BULLETIN

Keeping You Informed

December 13, 2011

Retirement Bills Pass

Await Governor's Signature

Today the House and Senate agreed and passed HB 4701 and 4702 mostly along party lines. Due to the complex and important nature of this legislation, MCO continues to work with lawmakers and policy staff at determining the exact effect on members. At this point, ***our understanding from the Senate and from reviewing the Bills is that these changes will not impact members as negatively as originally thought.***

For Defined Benefit Members: One major development is the **continued inclusion of overtime** towards the calculation of your final average compensation (FAC). As you recall, all OT was originally on the chopping block. There will be a new procedure, however, for how overtime is counted for those OT hours worked after Jan. 1, 2012.

When you retire, they will look back to your OT for the previous six years and average it. This new "average OT" amount will then be added to your base pay for those six years to arrive at your "compensation" for each of those six years. (Note: this will only be used to calculate your compensation for Jan. 2012 and beyond, they will not go back and average any "compensation" amounts you've earned prior to Jan. 2012.) Then, the state will look back over your career and use the best three consecutive years, whether they occurred prior to or after 2012. That being said, please keep in mind that the Office of Retirement Services is the pension administrator and final authority on the interpretation of these bills.

Defined Benefit members will have a window period between January 1, 2012, and March 2, 2012, to make a decision about whether to stay in the DB plan and contribute 4% of your pay, or to freeze your time and benefits and move to the Defined Contribution plan.

In addition, the State Employee Union Coalition is currently discussing the possibility of any legal challenges to the 4% "voluntary" contribution.

For Defined Contribution Members: You will have a choice to either stay in the current plan for your retiree health care (i.e. 30% of your premium paid with 10 years of service and an additional 3% for each year of service thereafter up to a maximum of 90%), or to "monetize" your retiree health care. If you choose to "monetize" the state will determine the value of your "earned retiree health care" up to this point and place those funds into a Health Care Retirement Account (401k/457 type account). You would then be automatically enrolled to contribute 2% of your salary into this health care account and the state will match up to 2%.

With the passage of these bills, the state will return the 3% that has been taken out since November 2010. The bills state that the money will be refunded on or before April 1, 2012, with interest.

Michigan Corrections Organization
SEIU Local 526M
421 W. Kalamazoo
Lansing, Mi 48933
(517) 485-3310
1 (800) 451-4878
www.mco-seiu.org