



RFC FINANCIAL PLANNERS

Organize. Simplify. Plan.



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CERTIFIED FINANCIAL PLANNER™ Professionals

Planning Points

Quarterly Newsletter – Spring/Summer 2012

OUR THOUGHTS:

How much more can employers cut benefits? Changing and cutting back on employer provided benefits and pension plans seems to be a popular trend this year. In this newsletter, we will highlight three large employers that have announced significant future changes affecting many of our clients and/or their friends and family. There are choices available to each individual being affected and making such a major decision is not only critical, but may also be irreversible. Having a CERTIFIED FINANCIAL PLANNER™ Professional help evaluate your available options is a wise step for your long term financial security. If you, a family member, or a friend is facing these potential retirement and health care benefit changes, we encourage you to contact us soon to schedule a consultation.

The State Of Michigan

The State of Michigan has been working hard at reducing its budgetary costs and one of the unfortunate targets has been employee retirement and health insurance benefits. In May, we sent out a special bulletin specifically focused on the proposed retirement and health care benefit changes affecting members of the Michigan Public School Employees Retirement System (MPSERS). The proposal has been further revised and is moving along the legislative path to approval, so we are providing clarification relating to the biggest changes since our last bulletin. If you wish to review our May bulletin, it can be found on our website: www.rfcfinancialplanners.com/newsletters.html Other state employee categories have been affected by similar changes as well.

There have been significant revisions to the original proposed changes to the MPSERS retirement and health care benefits by both the Senate in May and the House in June.

- **Pension:** New contribution rates to continue the 1.5% pension multiplier: increases to 4% for Basic and 7% for MIP.
- **Health Care** (Points B & C listed in our May Bulletin have been revised to):
 - Existing members may opt out of retiree health care coverage, and their 3.0% retiree health contributions made to date would be credited to their 401k and they begin receiving up to 2% matching 401k contributions.
 - If an employee were not eligible for the retiree health care upon retirement, he or she would have their contributions returned in equal monthly installments over 5 years after reaching age 60.

See this link for highlights of the SB 1030 H-3 proposal when it passed the house on 6/14/12:

<http://www.mea.org/pdf/062212-SB1040-Update.pdf> This has not yet become law and is currently under Senate review.

Members may face deadlines to make choices between July 16 and September 28, 2012.

General Motors (GM)

On June 1st 2012, GM mailed approximately 42,000 pension buyout offers to eligible salaried retirees. These changes apply only to retired U.S. salaried employees. You may be asking yourself “Why is GM doing this?” According to a recent article posted on Bloomberg.com, GM has the “largest pension obligation of any company” at \$134 billion as of December 2011. The article also quotes GM’s CFO, Dan Ammann, saying “this is really a move for us to further refocus on our core business and get out of a non-core business (taking on and managing pension risk)”. At the end of 2011, GM’s global pension plans were underfunded by \$25.4 billion. (Source: Naughton. “GM Cutting Pension Obligations by \$26 Billion on Buyouts.” <http://www.bloomberg.com/news/2012-06-01/gm-chief-hopes-to-return-to-investment-grade-within-year.html> 2 June 2012)

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Those being offered a buyout have three choices:

1. **Voluntary Lump Sum Payment:** If you select this option, your monthly benefit will stop, and its value will be paid as a single one-time payment equal to the estimated value of all future benefit payments, including any early retirement supplement and any surviving spouse or contingent annuitant benefits payable under the GM Salaried Retirement Plan (SRP). If you are married, your spouse must consent to this election, and if you were married to someone other than your current spouse when you retired, your former spouse will need to consent to this choice as well. Your contribution portion to Part B (Primary Benefit) of SRP prior to 1985 is not included in this offer and will continue to pay monthly benefits.
2. **Continue your Current Monthly Pension Benefit:** No action is required. GM plans to end their pension plan and purchase a private group annuity contract from Prudential Financial to take over your pension payments and obligations beginning January 2013.
3. **Choose a New Form of Monthly Pension Benefit:** Typically retirees have only been able to change their survivor election when there is a change in marital status. Now with this voluntary option, married retirees may add or change the survivor % for their spouse to 50% or 75%.

If you wish to select either option 1 or 2, you must submit your election by July 20, 2012, and changes are scheduled to take effect on September 1, 2012. According to wording in the actual GM buyout offer documents, "Regardless of your decision, your eligibility for GM post-retirement health care, life insurance, and vehicle discounts will continue in accordance with the provisions of each program".

Ford Motor Company

Ford has also announced that it will offer a voluntary pension lump-sum payment to about 98,000 U.S. salaried retirees. According to Bloomberg.com, Ford's global pension liability was underfunded by \$15.4 billion at the end of 2011. (Source: Naughton. "GM Cutting Pension Obligations by \$26 Billion on Buyouts." <http://www.bloomberg.com/news/2012-06-01/gm-chief-hopes-to-return-to-investment-grade-within-year.html> 2 June 2012)

On May 31, 2012, Dow Jones Newswires reported that between 12,000 and 15,000 U.S.-based workers will receive the first wave of lump-sum offers as early as August. This offer is in addition to the lump-sum pension payout option available to U.S. salaried future retirees as of July 1, (Source: Cantore. "Ford Offers Lump-Sums to De-Risk Pension" http://www.plansponsor.com/Ford_Offers_Lump_Sums_to_DeRisk_Pension.aspx 27 April 2012)

Where Is My Social Security Statement?

Have you noticed that those annually updated Social Security Statements haven't come in the mail recently? In 2011, the Social Security Administration stopped sending annual statements out. Social Security has since resumed mailing paper *Statements* to workers age 60 and older if they are not already receiving Social Security benefits. Effective May 1st 2012, Social Security introduced online access to your statement, plus your earnings history, estimated benefit amounts, and eligibility information. Later this year, the agency plans to start mailing paper statements to workers in the year they reach age 25. To view your statement online, you must first create an online account at: <https://www.socialsecurity.gov/mystatement/>

RFC NEWS:

Save the Date! GOLF LESSONS July 25th 6:00pm-8:30pm

RFC Financial Planners and Elizabeth Allen will be holding a client appreciation event on July 25th at The Inn at St. John's in Plymouth. You are welcome to join us for an evening of golf lessons, prizes, food and drinks. Feel free to bring guests as well. R.S.V.P. by July 18, 2012 at (734) 272-4224, ext. 3

Welcome Leslie Elliott!

RFC Financial Planners would like to announce the newest addition to our team. Leslie Elliott joins us with previous industry experience at Ameriprise Financial and is dedicated to answering your account and service related questions.

DID YOU KNOW?

BETTER PERFORMANCE AHEAD? – In eight of the last eleven years, the S&P 500 total performance was better between July through December compared to the first part of the year (source: www.bloomberg.com). *Past market performance is no guarantee of future investment performance or success.*

INTEREST RATES – June 20th marked the 28th consecutive meeting (over three and a half years) where the Fed kept short-term interest rates unchanged (source: Federal Reserve).

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.

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