreements established before January 1, 2004 remain exempt from this interest**

Effective July 1, 2008:

- Must have two years of service completed before purchase.
- **CAUTION:** If a member retires early as a result of purchasing time, the member **pays 100% of the health insurance premium** from the time of retirement until the member would have been eligible to retire.

How do I pay for service credit?

- Payment in full (after tax purchase).
- Transfer from a qualified account (IRA or 403(b)).
- Tax Deferred Purchase (TDP)

Variable Percentage Buy-In Table

Effective January 1, 2001

Age	Years of Service			Age	Years of Service		
	0 - 9,9999	10 - 19,9999	20 & Over		0 - 9,9999	10 - 19,9999	20 & Over
Up to 24	10.5%	14.5%	18.5%	43	12.5%	16.5%	20.5%
25	10.7	14.7	18.7	44	12.5	16.5	20.5
26	10.9	14.9	18.9	45	12.5	16.5	20.5
27	11.1	15.1	19.1	46	12.5	16.5	20.5
28	11.3	15.3	19.3	47	12.5	16.5	20.5
29	11.5	15.5	19.5	48	12.5	16.5	20.5
30	11.7	15.7	19.7	49	12.5	16.5	20.5
31	11.9	15.9	19.9	50	12.5	16.5	20.5
32	12.1	16.1	20.1	51	12.5	16.5	20.5
33	12.3	16.3	20.3	52	12.5	16.5	20.5
34	12.5	16.5	20.5	53	12.5	16.5	20.5
35	12.5	16.5	20.5	54	12.5	16.5	20.5
36	12.5	16.5	20.5	55	12.5	16.5	20.5
37	12.5	16.5	20.5	56	12.5	16.5	19.5
38	12.5	16.5	20.5	57	12.5	16.5	18.5
39	12.5	16.5	20.5	58	12.5	16.5	17.5
40	12.5	16.5	20.5	59	12.5	16.5	17.0
41	12.5	16.5	20.5	& over	12.5	16.5	16.5
42	12.5	16.5	20.5				

Example

- 35 Years of Age
- 10 Years of Service
- MIP
- \$25,000 Annual Salary
- Cost of Universal Purchase:
- $\$25,000 \times 16.5\% = \$4,125$ per year
- \$20,625 for 5 years of Universal Credit

Tax Deferred Purchase Example

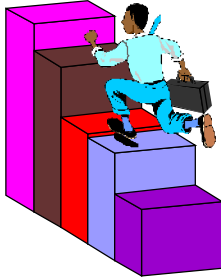
- \$20,625 Invoice for Purchase
- \$100 per pay x 26 pays per year
- $\$20,625 - 2,600 = \$18,025$ remaining
- $\$18,025 \times 8\% = \$1,442$
- Second Year Balance = \$19,467

Payment Deadline

All service credit purchases must be paid in full before you terminate employment.



Pension Eligibility Requirements



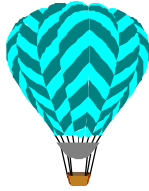
Eligibility depends upon 3 factors ...

- **Your years of service**
- **Your age and**
- **Whether you are a member of the:**
 - **Basic Retirement Plan**
 - or**
 - **Member Investment Plan (MIP)**

MIP vs. Basic Plan Comparison

- | | |
|---|--|
| • <u>Any Age</u> with 30 or more years of service | • <u>Age 55</u> with 30 or more years |
| • Age 60 with 5 or more years under certain conditions | • Age 60 with 10 or more years |
| • <u>3-year salary average</u> x .015 x years of service | • <u>5-year salary average</u> x .015 x years of service |
| • Guaranteed yearly increase of 3% of the 1st year's benefit | • No guaranteed increases |
| • Survivor eligible for benefits after <u>10 years of service</u> (5 years at age 60) | • Survivor eligible for benefits after <u>15 years of service</u> (10 years at age 60) |

When will I become eligible to start collecting my MPSERS pension?



Regular Retirement

- 10 Years of Service
MIP or Basic Plan—at age 60
- 30 Years of Service
MIP ———at age 46
Basic ———at age 55



Regular Retirement MIP

5 Years ——— at age 60*

**Available under MIP only.*

with at least .1 year of credited service in each of five previous school years.

.1 year of credit equals 102 hr. of service and is earned in each of the five school fiscal years immediately prior to the retirement effective date

Early Reduced Retirement

15 Years——at age 55*

Retire and begin receiving benefits earlier. Your benefit payment will be ***permanently reduced by 1/2%*** for each month your age is ***less than 60***.

*with .1 year of credited service in each of five previous school years.

Early Reduced Retirement

Example:

Age——57 years, 6 months
Months to age 60—30 months
Reduction per month—1/2%

**30 MONTHS × 1/2 % (.005) =
Permanent 15%
Reduction**

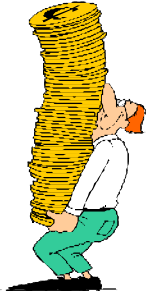
Deferred Retirement

- 10 Years of Service
- Has not yet reached age 60

A deferred member should contact the Retirement System before terminating Employment and determine impact on insurance benefits.



Pension Calculation



Pension Benefit Calculation

$$\begin{aligned} &\text{Salary Average} \\ &\quad \times \\ &\quad 1.5\% (.015) \\ &\quad \times \\ &\text{Years of Service} \\ &\quad \text{Credit} \\ &= \text{Your Annual} \\ &\quad \text{Pension} \end{aligned}$$



Final Average Compensation

- **MIP Members:** highest consecutive three years' (36 months) salary
- **Basic Members:** highest consecutive five years' (60 months) salary

Pension Options

Option 1- Single Life

Option 2- 100% Survivor

Option 3- 75% Survivor

Option 4- 50% Survivor

Equated Options

OPTION 1 Single Life Pension

- **Pays largest pension amount**
- **No continuing pension or insurance benefits to beneficiary**

Option 2 100% Survivor Pension

- **Pays reduced pension**
- **Same amount (100%) continues to beneficiary**
- **Insurance benefits continue to beneficiary**
- **Pension reverts to Option 1 upon death of beneficiary**

**Option 3
75% Survivor Pension**

- Pays reduced pension
- 75% amount continues to beneficiary
- Insurance benefits continue to beneficiary
- Pension reverts to Option 1 upon death of beneficiary

**Option 4
50% Survivor Pension**

- Pays reduced pension
- 50% amount continues to beneficiary
- Insurance benefits continue to beneficiary
- Pension reverts to Option 1 upon death of beneficiary

**Equated Pension Plan
(Option 1E, 2E,3E or 4E)**

- Combined with any option if under age 61
- Advanced payment until age 62
- Pension permanently reduced at age 62; uses projected age 62 S.S. amount
- Copy: Estimate from Social Security Admin.
- Pension reverts to Option 1E upon death of beneficiary
- Your survivor is not affected by the equated plan (2E/3E)

Why would I want the Equated Plan?

- You want a relatively even income throughout your retirement
- You expect your investment earnings to exceed the cost to repay the Retirement System
- Your life expectancy is uncertain so you want maximum benefits as early as possible



Why would I not want the Equated plan?

- I don't want my MPSERS pension reduced at age 62
- I want my Social Security to be a "hedge" against inflation at age 62
- I think a permanent reduction would cost me money in the long run
- The pension before 62 would put me in a higher tax bracket

Please consider your pension option carefully!

You cannot make a change once pension payments begin!!



Survivor Pensions

As a retiree, who can be my beneficiary??

- Spouse
- Brother or Sister
- Parent or Child, including an adopted child

DEPENDENCY IS NOT REQUIRED

“New spousal” Benefit

Effective January 1, 2009:

- Permits you to add a new spousal beneficiary if your spouse at retirement dies before you.
- Caution: Read the fine print!

Insurance Benefits



Important Points About Insurance

- Coverage begins the first day of the calendar month- If you wait to apply for health insurance you could be subject to a 6 month waiting period - See ORS for further details
- Check with your employer to verify when your current coverage expires
- Application deadline is the month before you want coverage to begin

Master Health Care Program

1. Major Medical
 - Ø Major Medical (PPO)
 - Ø Managed Care Option (HMO)
2. Prescriptions
3. Dental
4. Vision
5. Hearing

Monthly Insurance Rates – without Medicare

Effective 1/1/09 to 12/31/09

Without Medicare	Total Premium	MPERS Subsidy	Deducted from your Pension
<i>Self</i>	\$634.31	\$537.91	\$96.40
<i>Self & Spouse</i>	\$1170.01	\$1020.04	\$149.97
<i>Self & Child(ren)</i>	\$870.03	\$750.06	\$199.97
<i>Self, Spouse & Child(ren)</i>	\$1405.73	\$1232.19	\$173.54

Monthly Insurance Rates – with Medicare

Effective 1/1/09 to 12/31/09

With Medicare	Total Premium	MPSERS Subsidy	Deducted from your Pension
<i>Self</i>	\$269.63	\$269.63	\$0
<i>Self & Spouse</i>	\$516.22	\$491.56	\$24.66
<i>Self & Child(ren)</i>	\$505.34	\$481.77	\$25.57
<i>Self, Spouse & Child(ren)</i>	\$751.94	\$703.71	\$48.23

2009 Dental/Vision Rates

Category	Amount Deducted From Pension
Self	\$3.30
Self/Spouse	\$6.60
Self and Child(ren)	\$6.60
Self/Spouse/Child(ren)	\$9.90

When & How to Apply



Application For Retirement Benefits

- Obtain application forms by phoning any ORS office at 800-381-5111 or by e-mail at www.michigan.gov/ors
- Return completed application forms 3-5 months before retirement (Summer birthday rules?)

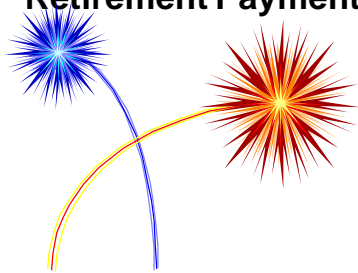


Summer Birthday Rule

If retiring and your birthday falls in July, August, or September, you will be considered an active (not deferred) member, if

1. You are a regular 10 month employee
2. Application filed before the end of the school year in which your birthday occurs.
3. Retirement effective date will be the first day of the month following your birthday

What about my Retirement Payment?



Retirement Process

- Approximately 4 weeks before your Retirement Effective Date MPSERS will send your Final Salary Affidavit to your school
- School completes the FSA and will fax it to ORS
- Once this has been received and verified, your pension payment is processed

When will I get my first pension payment?

- Pension payments are processed around the 25th of each month.
- If ORS did not receive correct or complete information on the FSA, your 1st payment may be delayed
- When a delayed payment is processed, it will include current plus any "past due" months pension.



What amounts are deducted from my pension payment?

- Insurance Premiums
- Federal Income Tax Withholding
 - Exempt from State Income Tax
 - Federal Income Taxes are withheld PER YOUR INSTRUCTIONS from the withholding form you complete at the time of retirement



Post Employment Restrictions

No Work Can Be Performed:

- 1st Calendar month-separation from work
- Employment in MPSERS affiliated school
- State of Michigan



Employment Restrictions

There are no restrictions on work for:

- The State of Michigan
- The following Universities:
MSU, U of M, Wayne State, Grand Valley State, Oakland & Saginaw Valley State
- Any OTHER work in Michigan
- Any work outside of Michigan

Post-Retirement Earnings Limitations

Calendar year limits with MPSERS school – the greater of :

- 1/3 of Final Salary Average *or*
- Social Security Income Limit (2009)
 - § Under FRA* \$14,160
*Full retirement age
 - § Month in which FRA is attained and later - No Income limit

403(b) Changes

Effective January 1, 2009

- Ø Third Party Administrator (TPA)
- Ø Universal Availability
- Ø Reduced Vendor List
- Ø Check with your District about available options.

New 403(b) Deferral Limits

	<u>2008</u>	<u>2009</u>
Normal Limit	\$15,500	\$16,500
Ages 50+ "Catch up"	\$5,000	\$5,500
Maximum Employee Contribution	\$20,500	\$22,000

Does NOT replace the "15 Years of Services" catch up. \$3,000 per year for 5 years = \$15,000
Qualified individuals may use both "catch ups" in the same calendar year.

Roth & Traditional IRA Limits

	<u>2008</u>	<u>2009</u>
Normal Limit	\$5,000	\$5,000
Ages 50+ "Catch up"	\$1,000	\$1,000
Maximum IRA Contribution	\$6,000	\$6,000

Make an Estate Plan

- Will
- Trust
- Power of Attorney
- Medical Power of Attorney

Any Questions??

**Thank You For
Attending!!!**

**Kim Foster
Mike Foster**

MEA Financial Services
Registered Representatives,
Paradigm Equities, Inc.

1-800-292-1950 East Lansing

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MEA Financial Services
P.O. Box 2501, East Lansing, MI 48826-2501
517/351-2122

Important Disclosure - Tax

- MEA Financial Services does not give tax or legal advice. The comments regarding the law and tax treatment simply reflect our understandings of the current interpretations of such laws. Since laws are subject to interpretation and possible changes, we recommend that you seek counsel of an attorney, accountant or other qualified tax advisor regarding these matters as it applies to your particular situation

Important Disclosures – Mutual Funds

- Investments in the Mutual Funds are subject to market risk which may cause value to fluctuate including loss of principal.
- *For more complete information about a specific fund including objectives, risks, and its charges and expenses, please call MEA Financial Services at 1-800-292-1950 for a product prospectus.*
- *Please carefully read the prospectus and carefully consider the investment objectives, risks and charges and expenses and other information before investing because these factors will directly affect future returns.*

Important Disclosures- Variable Annuities

- Variable annuities are subject to market risk which may cause value to fluctuate including loss of principal for variable accounts.
- *For more information about Variable Annuities , please call MEA Financial Services for the contract prospectus and the underlying sub account fund prospectuses. Both the contract prospectus and the underlying fund prospectuses contain information relating to the product's investment objectives, risks, and charges and expenses as well as other important information. Please call 1-800-292-1050 for the product prospectuses.*
- *Please carefully read the prospectus and carefully consider the investment objectives, risks and charges and expenses and other information before investing because these factors will directly affect future returns.*
- Guarantees and payments are based on the claims-paying ability of issuer and not on the value of the securities within the account.
