

**REPORTING AND CONTRIBUTION ENFORCEMENT POLICY
OF
THE MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN**

As amended by the Retirement Board effective November 12, 2015

I. Introduction

To maintain the integrity, security and Internal Revenue Code qualified status of the MERS' benefit programs and trust, employers must comply with MERS' Plan Document (the "Plan Document") and timely and accurately submit all required reports and contributions. This Policy sets forth the remedies MERS may impose for employer failure to comply with the requirements of the Plan Document, including but not limited to the submission of timely and accurate reports and contributions. This Policy also applies, where applicable, to MERS' 457(b) Deferred Compensation Plan, Retiree Health Funding Vehicle, Health Care Savings Program, and any other plans or programs which MERS may establish, and the applicable plan documents for those plans and programs.

II. Reporting Requirements; Assessments; Termination

Employers participating in MERS' defined benefit or hybrid plans are required to complete and remit Wage and Service Reports for the defined benefit plan or defined benefit portion of the hybrid plan on or before the 10th day of the calendar month following the month in which work was performed.

Employers participating in MERS' defined contribution plan or hybrid plans shall elect a reporting schedule in its Adoption Agreement. Such employers are required to complete and remit the Defined Contribution Reports for the defined contribution plan or the defined contribution portion of the hybrid plan within 5 business days of the designated reporting cycle end date.

If a complete Report is not received by its due date, MERS may impose a Late Reporting Assessment on the employer for each month that such Report is received late. The Late Reporting Assessment amount will be set by the Chief Financial Officer and amended from time to time, which amount represents MERS' best estimate of additional costs it incurs as a result of such late filings in the aggregate. If an employer persistently fails to timely or accurately remit reports, MERS' Retirement Board, in its sole and exclusive discretion, may terminate the employer's participation in MERS, pursuant to Section 79 of MERS' Plan Document.

III. Contribution Requirements, Assessments; Disclosure; Benefit Payment Suspension; Termination

Employers participating in MERS' defined benefit and hybrid plans are required to remit all employer and employee contributions for the defined benefit plan or the defined benefit portion of the hybrid plan to MERS on or before the 20th day of the calendar month next following the month in which the work was performed.

Employers participating in MERS' defined contribution and hybrid plans are required to remit all employer and employee contributions for the defined contribution plan or the defined contribution portion of the hybrid plan within 30 days following the employer's reporting deadline.

If an employer remits contributions due on or after the applicable due date, MERS may impose a Late Payment Assessment for each month the contribution is late. The Late Payment Assessment amounts represent MERS' best estimate of additional expenses and lost investment opportunity it incurs as a result of such late payments in the aggregate.

MERS will advise the governing body of the employer in writing of invoices that are 60 or more days delinquent. Pursuant to the Local Financial Stability And Choice Act, Section 4(1)(d) of 2012 PA 436; Section 141.1544(1)(d) (the "Act"), MERS will notify the State Treasurer of such delinquency in accordance the Act unless all invoices and applicable assessments are paid within 30 days of receipt of the written notice to the governing body.

In MERS' Board's sole and exclusive discretion, MERS may suspend benefits payments to retirees and beneficiaries of a delinquent employer until it receives the delinquent payment amount pursuant to Plan Document Section 79.

If an employer is in excess of 180 days late in remitting contributions, MERS' Retirement Board may, in its sole and exclusive discretion, terminate the participation of such employer, pursuant to MERS Plan Document Section 79.

IV. Non-Compliance with MERS Plan Document, Policies or Procedures

As a condition of MERS' tax qualification, compliance with all provisions of each of the MERS plan documents and MERS' policies is mandatory. Employer noncompliance with any plan document provision may result in termination under the procedures in Section VI of this Policy.

V. Collection of Assessments

Late Reporting Assessments and Late Payment Assessments for defined benefit and the defined benefit portion of hybrid plans will be automatically deducted from the employer's designated Reserve for Employer Contributions and Benefit Payments. The deduction for such Assessments will be allocated among the divisions in the reporting unit for which reporting or contributions were delinquent. For the defined contribution plan and the defined contribution portion of the hybrid plan, MERS will establish procedures for the collection of the Assessments, within the discretion of the Chief Financial Officer.

VI. Termination Procedures

Upon termination of an employer's participation in MERS, all members shall be vested in all accrued benefits, notwithstanding plan vesting requirements, pursuant to MERS Plan Document Section 87(9). The employer shall remain liable for all funding obligations pursuant to *MERS' Restated Policy on Closed Municipalities* unless the Board, in its sole and exclusive discretion, either: (i) directs the transfer of all assets and liabilities to a successor plan meeting the requirements of Section 401(a) of the Internal Revenue Code, under procedures set forth in Plan Document Sections 11 and 12, as applicable, or (ii) if the employer is terminating the plan without designating a successor plan, directs the distribution of the present value of accrued benefits to all members, retirees and beneficiaries pursuant to Section 79 of the MERS Plan

Document. If applicable, the employer will be responsible for meeting all legal requirements for termination of its plan required by IRS. MERS may, in its sole and exclusive discretion, require that the employer indemnify MERS as a prerequisite for authorizing a transfer or distribution as set forth in (i) and (ii) above.

Termination of participation in MERS' 457(b) Deferred Compensation Plan, MERS' Health Care Savings Program or MERS' Retiree Healthcare Funding Vehicle will be implemented as set forth in the applicable plan document.

VII. Audits

Participation in MERS requires employers to maintain accurate and adequate records and to accurately report wage and service information. In order to ensure accurate employer reporting, MERS may perform payroll audits of the books and records of employers pursuant to procedures adopted by MERS. Failure to cooperate with MERS' request for an audit may result in termination of participation under the procedures in Section VI of this Policy and the applicable plan document(s). Delinquent contributions or inaccurate or late reports revealed by any such audit will be addressed as set forth in this Policy.

VIII. Miscellaneous

MERS may develop procedures and rules to implement this Policy. MERS' Chief Executive Officer, in his or her sole discretion, may waive the provisions of this Policy based on justifying circumstances. Nothing in this Policy waives or otherwise limits MERS' remedies under law, MERS' contracts with employers, or any plan document.

This Policy shall have immediate effect, and amends the Amended Enforcement Procedure for Prompt Reporting and Payment initially adopted March 10, 1999, as revised November 12, 2003 and March 11, 2009.