

## Questions and Answers on Healthcare Contribution Refunds

#	Question	Answer
1	When will I receive my 3% healthcare contribution refund?	<p>As of your December 22, 2011 pay date, the 3% employee contribution to the retiree healthcare fund, which started in November 2010, ceases. If you are an active state employee who made contributions to the retiree healthcare fund, you will receive a refund of your contribution, plus interest, with your January 19, 2012 paycheck, unless you defer it into your 401(k) or 457 account.</p> <p><b>If you are an active employee and want to receive the refund with your January 19, 2012 paycheck, you don't need to do anything.</b></p> <p>If you are not an active state employee but you made contributions into the healthcare fund, your refund will be issued by February 2, 2012 and mailed to you. If you have had a change of address, be sure to notify MI HR no later than Friday, January 20, 2012 by 6:00 p.m. (EST) at (877) 766-6447 or (517) 335-0529.</p>
2	Do I have a choice on how I can receive my refund?	<p>Active state employees may have their refunds included with the January 19, 2012 pay <b>or</b> may defer it into their 401(k) or 457 account.</p> <p>Non-active employees will receive their refunds by mail.</p>
3	When do I need to make a decision on where the refund is going?	If you want to defer your refund to your 401(k) or 457 account, you must contact ING at (800) 748-6128 by <b>4:00 p.m. (EST), Thursday, January 5, 2012</b> . Otherwise, you will receive your refund with your January 19, 2012 paycheck.
4	Can I change my mind about where my refund is going?	If you notified ING that you wish to defer your refund then change your mind, you can contact ING to rescind your election. However, you must do so before the 4:00 p.m. (EST), Thursday, January 5, 2012, deadline.
5	What if I miss the deadline?	There are no extensions. If you do not contact ING by 4:00 p.m. (EST), Thursday, January 5, 2012, your refund will be included with your January 19, 2012 paycheck.
6	Does this mean my healthcare won't be covered when I retire?	This refund will have no bearing on your eligibility for retirement healthcare coverage.
7	I work for a non-central agency. I am not on the state payroll but I had healthcare contributions withheld from my pay. When and how will I get my refund?	<p>If you are an employee of one of the following non-central agencies, health care contributions will be refunded: American Legion, Mackinac Island State Park, Business Enterprise System, 3<sup>rd</sup> Circuit Court, Records Court, and the 36<sup>th</sup> District Court. Your refund will be issued to your agency and they will pay out the refund to you, with interest.</p> <p>If you work for a non-central agency not listed above, you did not participate in the 3% mandatory contributions and will not receive a refund.</p>
8	How much will my refund be?	<p>If you are an active employee, you may <i>estimate</i> the amount of your refund by logging into your MI HR Self Service account at <a href="http://www.mi.gov/selfserv">www.mi.gov/selfserv</a> and click on the Earnings Statement icon.</p> <ul style="list-style-type: none"> <li>• Select your December 22, 2010 earnings statement.</li> <li>• In the Employee Pre-Tax Deductions section, view your Healthcare Trust Contribution and Year-to-Date</li> </ul>

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		<p>total.</p> <ul style="list-style-type: none"> <li>• Select your December 22, 2011 earnings statement.</li> <li>• In the Employee Pre-Tax Deductions section view your Healthcare Trust Contribution and Year to Date total.</li> <li>• Add the two together and multiply that number by 1.0025 to get an estimate of your total, gross (before taxes) refund amount. The interest will be allocated pro-rata against all refunds so the percentage may be slightly different than 0.25%.</li> <li>• If you take the refund as a cash payout, it will be subject to payroll taxes based upon IRS wage brackets.</li> </ul> <p>If you work for a non-central agency or if you are no longer receiving a paycheck from the state, your 2010 W-2 will show the amount of your healthcare contribution in Box 14, "OTHER".</p> <p>If you work for a non-central agency, you'll need to contact your human resources office to get your contribution total for 2011.</p> <p>If you left state employment in 2011, you'll need to call the MI HR Service Center at (877) 766-6447 or (517) 335-0529 to determine your contributions for the year.</p>
9	What are IRS wage brackets?	<p>The refund may place you in a higher tax bracket for federal taxes due to IRS wage bracket limits. To estimate the potential impact, you should consider the federal wage bracket in addition to social security, Medicare, state, and local (if applicable) taxes. In total, tax withholdings may range from approximately 12% to over 50% of the refund amount based upon other wages and W-4 status.</p> <p>IRS wage brackets are established by the IRS and define the tax rate(s) that apply to various taxable income levels based upon marital status and exemptions. The wage brackets can be found at: <a href="http://www.irs.gov/pub/irs-pdf/i1040tt.pdf">http://www.irs.gov/pub/irs-pdf/i1040tt.pdf</a>.</p>
10	How much interest has my healthcare contribution earned?	<p>The Healthcare Trust Fund earned 0.25 % interest, compounded. The total interest earned over the period that the Healthcare Trust Contributions have been in effect has been prorated based upon the total amount each individual contributed to the fund.</p>
11	How do I access my MI HR Self-Service account?	<p>Go to <a href="http://www.mi.gov/selfserv">www.mi.gov/selfserv</a> and click on the Earnings Statement icon.</p> <p>You can access your MI HR Self-Service account up to 90 days after you leave state employment.</p> <p>For Self-Service assistance, you may contact the MI HR Service Center at (877) 766-6447 or (517) 335-0529, or by email at <a href="mailto:Self-Serv-Support@michigan.gov">Self-Serv-Support@michigan.gov</a>.</p>
12	Will my 3% healthcare contribution refund be taxed?	<p>If you take your refund as a cash payout, all payroll taxes will be withheld. These include federal, state, Social Security, and city or Medicare taxes, if applicable.</p> <p>If you are retired, separated from state service, or on a layoff or leave of absence, your refund will be taxed in the same manner as refunds to active employees. The refund will be issued in a separate check.</p>

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		As a refund of a prior deduction from wages, this payment will be reported as taxable wages. It is not subject to the new tax on pensions. You will receive a W-2 for this payment (and any other W-2 reportable payments) after the end of calendar year 2012.
13	How can I avoid the payroll tax withholding on the 3% refund?	If you are an active employee, you can defer paying your federal, state, and, if applicable, city taxes on your 3 percent refund by deferring it into your 401(k) or 457 account. Social security and Medicare taxes will be withheld from your 401(k) or 457 contribution. The gross refund amount will be reported as taxable income for social security and Medicare purposes and the amount withheld for social security and Medicare will be reported as taxable income for federal, state, and local (if applicable) taxes and may result in additional applicable income tax withholdings accordingly.
14	Will the refund include a statement that itemizes the tax withholdings and interest?	No.  The refund will not have a separate statement that itemizes withholdings. If you are currently employed by the state, your refund will be issued as an addition to your net pay for January 19, 2012. The gross refund amount will be included as a negative deduction amount (refund of the deduction, addition to income) on that earnings statement. Your withholdings will increase, because your pay increased with the refund, but the amount of the withholding attributable to your refund, as opposed to the amount attributable to your regular wages, will not be separately identified on your earnings statement.
15	Will the refund show up on my W-2 statement at the end of the year? If so, how will it show up?	Yes. Whether you are still working, retired, or have left state employment, the refund and any related deferrals will be included on your W-2 statement for 2012.
16	What do I need to do to have my refund included in my paycheck?	<b>If you are an active employee and want to receive the refund with your January 19, 2012 paycheck, you don't need to do anything.</b>
17	I want to take my refund as a cash payout. Will I need to change my withholdings to avoid being placed in a higher tax bracket?	It is likely that your refund will temporarily place you in a higher tax bracket for that pay period. You have the ability to update your W-4 exemption for the pay date that includes the refund.  To modify your tax withholding online, go to <a href="http://www.mi.gov/selfserv">www.mi.gov/selfserv</a> , click on the Self-Service icon, click on pay in the left navigation bar, click on tax withholding. To identify the processing timeframes for W-4 changes click on the "When do W-4 Tax Withholding updates take effect?"  If you do not have Internet access, you may mail your W-4 to the MI HR Service Center, Capitol Commons Center, 400 South Pine, Lansing, MI, 48933 or fax to 517-241-5892. All forms and faxes must be received no later than Friday, January 6, 2012, 6:00 p.m. (EST).  For additional assistance you may contact the MI HR Service Center at (877) 766-6447 or (517) 335-0529.
18	Can I elect to have a portion of my refund as cash and a portion of my	No. You must either take your entire refund as a cash payout or place the entire refund (net of social security and Medicare withholdings) into your 401(k) or 457 account.

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	refund placed into my 401(k) or 457 account?	
19	I want to defer my refund into my 401(k) or 457 account. What do I need to do?	Contact ING at (800) 748-6128 between 8:00 a.m. and 8:00 p.m. weekdays. You will need to make your decision no later than 4:00 p.m. (EST), Thursday, January 5, 2012.
20	May I go online to defer my refund into my 401(k) or 457 account?	No. You must call ING at (800) 748-6128 between 8:00 a.m. and 8:00 p.m. weekdays before 4:00 p.m.. (EST). If you choose to defer your refund, you must contact ING no later than 4:00 p.m., Thursday, January 5, 2012.
21	May I split my refund between my 401(k) and 457 account?	No. Your refund must go entirely into either your 401(k) or your 457 account.
22	I don't have a 401(k) or 457 account with ING. What do I need to do to set one up?	All employees have an existing 401(k) account with ING that has been set up by the state. If you do not know how to access your account, or if you'd like to set up a 457 account, contact ING at (800) 748-6128 between 8:00 a.m. and 8:00 p.m. weekdays, but no later than 4:00 p.m. (EST), Thursday, January 5, 2012.
23	May I defer my refund into a 401(k) or 457 that is managed by a provider other than ING?	No. You may only defer your refund into a 401(k) or 457 account that is managed by your employer-designated vendor. If you work for a non-central agency (NCA), you may have a different vendor than ING; contact your HR office for more information.
24	Which is a better place for my refund, a 401(k) or a 457 account?	You'll have to determine which is better for you. ING has prepared a chart that compares key features of the 401(k) and 457 plans. You can access it at <a href="https://stateofmi.ingplans.com/einfo/pdfs/forms/michigan/key_features.pdf">https://stateofmi.ingplans.com/einfo/pdfs/forms/michigan/key_features.pdf</a> . For additional assistance, contact ING at (800) 748-6128 between 8:00 a.m. and 8:00 p.m., Monday through Friday.
25	What is the IRS contribution limit for a 401(k) or 457 and what should I do if this refund places me over the limit?	The IRS contribution limit for employees in the 401(k) plan is \$17,000 and the contribution limit for the 457 plan is also \$17,000 for 2012. If you think your refund will place you over those limits, contact ING at (800) 748-6128 between 8:00 a.m. and p.m. Monday through Friday no later than 4:00 (EST), Thursday, January 5, 2012.
26	When can I view the refund I placed into my 401(k) or 457 account?	Your refund will be processed through payroll along with regular deductions. These amounts are typically viewable online with ING the day after pay day.
27	How can I confirm my refund is in my 401(k) or 457 account?	Access your ING account at <a href="https://stateofmi.ingplans.com">https://stateofmi.ingplans.com</a> or by calling (800) 748-6128 between 8:00 a.m. and 8:00 p.m., Monday through Friday.
28	What do I do if my refund doesn't appear in my 401(k) or 457 account when it's supposed to?	Contact ING at (800) 748-6128 between 8:00 a.m. and 8:00 p.m., Monday through Friday.
29	I'm retired or separated from state service and had healthcare contributions withheld from my pay. How do I get the refund?	Your refund will be issued by February 2, 2012 and mailed to you. If you have changed your address since you left state employment, please notify the MI HR Service Center at (877) 766-6447 or (517) 335-0529 before Friday, January 20, 2012.
30	I'm retired and getting a refund. Will it be taxed?	Yes. Your refund will be taxed as earnings and all standard payroll taxes will be withheld, including federal, state, social security, and city and Medicare (if applicable). However, your refund payment is not subject to the

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		new Michigan pension tax.
31	I'm retired. Will getting this refund affect my social security earnings limit?	This may affect your social security earnings limit if you were receiving social security benefits in 2010 or 2011. To read about the rules for social security earnings limit, visit <a href="http://www.ssa.gov">www.ssa.gov</a> .
32	I no longer work for the state. Will my refund be taxed?	Yes. All standard payroll taxes will be withheld.
33	My deceased spouse was a state employee who had healthcare contributions withheld. Am I entitled to a refund?	Yes. A refund will be sent to the individual designated as the final wages beneficiary. For assistance with this matter, contact MI HR at (877) 766-6447 or (517) 335-0529.
34	I'm retiring at the end of 2011. How will my refund be paid?	If you are an active employee up to December 31, 2011, you may receive your refund in your paycheck, or you may defer your refund to your 401(k) or 457 account.
35	Can I apply my healthcare contribution refund to my existing Tax Deferred Payment (TDP) for my service credit purchase?	No.
36	Can I direct my healthcare contribution refund into a Flexible Spending Account (FSA)?	No.
37	Can I direct my healthcare contribution refund into a Health Savings Account (HSA)?	No.
38	My spouse is a member of the Michigan Public School Employees Retirement System (MPERS). Will MPERS members also be getting a refund of their healthcare contributions?	No. The current legislation only applies to healthcare contributions made by members of the State Employees Retirement System (SERS).