



Department of Technology, Management & Budget
Office of Retirement Services

Revised - Reform Alert # 49 - PHF Election and 3% HCC

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February 28, 2013

Reform Alert # 49 - PHF Election and 3% HCC - Revision highlighted in chart below.

Premium Subsidy Election

Your employees who elected the Premium Subsidy as their retiree healthcare option continue to pay the 3% Healthcare Contribution (HCC). These contributions are paid to fund their future retiree healthcare.

Personal Healthcare Fund (PHF)

Your employees who elected the Personal Healthcare Fund (PHF) as their retiree healthcare option stopped paying the 3% HCC. You would have stopped withholding these contributions as of your reporting unit's transition date. The transition date was the first pay period that was reported with a start date on or after February 1, 2013.

Your employees who elected the Personal Healthcare Fund (PHF) will have the 3% HCC withheld since September 4, 2012, transferred into their 401(k) accounts no later than their first pay date after March 1, 2013. They are fully vested in these contributions. The amount of any 3% HCC made before September 4, 2012, (those contributions remaining in the Retiree Healthcare Fund), are pending a Supreme Court resolution regarding PA 75 of 2010.

What you need to know.

- ING will automatically set up 401(k) accounts for PHF participants.
- A deposit will be made to their 401(k) equal to the amount of their 3% HCC no later than the first pay date after March 1, 2013.
- PHF participants are 100 percent vested in the 3% HCC amount that will be deposited into their 401(k) accounts.
- 3% HCC withholding remains FICA and Medicare exempt.
- Any wage and service adjustments made to Detail 2 (DTL2) records from September 4, 2012 through your transition date will have the 3% HCC calculated. This will continue until a ruling from the Supreme Court is received. ORS will reconcile any adjustments with ING.

Litigation involving the 3% HCC

By court order, all of the 3% HCC paid from July 1, 2010, through September 3, 2012, remain in an escrow account until the litigation against PA 75 of 2010 is settled. This case has been submitted to the Supreme Court.

Retirement Healthcare Election	Status of 3% Contributions Withheld From 7/1/2010 to 9/3/2012	Status of 3% Contributions Withheld From 9/4/2012 & Forward	Reporting Unit Action
Personal Healthcare Fund (PHF)	Contributions are held in escrow pending the Supreme Court ruling.	Contributions are deposited in the employees' PHF 401(k) accounts by the first pay date after 3/1/2013.	Reporting units stop withholding contributions as of their transition date.
Premium Subsidy	Contributions are held in escrow pending the Supreme Court ruling.	Contributions are paid into retiree healthcare fund for members' future retiree healthcare.	Reporting units continue to withhold, report, and submit contributions.

If you have any questions, please contact ORS_Web_Reporting@michigan.gov.

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