



CITY OF GRAND RAPIDS
GENERAL RETIREMENT SYSTEM
233 E. FULTON, SUITE 216
GRAND RAPIDS, MI 49503

SEPT. 2011
VOL. 3
ISSUE R

The Retirement Register

Changes in Michigan Tax Law On Retirement Income—Public Act 38 (P.A. 38)

Beginning 01/01/12, the new tax law governing how retirement income will be taxed will be in effect. It sets up a three-tier system, depending on the retiree's age. All three tiers avoid taxing Social Security income and military pensions. **For married filers, the age of the older spouse determines if they fall into this category.** Here's a brief summary of Public Act 38 (Please note this is subject to pending litigation):

- Residents born before 1946 will continue to receive the same tax breaks they have now. Public pensions will not be taxed. A portion of income from private pensions, 401(k)s and IRAs will not be taxed (amounts up to \$45,120 for single filers and \$90,240 for joint filers, and adjusted for inflation). The private pension exemption will continue to be reduced by the amount of any compensation and retirement benefits received for service in the armed forces as well as any public pension. This new act will also reduce the private exemption by the amount of any retirement or pension benefits received under the Federal Railroad Retirement Act of 1974.
- For residents born between January 1, 1946, and December 31, 1952, P.A. 38 limits many of the exemptions for retirement and pension income, although the exemptions for Social Security income and several other types of income (such as income related to service in the Armed Forces) are retained while taxpayers are less than 67 years of age. For taxpayers under 67, exemptions can be claimed on pension and retirement income (public or private) up to \$20,000 for a single filer and up to \$40,000 for joint filers. When these residents turn 67, the \$20,000/\$40,000 exemption applies to all income, not just retirement income. If household resources exceed \$75,000 for a single return or \$150,000 for a joint return, the \$20,000/\$40,000 exemption is eliminated. The exemption is also eliminated if a taxpayer claims a deduction for a military or railroad pension. Under Public Act 38, a taxpayer in this age group may continue to claim the standard personal exemption, regardless of age or whether any other deduction or exemption is claimed.
- Residents born after 1952 will see all retirement income taxed as regular income until they turn 67, at which point they will qualify for a senior income exemption of \$20,000 for single filers and \$40,000 for joint filers on all income. If household resources exceed \$75,000 for a single return or \$150,000 for a joint return, the \$20,000/\$40,000 exemption is eliminated. A taxpayer can forgo the \$20,000/\$40,000 exemption and instead deduct 100% of Social Security income and continue to claim the standard personal exemption. As with taxpayers born during 1946 and 1952, P.A. 38 also eliminates the \$20,000/\$40,000 exemption if total household resources exceed \$75,000 for a single return, or \$150,000 for a joint return, or if a taxpayer claims the deduction for a military pension or railroad pension.

Source: Mr. David Zin, Chief Economist, Senate Fiscal Agency, Treasury Department

Change of Address Tips

For those retirees who will be having a change in their address, here are some tips from the U.S. Postal Service:

- Months 1—12: the mailpiece is forwarded to the new address; no charge; a separate notice of the new address is provided to the sender;
- Months 13—18: the mailpiece is returned to the sender with the new address attached; no charge; and
- After month 18 or if undeliverable: the mailpiece is returned to the sender with the reason for the nondelivery attached; no charge.

Please remember that **each time** your address changes, (even if it is a temporary change for part of the year) this information needs to be put in writing to the Retirement Systems Office and signed by the pension recipient to ensure timely delivery of pension-related correspondence.

New Retirees

The Trustees and staff of the General Retirement System are pleased to congratulate the following new retirees:

Madelyn Pierce-Mellema*	(Police)	06/01/11	Tiiu Gumbis	(Engineering)	07/16/11
Pamela Laarman	(EP-WWTP)	06/07/11	Bruno Maka	(Water)	07/24/11
Janice Roy	(EP-WWTP)	06/25/11	Lynne Snyder	(EP-UEDCD)	07/27/11
Susan Watson	(Library)	06/25/11	Eric Soucey	(Economic Development)	07/28/11
William Hill	(Library)	06/30/11	Janette Rietema	(Income Tax)	08/16/11
Rodger Midkiff*	(61st D.C.)	07/01/11	Sandra Workman	(Water)	09/10/11
Jaclynn Tellier*	(Water)	07/01/11	Sonja Gunderson	(Parks & Recreation)	09/17/11
Walter Catledge	(Motor Equipment)	07/06/11	*Deferred Member		

Asset Comparison

Market values for the City of Grand Rapids General Retirement System assets as of July 31, 2011 and August 31, 2011 were as follows:

	<u>July 31, 2011</u>	<u>August 31, 2011</u>
Adams Street Partners (Private Equity)	\$655,220	\$697,220
Baird Advisors (Fixed Income)	\$47,194,213	\$47,816,130
ING Clarion (Real Estate)	\$19,489,587	\$18,196,647
Lotsoff Capital Management (Large Cap Equity)	\$57,863,544	\$54,440,885
Neuberger Berman (International Equity)	\$55,190,184	\$50,834,850
Northern Trust Global Investments (S&P 500 Index)	\$58,055,770	\$53,694,737
PIMCO StocksPlus (Enhanced Index)	\$20,809,514	\$19,452,641
Wellington Management Company (Small Cap Equity)	\$41,664,721	\$37,660,284
Western Asset Management (Fixed Income)	\$51,245,959	\$51,208,785
Cash Account	\$1,544,619	\$1,678,767
Total Assets:	\$353,713,331	\$335,680,946

In Memory of Departed Friends

Geraldine Carrel*	05/21/11	David Rayner*	07/28/11
David Whyard	05/29/11	Megan White	08/04/11
Virginia Katsion*	06/22/11	Evelyn Hodyna*	08/12/11
Patrick Baker*	06/26/11	Thomas Miller**	08/14/11
Jack Anderson*	06/29/11	Delphine Nordstrom*	08/24/11
Jack Anderson	06/29/11	Dennis Gochenour	08/25/11
Emaline Peck	07/03/11	Anthony Visota	08/26/11
Victoria Rich*	07/04/11	Jack Finley	08/30/11
Theresa Tate*	07/12/11	Douglas Munn	09/14/11
Margaret Strohl	07/18/11	John Klifman	09/25/11
Veronica Wise	07/26/11	*Denotes a beneficiary	**Active Employee

Pension or Insurance Questions?

If you have questions regarding your pension, please contact the City of Grand Rapids Retirement Systems Office at (616) 456-4300. All address, direct deposit, federal withholding, or name changes **must be sent in writing** to: **City of Grand Rapids Retirement Systems, 233 E. Fulton Street, Suite 216, Grand Rapids, MI 49503.** Changes received by mid-month will be effective at the end of that month.

City health insurance questions should be directed to Insurance Services at (616) 456-3300. **Seniors Choice insurance** questions should be directed to (888) 228-3002.