



# Retirement Plan Election Guide



## Pension Plus 2 Plan



- This is a plan that pairs a pension with a savings plan.
- The savings plan enrolls you in State of Michigan 401(k) and 457 Plans. A pension guarantees you a monthly benefit for life after you meet age and service requirements.

- Pension payments are not affected by market fluctuations.
- The retirement system manages your pension; you manage your 401(k) and 457 Plans.

### This plan may be best for you if...

- You plan on working for 10 years or longer in the public school system to receive a guaranteed benefit.
- You are less comfortable with risk and want a guaranteed monthly benefit for life in retirement.

## The Choice Is Yours

Your retirement journey begins with an important first step—electing your retirement plan. You have two options: the Pension Plus 2 plan or the Defined Contribution plan.

Read this guide and visit [pickmiplan.org](http://pickmiplan.org) to learn more about the plans. Then go to miAccount at [michigan.gov/orsmiaccount](http://michigan.gov/orsmiaccount) and make your election.

## Defined Contribution Plan



- This is a savings plan only.
- The Defined Contribution option enrolls you in State of Michigan 401(k) and 457 Plans.
- Retirement income will depend on contributions to your 401(k) and 457 Plans and investment performance.

- Investment returns aren't guaranteed. Retirement income ends when your accounts are depleted.
- You manage your 401(k) and 457 Plans.

### This plan may be best for you if...

- You plan on working less than 10 years and want your retirement savings to go with you.
- You are comfortable with your monthly retirement income being determined by your employee and employer contributions and your investment returns.

## Personal Healthcare Fund

In either plan you are placed in a Personal Healthcare Fund (PHF). Contributions from you and your employer are deposited into your State of Michigan 401(k) and 457 Plans. This can be used to pay for health insurance or other expenses when you retire.

**REMEMBER YOU HAVE:**



# COMPARE YOUR OPTIONS

## Pension Plus 2 Plan

**Plan overview** **Pension plus savings:** You get a pension and retirement savings in your 401(k) and 457 Plans.

**How long you have to work to qualify for the benefit** **Pension:** You're vested after 10 years of full-time public school employment. If you never vest, you'll receive your contributions toward your pension back, with interest.  
**Savings in 401(k) and 457 Plans:** You always keep 100 percent of your contributions. After two years, you keep 50 percent of your employer's contributions; after three years, 75 percent; and after four years, 100 percent.

**Income when you retire** **Pension:** To calculate your annual pension amount, the Office of Retirement Services multiplies the average of your five highest consecutive years of earnings by your years of service, times 1.5 percent.

### PLUS

**Savings:** Retirement income is based on your contributions, your employer's contributions, and investment performance in your 401(k) and 457 Plans.

The money you and your employer put in	You	Employer
<b>SAVINGS</b>		
PHF	2%	2% match
401(k), 457	2%	1% match
<b>PENSION</b>	6.2%*	6.2%*

\*This rate could change each year.

For example, Bobby makes \$25,000 a year and works 30 years for a public school. He contributes 6.2 percent toward his pension and 4 percent to his savings account. His employer contributes 6.2 percent toward his pension and 3 percent toward his savings. His pension income will be \$937.50 a month or \$11,250 a year. Plus, his potential retirement income from his savings will be \$332 per month or \$142,302 total in his savings account.

## Defined Contribution Plan

**Savings:** You do not get a pension. You save for retirement in your 401(k) and 457 Plans.

**Savings in 401(k) and 457 Plans:** You always keep 100 percent of your contributions. After two years, you keep 50 percent of your employer's contributions; after three years, 75 percent; and after four years, 100 percent.

**Savings:** Retirement income is based on your contributions, your employer's contributions, and investment performance in your 401(k) and 457 Plans.

	You	Employer
<b>SAVINGS</b>		
PHF	2%	2% match
401(k), 457	3%	3% match 4% mandatory
<b>PENSION</b>	N/A	N/A

You do not get a pension.

For example, Susan makes \$25,000 a year and works 30 years for a public school. She contributes 5 percent and her employer contributes 9 percent to her savings account. Her potential retirement income from her savings account will be \$665 per month or \$284,065 total in her savings account.

This is a hypothetical example for illustrative purposes only and does not represent the performance of an actual investment. It assumes an annual salary of \$25,000, pre-tax contributions, contributing regularly at age 30 until retiring at age 60, 26 pay periods per year, a 6 percent annual rate of return and reinvestment of earnings. Investments are subject to investment risk including the possible loss of principal. The investment return and principal value of the security will fluctuate so that when redeemed, it may be worth more or less than the original investment. In addition, these figures do not reflect any adjustment for pay raises, inflation, taxes or any fees, expenses or charges of any investment product. Taxes are generally due upon withdrawal of tax-deferred assets.

Need more information? Visit [PickMiPlan.org](http://PickMiPlan.org) or call **800-748-6128**.

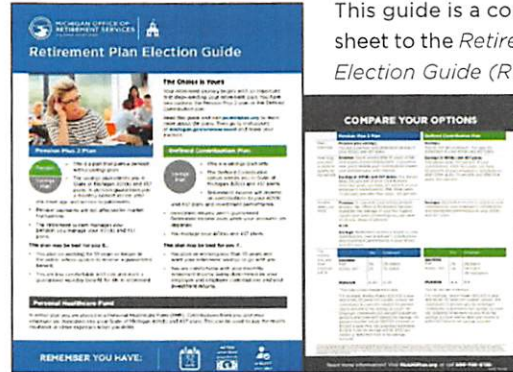
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# Retirement Plan Decision Guide

Welcome to the Michigan Public Schools Retirement System. You may be thinking it's too soon to be talking about retirement, but taking the time now to learn about your options can make a big difference when you're retired.

You have the choice between two options: the **Pension Plus 2** plan or the **Defined Contribution** plan. Which retirement plan should you choose? There's no right or wrong answer. Everyone's situation is different.



This guide is a companion sheet to the *Retirement Plan Election Guide (R0606C)*.

## Which Retirement Plan Is Best For You?

This activity is a tool to help you pick your retirement plan. Once you make your decision, wait for your welcome letter with your Member ID, then log in to miAccount and make your election.

	Not confident			Very confident
<b>1. How confident are you that you'll retire within the next 10 years?</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>2. How confident are you that you'll leave Michigan public school employment within the next 10 years?</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>3. How confident are you that you can handle risk in your investment strategy?</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>4. How confident do you feel in managing your retirement investments?</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>5. How confident are you in managing how much and when to withdraw money from your retirement account?</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Now examine your score:** Consider the number of selections you have in the first two columns and the last two columns. Now read the corresponding boxes below to figure out which path might be right for you.



Total number selected from the first two columns



Total number selected from the last two columns

If you have more selections in the first two columns, then you might consider the:

**Pension Plus 2 plan** which pairs a pension with a savings plan.

If you have more selections in the last two columns, then you might consider:

**Defined Contribution plan** which is a savings plan only.

If you want to know why these questions matter when choosing your retirement plan, then review the rationale on the next page.

# Retirement Plan Activity Rationale

## Pension Plus 2 plan:

- 1:** You qualify for a full pension after 10 years of service. You keep all of your employer's contributions to your retirement savings accounts after four years of service.
- 2:** All 10 years of service must be with a Michigan public school employer. If you leave Michigan public school employment, you can receive your pension contributions back, with interest. Your retirement savings accounts go with you.
- 3, 4, and 5:** Office of Retirement Services (ORS) manages your pension and you manage your retirement savings accounts. Pension payments are determined by a set formula and aren't affected by market fluctuations.

## Defined Contribution plan:

- 1:** You keep all of your employer's contributions to your retirement savings accounts after four years of service.
- 2:** If you leave Michigan public school employment, your savings accounts go with you.
- 3, 4, and 5:** You manage how you invest your retirement savings accounts. You also decide how much and when you'll receive your payments during retirement.

## What To Expect Next

### First Week of Work

Receive retirement information from your employer.

### 10-15 Days After First Paycheck

Receive your welcome letter from ORS with your Member ID that you'll use to register for miAccount.

Log in to miAccount and make your retirement election.



### Make Your Election

You can make your election as soon as you receive your welcome letter with your miAccount Member ID.

Although you have 75 days to make your retirement plan election, it's important to make your choice as early as possible so you don't run out of time.

Your 75-day countdown begins when you receive your first paycheck.

### 25-50 Days After First Paycheck

**If you make your election:** Receive your plan confirmation letter from ORS.

### Process Completed

**If you don't make your election:** Receive two reminder letters from ORS.

You're running out of time to make your election, so don't delay.

### Process Continues

### 75 Days After First Paycheck

**If you didn't make your election by the deadline:**

You'll be automatically enrolled in the Defined Contribution plan and receive a confirmation letter from ORS.

This is considered your choice and can't be changed.

### Process Completed

Need more information? Visit [PickMiPlan.org](https://www.PickMiPlan.org) or call **800-748-6128**.