

Office of Retirement Services


2011 RETIREMENT UPDATES
MSBO November 2, 2011

Steve Crippen and John Donovan

Public Act 38 of 2011

Summary

- Taxing Of Public Pensions Includes All Retirees Of The Systems ORS Administrators:
 - Public School Employees
 - State Employees
 - State Police
 - Judges




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What The Bill Does

Bill Affects Retirees Differently Depending On Age

- Born Before 1946
 - No Pension Tax Impact
- Born 1946 to 1952
 - Until Age 67, **Pension** Deduction:
\$20,000 For Single, \$40,000 For Married
 - After Age 67, **Income** Deduction:
\$20,000 For Single, \$40,000 For Married




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What The Bill Does

Bill Affects Retirees Differently Depending On Age

- Born After 1952
 - Until Age 67, No Deductions
 - After Age 67, **Income** Deduction:
\$20,000 For Single, \$40,000 For Married
- All Retirees Will Be Advised Of The Change and How It May Affect Them.


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ORS Implementation

Collection of Income Tax on Pensions

- Implement Functionality By January 1, 2012
 - Impacted Retirees Default To Current Federal Tax Withholding
- A Married Couple Will Be Based On The Oldest Individual.

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ORS Population - Age

Effect by Age

*Based on June 2011 Payroll

System	Retirees 67 or older on 1/1/2012	% of retirees 67 or older on 1/1/2012	Retirees younger than 67 on 1/1/2012	% of retirees younger than 67 on 1/1/2012	Total
MPSERS	117,373	62%	71,753	38%	189,126
SERS	28,331	51%	27,148	49%	55,479
SPRS	1,372	48%	1,482	52%	2,854
JRS	442	81%	102	19%	544
LRS	178	59%	124	41%	302
MRS	1,792	47%	2,056	53%	3,848
Total	149,488	59%	102,665	41%	252,153


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ORS Population - Address

Effect by Address

System	Percent of System	
	In State	Out of State
MPSERS	87.79%	12.21%
SERS	88.18%	11.82%
SPRS	85.56%	14.44%
JRS	81.58%	18.42%
LRS	86.71%	13.29%
MRS	88.39%	11.61%
Total	87.84%	12.16%


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Deduction Threshold

Single

- If Total Household Resources Exceed \$75,000 --- Not Eligible For Single Return Deduction of \$20,000

Joint


- If Total Household Resources Exceed \$150,000 --- Not Eligible For Joint Return Deduction of \$40,000


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State of Michigan Revenue

- Fiscal year 2011-2012: \$224.9 million
- Fiscal year 2012-2013: \$343.3 million

* Source: House Fiscal Agency analysis dated June 8, 2011


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In Process

Supreme Court Advisory Opinion

- September 7th Michigan Supreme Court Hearing

- Topics of Hearing:
 - Impairs Public Pensions,
 - Creates A Graduated Income Tax
 - Violates Equal Protection Through Extending Exemptions.


* Source: Michigan Supreme Court docket number 143157

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Public Act 54 2011

- ♦ Amended Public Act 336
- ♦ Effective Date June 8, 2011
- ♦ Collective Bargaining/Contract Negotiations
- ♦ Wage and Benefit Levels Frozen
- ♦ Employee BearS Cost of Benefit Increases

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Retirement Reform Update

- ♦ Pension Plus Online Functionality July 2011
- ♦ Loan Option
- ♦ Non-Pension Plus Members
- ♦ Health Care Contribution Status

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MPSERS Retirement Reform

- ◆ What Has ORS Heard?



Resources

- ◆ For Payroll Reporting Questions
 - Email: ORS_Web_Reporting@michigan.gov
 - Or Call: 1-517-636-0166
- ◆ For General Retirement Questions
 - Go To: <http://www.michigan.gov/orsschools>
 - Or Call: 1-800-381-5111
- ◆ Pension Plus
 - Go To: <http://www.mipensionplus.org>