



MICHAEL D. RAUTIOLA, CFP®, ELIZABETH A. ALLEN, CFP®, ADAM J. FINCH, CFP®  
CERTIFIED FINANCIAL PLANNER™ Professionals

## **Planning Points**

**Quarterly Newsletter – Fall 2012**

### **OUR THOUGHTS:**

#### **Michigan Public School Employees Retirement System**

The State of Michigan did finally pass its proposal (now titled Public Act 300 of 2012) from earlier this year that affects the retirement and retiree health insurance benefits of public school employees. This past May, we sent out a special bulletin specifically focused on the proposed changes affecting members of the Michigan Public School Employees Retirement System (MPERS), and then followed up with an additional update in July. If you wish to review our May and July bulletins, they can be found on our website:

[www.rfcfinancialplanners.com/newsletters.html](http://www.rfcfinancialplanners.com/newsletters.html)

In our general assessment, we feel that most employees affected should continue to contribute the 3% toward the retiree healthcare in order to retain their retiree health insurance premium subsidy. We also think that most employees should choose option #1 for their pension plan choice, which increases your current pension contribution in exchange for keeping the 1.5% pension factor on your future years of service and thus resulting in a higher pension income.

Below we share some timely and important notes regarding the changes going into effect:

A) It's very important to know that your elections must be made by logging into your "miAccount" online by the 10/26/2012 5:00 pm deadline.

If you do not make an election, the following default selections will be made for you:

- 1) Option #1 for retiree healthcare: Continue contributing the 3% toward retiree healthcare and retain the retiree health insurance premium subsidy offered by the state upon your retirement.
- 2) Option #3 for your pension plan choice: This election does not increase your pension contribution rate, but maintains the same contribution that you have already been used to. This results in a lower pension income, because a 1.25% pension factor for your future years of service would be used.

Although the elected changes do not go into effect until 12/1/2012, your elections cannot be changed after the 10/26/2012 deadline.

B) The court has issued two temporary restraining orders. The effect of these orders is that the deadline of 10/26/2012 to make your elections remains. If the new provisions are found to be unconstitutional, members will be allowed to rescind or change their elections. However, if the court order is lifted, the deadline should remain as 10/26/2012.

C) For those choosing to opt out of the retiree healthcare in retirement and instead choose the personal healthcare fund, you will automatically be enrolled to contribute 2% into your ING 457 account in order to get the 2% match in your ING 401K account. Additionally, if you do opt out, the past 3% healthcare contributions you have made are projected to be refunded to your ING 401K account in February 2013.

D) We suggest evaluating the option of beginning a contract to purchase years of service prior to 12/1/2012 if you will not be choosing the reform pension options #1 or #2, since in that case a new purchase contract initiated after 12/1/2012 would be purchasing years at the lower 1.25% pension factor.

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E) Below are three useful links to help assess the upcoming changes:

1) A recorded tutorial highlighting the changes

<http://dtmb-ors.articulate-online.com/p/4912394256/DocumentViewRouter.ashx?Cust=49123&DocumentID=f2812279-bf3b-41dd-8733-2bb85ab8b98b&Popped=True&&InitialPage=player.html>

2) The Michigan Office of Retirement Services (ORS) legislative summary of the changes

[http://www.michigan.gov/documents/orsschools/Legislative\\_Summary\\_Michigan\\_Public\\_School\\_Employees\\_Retirement\\_System\\_Reform\\_2012\\_395319\\_7.pdf](http://www.michigan.gov/documents/orsschools/Legislative_Summary_Michigan_Public_School_Employees_Retirement_System_Reform_2012_395319_7.pdf)

3) The Public Act 300 Bill of 2012 in its entirety

<http://www.legislature.mi.gov/documents/2011-2012/publicact/pdf/2012-PA-0300.pdf>

We encourage you to log into "miAccount" to access their Reform Tools section. You will find personalized estimates, calculators, frequently asked questions, the PA 300 bill in its entirety, and a summary of the bill. Also, we've talked with many clients and affected members about these changes and are well versed in helping sort out your options. Just let us know if you need any further help.

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## Ford Motor Company

Ford has been mailing voluntary pension lump-sum payment offers to many US salaried retirees. In our review of these offers to either remain in the Ford pension plan or take the lump-sum payment, there are multiple factors to consider in determining what is best for your personal situation. However, it's generally difficult in today's environment to replicate on your own what the pension provides to you. We encourage you to seek guidance from a qualified CERTIFIED FINANCIAL PLANNER™ Professional in evaluating your options and welcome your questions.

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## 2013 Retirement Plan Limits Increased

The contribution limits for 401K, 403B, and 457 plans will increase next year from \$17,000 to \$17,500. The catch-up contribution limit for those ages 50 and older remains at \$5,500. To view additional details regarding this, please visit the following link: **post link to PDF saved in newsletter folder "2013 Plan Limits"**.

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## DID YOU KNOW?

**FEAR AND GREED** – It was four years ago (10/16/2008) that Warren Buffett wrote his "Buy America, I Am" op-ed article in the New York Times. In this article he encouraged investors to be fearful when others are greedy, and to be greedy when others are fearful. Since Buffett wrote this letter the S&P 500 has gained 66.24% on a total return basis through the close of trading on 09/30/2012 (source: Morningstar/New York Times).

**SOCIAL SECURITY** – The maximum retirement benefit paid by Social Security to an individual retiring in 2012 at their full retirement age of 66 is \$2,513 per month. In 2013 Social Security monthly retirement payments will have a cost of living increase of 1.7% (source: Social Security).

**LOTS OF LAND** – The state of Alaska is the largest US state and is more than twice as large as Texas, our 2nd largest state. Texas is 68% larger than California, our 3rd largest state. (Source: US Geological Survey).

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**Our business continues to be successful because of great clients like you. If you know anyone else who is looking to simplify and organize their financial lives, please let us know. With their permission, we would be happy to contact them and introduce ourselves.**

### RFC Financial Planners

Local: 734.272.4224

Fax: 734.864.0330

529 S. Ashley St.

Ann Arbor, MI 48103

Toll Free: 800.203.9117

[www.rfcfinancialplanners.com](http://www.rfcfinancialplanners.com)

Organize. Simplify. Plan.

### Elizabeth A. Allen, CFP®

Local: 248.522.2249

Fax: 248.522.2251

25348 Farmington Road

Farmington Hills, MI 48336

[ellen@sigmarep.com](mailto:ellen@sigmarep.com)

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