

PA 75 and 3% Healthcare Contributions FAQs – BAISD Style

Who will be receiving a refund?

Anyone who was actively employed by a reporting unit of the Michigan Public School Employees' Retirement System between July 2010 and September 2012. Contributions were calculated by ORS and the District is paying based on the list provided from ORS.

How much money will be refunded to me?

ORS has notified members of their refund amount by email as of January 22, 2018.

When will I receive my refund?

The District's goal is by the end of March. The refund will come in the form of a paper check.

How will my refund be taxed?

Per guidance from the IRS and numerous other sources (legal, auditors, professional associations), it was determined that active employees (those employees receiving any form of payroll in calendar year 2017 and 2018) will have the supplemental rate (22%) withheld from the refund along with 4% for state. For all other employees, the rate will be based on the W4 received or on file. If a W4 is not readily available, the default is Single Zero.

What options are available regarding this refund – H S A, 403b, 457?

In an effort to refund the monies consistently and efficiently, the Districts have determined that all refunds will be processed as a payroll, paper check.

- There is no tax advantage to placing funds in an H S A, because FICA was assessed in the 2010-2012 time frame.
- If an employee desires to place more funds into a 403b or 457 plan, please make an appointment to meet with payroll/business office to adjust salary deferred agreement for future pays throughout the year.
- There is not an option to place the entire amount in an investment plan directly. If you desire to adjust amount in current plan, it will need to be done separate from this payment.

What type of income is the refund?

The income is considered wages for 2018. A 2018 W-2 form will be issued in January 2019 for the funds. If you are a current/active employee, the amount will show on your regular W2 form. You may want to contact your tax advisor for further tax implications.

Do we get interest on these funds?

Yes, interest will be included in the refund you receive. The interest will be handled similar to an expense reimbursement appearing on a paycheck and will show as such on the check stub. You will be responsible for reporting the interest income on next year's personal income tax forms.

How is the money refunded if the contributing member is deceased?

Each district will determine how to distribute the refund in this situation on a case by case analysis.

Will the 3% refund be considered additional income, and will that cause my pension to be re-calculated?

No. Your Final Average Compensation (FAC) is calculated using gross reportable wages. The 3% healthcare contribution was deducted from gross reportable wages, so that deduction won't change the FAC calculation at all, regardless of when you retire (or retired).

I have retired and have returned to work at a school. Will the refund of healthcare contributions affect my 2018 earnings limit?

No. The refunded contributions and interest that will be issued through the school districts will not count towards your retiree's earnings limit in 2018. Refunded contributions of this type are not reported to ORS as retiree earnings.