



KURZMAN ADMINISTRATION SERVICES

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DANIELLE CORBEIL
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February 8, 2018

Dear Waterford Staff:

As you may have heard, the State of Michigan, via the Office of Retirement Services (ORS) lost their last appeal to the Michigan Supreme Court regarding the 3% health care contribution taken from employee's wages from July 1, 2010 through September 30, 2012. This has resulted in a refund, with interest, to be paid to all impacted employees during that time period.

The ORS has provided the amount due to each employee, and to the School Districts that you worked for during that time. The District was not involved in the computation of the refunds, and therefore, cannot make any adjustments to the amount you are to receive, other than address the taxability of the refund. The original deduction subjected these wages to Social Security and Medicare, but not federal and state tax. Therefore, only federal and state taxes will be held at this time. Per guidance from our auditors, the District will tax these refunds as supplemental wages.

It is the District's intention to have these wages refunded to you on March 9, 2018. Current employees of Waterford School District will receive a Direct Deposit on that day for the full amount of the refund (including interest), less applicable taxes and garnishments (such as child support and/or alimony). Alternatively, former employees of the District will receive a paper check.

Important items to Note:

- You will see two separate lines on your pay stub; one for the base amount of the refund (described as Refund 3% HCC), and the other for interest (described as Interest 3% HCC). The two together should equal what you received from ORS.
- It is important to note that the interest will not be recorded on your W2 as wages. You should discuss the proper tax treatment with your tax advisor.
- In order to expedite the process and return your money in the most efficient way possible, **the District will not be permitting deductions directly to 403b, 457 or HSA accounts for the March 9th pay.** However, you can adjust your deductions for the payroll dates prior or subsequent to March 9th. The necessary forms to complete any deduction changes can be found on the District's Intranet site under: **Administration > Business & Operation > Refund HCC 3%.**

Please also note that if you were employed by another school district during this timeframe, you will receive a separate refund from that district. The refund through the Waterford School District relates only to the wages earned as a Waterford employee. If you worked for another district, it is recommended that you contact that district to verify they have your current contact information.

Thank you for your patience and understanding.

Sincerely,

Danielle Corbeil
Director, Finance & Budget