Connections

An **Office of Retirement Services** Publication

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Judges Retirement System

Our Purpose

We are an innovative retirement organization driven to empower our customers for a successful today and secure tomorrow.

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Investments show improvement

The credit crisis and global economic slowdown of 2008-2009 left few, if any, places to hide to avoid being negatively affected. While we are still facing tough times, it's not all bad news. Judges Retirement System's investments are further ahead today than this time last year.

A year ago, the U.S. and global markets were deep in a severe credit crisis, the severity of which we had not witnessed in our generation. Scared investors fled stock markets and purchased U.S. Treasuries, which pushed interest rates to extremely low levels. The Federal Reserve and other central banks of the developed countries took action to provide liquidity to the financial markets and prevent a collapse similar to the 1930s. The U.S. Treasury developed policies to provide relief to financial institutions, slow the default and foreclosure rates, and provide economic stimulus.

ORS is the 21st largest retirement system in the U.S., according to the *Pension & Investments* survey.

The market remained in crisis until it reached bottom in March 2009. Then early signs of improvement in credit markets to appeared as large financial institutions began to rebound. Liquidity returned to the financial sector and investors returned to the stock market, creating a strong rebound by year end.

Today, we are moving past the immediate financial market crisis. There is no crystal ball able to predict what the market holds for 2010 and beyond. Yet we understand there is still a way to go to achieve a full recovery, which will include stabilization of the housing market and job creation. The timing and extent of recovery is uncertain, but the outlook has improved considerably. We also understand that over time the stock market has rewarded long-term investors.

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The 2010 census may change your community

The 2010 Census form should have arrived at your residence earlier this month. Completing the census form is easy, important, and safe, and everyone's participation is vital.

The purpose of the census is to reapportion the U.S. House of Representatives based on population, but there's more. An accurate count can improve our quality of life. Information helps determine how over $400 billion of federal funding is spent annually on infrastructure and services like hospitals, senior centers, and other public works projects.

If you have more than one address, you will receive census forms at each address. For the form mailed to your non-primary (less than 50 percent) residence, enter zero as the number of people living there. Leave the rest of the form blank and mail it back. When you return to your primary residence, fill out the form in its entirety—even if you don't return the form until early summer.

If you're not sure who or how to report, or want more information, go to **www.2010census.gov** or call (800) 923-8282.

From the Director

Over the past year, simply opening a newspaper, going on the internet, or flipping on the TV quickly brought the latest economic news. So much uncertainty has undoubtedly left many of us concerned about the future. But as always, you can rest assured that your pension remains secure and as stewards of your pension, we at the Office of Retirement Services continue to keep your needs at the forefront.

The economic challenges we faced did have an impact on the investment performance of our retirement systems. But we stay in a position to maintain financial stability because of our prudent investment strategy, which focuses on the long term. You can read about the security of your pension fund on page 1, and your retirement system's financial summary on page 4.

As your partner in retirement, we strive to provide quality service that keeps your retirement worry free. We continue to see great successes behind the scenes that allow us to serve you more efficiently. We are especially proud of the successful 2008 launch of miAccount, our secure online service. During 2009, the number of registered miAccount users soared from 34,000 to 80,000, and these users performed more than 43,000 individual transactions including changes to their addresses, federal tax withholding, direct deposit, and much more. Not only has miAccount helped our services become "greener" as we receive and process fewer paper forms, these efficiencies have enabled us to serve 7.5 percent more customers. Retirees who use miAccount reported a 91 percent satisfaction rate.

So in a time of uncertainty, you can be confident that we will continue to provide reliable service, and your pension is guaranteed regardless of financial market performance. Please contact us with any questions, and let us know how we are doing. We always welcome your feedback!

Sincerely,

Phil Stoddard, Director

Facts about your retirement system in Fiscal Year 2009

- Number of retirees and beneficiaries receiving monthly benefits: **542**.
- Number of active employees: **234**.
- Number of vested active employees: **233**.
- Investments resulted in a funding level of **120.6 percent** as of September 30, 2009.

For more information, view the financial summary for Fiscal Year 2009 on page 4.

Pension security

continued from page 1

Although the recession has been a challenge for all investors, your pension is secure. Paying the promised pension benefits to retirees and pension beneficiaries is the fundamental objective of the retirement system. Currently, your retirement system is funded at 120.6 percent.

We benefit from the Michigan Department of Treasury's prudent investment strategies, which are designed to maximize the investment return and seek to minimize risk over the long term. Investment returns for the pension fund have been in the top of the peer group four out of the last five calendar years, according to State Street Investment Analytics.

Your pension remains constitutionally guaranteed, safe, and will continue to arrive on time each month.

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Ask an Expert

ORS experts answer frequently asked questions

Q: ***If I send ORS an original birth certificate or other original document, will you return it?***

A: We don't require original documentation for proof. We strongly recommend photocopies, because we do not return original documents.

Q: ***My husband passed away in February. ORS deposited his pension in our bank account in February. Am I entitled to that money?***

A: Yes. Your husband's estate is entitled to the February pension payment, even if he died before the pension payment was deposited. ORS stops the pension **after** the month of death. If we receive late notification and continue to make pension payments, all payments made after the month of the pension recipient's death would need to be repaid.

Q: ***The amount of the federal income tax withheld from my pension changed. Why?***

A: The IRS changes the tax withholding tables annually. So, it is normal to see a tax change in January. If you have a reduction in your withholding, it may be due to the Making Work Pay Credit that was enacted last year. This credit does not apply to pension income and could result in not enough federal taxes being withheld. ORS does not provide tax advice and encourages you to discuss withholding changes with your tax adviser. You may change to your tax withholding by logging into miAccount at **www.michigan.gov/orsmiaccount**.

When to Contact ORS

Not sure what needs to be reported? Here are the most common situations that would require you to update your information.

Address, Tax, or Direct Deposit Changes. It is critical that you update ORS with these kinds of changes and the fastest, easiest way to do this is through miAccount. miAccount allows you to make instant changes to your account at your own convenience rather than calling our offices during work hours. If you haven't accessed your account yet, do so today so you'll be ready to make any tax changes needed for next year.

Death. ORS should be notified immediately upon the death of a pension recipient, a pension beneficiary, or anyone enrolled in your health, dental, or vision insurances.

Divorce. Notify ORS immediately if your ex-spouse is enrolled in your insurances. And, if you elected a survivor option with your ex-spouse as beneficiary, it's best to contact us before your divorce is final because we can only change your pension if ordered by the court.

Marriage. Notify ORS within 30 days whenever an insurance dependent marries. Change your insurance using miAccount or by completing an *Insurance Enrollment/Change Request* available on our website.

Medicare. Any person enrolled in the health insurances must sign up for Medicare Parts A and B when first eligible. If this happens before age 65, notify us using miAccount or by completing an *Insurance Enrollment/ Change Request* available on our website.

Details about reporting these and other life events, as well as forms you'll need, can be found online, using miAccount, or by contacting us. If you don't have web access, you may call us at (800) 381-5111.

Pension Pay Dates

Pension payments are issued on the 25th of the month. If the 25th falls on a weekend or holiday, your pension will be paid the previous business day. If your electronic funds transfer (EFT) is not credited within three days after that date, contact ORS. If your paper check is delayed, we can reissue it after the seventh day of the following month. Please contact ORS after the seventh.

Holidays

ORS offices will be closed on the dates listed below.

May 31 – Memorial Day
July 5 – Independence Day
September 6 – Labor Day

Our website is available seven days a week, even when our office is closed: **www.michigan.gov/orsjudgesdb**

Judges Retirement System

for Fiscal Year ending September 30, 2009

Assets & Liabilities

	FY 2009	FY 2008
Assets		
Cash	$ 1,983,821	$ 6,175,969
Receivables	127,581	93,594
Securities Lending Collateral	33,381,620	36,415,878
Investments	237,555,256	274,660,308
Total Assets	**$ 273,048,278**	**$ 317,345,749**
Liabilities		
Accounts Payable and Other Liabilities	$ 198,206	$ 204,679
Obligations Under Securities Lending	42,934,888	47,518,751
Total Liabilities	**$ 43,133,094**	**$ 47,723,430**
Net Assets	**$ 229,915,184**	**$ 269,622,319**

Additions & Deductions

	FY 2009	FY 2008
Additions		
Public Financed and Member	$ 2,558,533	$ 2,466,755
Net Investment Income (Loss)	(21,343,564)	(48,516,565)
Total Additions	**$ (18,785,031)**	**$ (46,049,809)**
Deductions		
Benefit Payments	$ 19,897,368	$ 19,180,381
Health, Dental, and Vision Benefits	820,694	789,975
Transfers and Refunds	–	–
Administrative Expenses	204,042	186,166
Total Deductions	**$ 20,922,104**	**$ 20,156,522**
Beginning of Year Net Assets	$ 269,622,319	$ 335,828,650 [1]
End of Year Net Assets	**$ 229,915,184**	**$ 269,622,319**

[1] Restated

Investments & Earnings

	Market Value*	Percent of Total Market Value	Total Investment and Interest Income**
Fixed Income Pools	$ 42,322,684	17.7%	$ 5,232,006
Domestic Equity Pools	89,333,788	37.3%	(10,652,383)
Real Estate Pools	30,802,642	12.9%	(14,519,786)
Alternative Investment Pools	36,875,032	15.4%	(5,814,063)
International Equities Pools	30,429,075	12.7%	3,361,503
Absolute Return Pools	2,015,096	0.8%	(50,410)
Short Term Investment Pools	7,760,760	3.2%	(268,207)
Securities Lending Income			866,665
Investment Expenses			(1,048,966)
Market Value and Net Investment Loss	**$ 239,539,077**	**100.0%**	**$ (22,893,641)**

* Market value excludes $33,381,620 in securities lending collateral for fiscal year 2009.

** Total Investment and Interest Income excludes net security lending income of $452,476 and unrealized gain of $1,549,605 for securities lending collateral for fiscal year 2009.

Note: The complete *2009 Comprehensive Annual Financial Report* from which this summary was derived is available on our website at **www.michigan.gov/orsjudgesdb**.