



Hybrid Plan

Participant Handbook

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Who is MERS?

The Municipal Employees' Retirement System (MERS) of Michigan is an independent professional retirement services company that was created to administer the retirement plans for Michigan's local units of government on a not-for-profit basis.

Today MERS proudly counts over 100,000 participants all across the state, many of them your friends and family, neighbors and coworkers. MERS members are police officers and pipe fitters, lawyers, librarians and more, located everywhere from Marquette to Marshall, and plenty in between.

MERS Retirement Board

MERS is administered by a nine-member Retirement Board, made up of representatives from municipalities at the employer, employee, and retiree level, and the general public. It has the fiduciary responsibility for the investment of assets and oversees the system.

The Board appoints the Chief Executive Officer, who manages and administers MERS under the supervision and direction of the Board. The Board also oversees the Plan Document, which governs the benefit provisions of your plan. The MERS Retirement Board, together with the MERS Office of Investments, selects the menu of investment options for the MERS programs.

myMERS Online Account Access

With myMERS, you can access your MERS plan(s) 24 hours a day, seven days a week for account details, statements, beneficiary information, publications, forms, calculators and much more.

Join the thousands of MERS participants who are already enjoying the benefits of myMERS. To get started, visit www.mersofmich.com.



A Closer Look at the Hybrid Plan

The MERS Hybrid Plan offers two plans in one — the stability and security of a defined benefit plan, combined with the flexibility and investment choice of a defined contribution plan.

Understanding the Hybrid Plan Formula

Hybrid is a combination of a Defined Benefit Plan and Defined Contribution Plan.

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Part I – Defined Benefit



Part II – Defined Contribution



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We'll explain each part of this formula on the following pages.

Hybrid Part I – Your Defined Benefit Portion

The Defined Benefit portion of the Hybrid Plan is comprised of three components:



Final average compensation is the average of your highest consecutive three years of earnings. We review your entire work history and pull the highest consecutive 36 months of wages, even if they are not the most current ones.

Service credit is the total amount of all your qualified periods of work. You earn service credit for each month of work that meets your employer's requirement.

Employers may define their own requirements for a "month of service" but the standard definition of a qualified month is **10 full-time days**. Your employer can adopt a different

standard month of service, such as 10 six-hour days per month or 80 hours per month. A day of work is determined by your employer, but it is typically considered eight working hours.

The **benefit multiplier** is the specific percentage that your employer adopts (1.0%, 1.25%, 1.5%, 1.75% or 2.0%)*. The benefit multiplier of your plan does not change, helping provide a more predictable monthly benefit you can count on in retirement.

**1.75% and 2.0% multipliers available only for divisions that do not participate in Social Security*

Hybrid Part II — Your Defined Contribution Portion

The Defined Contribution portion of the Hybrid Plan is just like it sounds — defined contributions deposited into your retirement account. This portion of the Hybrid Plan is comprised of four components:



Contributions

Contributions are generally a fixed dollar or percentage of your compensation determined by your employer.

Employer Contributions

Your employer contributes to your defined benefit portion, and may have designed the defined contribution portion of your plan to contribute to it, as well. Employer contributions are made on a pre-tax basis and are not considered taxable until they are withdrawn from the plan. Employer contributions are always subject to a vesting schedule which may be a specified number of years of employment, such as 100% vested after 1 year of employment, or a gradual vesting, such as 1 year = 20%, 2 years = 50%, 3 years = 75%, 4 years = 100%. This vesting schedule may be different than your defined benefit portion. It is important to know what your employer's plan requires and what contributions will be made by your employer so you can maximize your contribution potential.

The three contribution types permitted under the Hybrid Plan are:

1. Fixed dollar.
2. Fixed percentage.
3. Employer match – fixed percentage or dollar.

Employee Contributions

Mandatory Employee Contributions

If your group has a required fixed dollar or percentage for mandatory employee contributions, then you are required to make the specified contributions to the defined contribution portion of your plan. While you are actively working, you cannot suspend your contributions.

If your group has a match contribution type (where the amount your employer contributes is tied to the amount you contribute), you will elect your amount of contribution at the time of your enrollment. Once you begin making mandatory contributions, you are not allowed to make any changes or stop your contributions at any time. Mandatory contributions are pre-tax for state and federal income tax purposes, but are subject to FICA (Medicare and Social Security) taxes.

Voluntary After-Tax Contributions

You may be allowed to make additional after-tax contributions through payroll deduction. Your after-tax contributions are voluntary, meaning you may start or stop them at any time. As long as you don't exceed the maximum contribution limit ([see page 5](#)), you can contribute up to 25% of your salary.

If you would like to have after-tax contributions withheld from your paycheck, please talk with your employer.

The Saver's Credit

If you make voluntary, after-tax contributions to the defined contribution portion of your plan, you may be eligible for a tax credit called the Saver's Credit. Please contact your personal tax advisor for more information.

Maximum Contribution Limits

The Internal Revenue Service allows for a maximum annual contribution limit (total of both employer and employee contributions), which is the lesser of:

- Up to 100% of your gross wages (minus your pre-tax contributions).
- No more than the IRS allowed annual limit on contributions. This amount may change from year to year because it is indexed for inflation.
- In addition to the maximum contributions that may be deducted, the IRS has a limit on the amount of wages that contributions may be deducted from.

Please see our [Retirement Plan Contribution Limits and Reporting Data](#) for the most current information.

Rollovers — Combining Your Retirement Plans

Your MERS Hybrid Plan account will accept rollovers from eligible plans. A **rollover** is when you move your money from one eligible retirement plan into another eligible plan. Plan rollovers allow you to consolidate your savings under one plan. Typically, people consider combining accounts from different employers before retirement or after changing jobs.

The following plans would be eligible for rollover into the defined contribution portion of your Hybrid Plan account:

- Distributions from a qualified plan [401(a), 401(k) etc.]. Your MERS Hybrid Plan is a 401(a) plan.
- A tax-sheltered annuity contract [403(b)]; offered by nonprofit organizations, such as school systems or hospitals.
- Eligible deferred compensation plans [457(b)], such as the MERS 457 Program.
- An individual retirement account [408(a), 408(b), Traditional or SIMPLE IRA].

If you roll over funds from one eligible plan directly to another eligible plan, you do not have to pay any federal income tax on the amount you roll over. Your money will continue to grow tax-deferred until you start to make withdrawals.

What are the benefits for you if you roll over your funds to MERS?

- MERS average fees may be lower
- Access to MERS investment expertise and funds
- Receive service and information from one plan

MERS Investments

The defined contribution portion of your MERS Hybrid Plan is a participant directed account, meaning you take an active role in determining your financial goals, making investment choices and monitoring your portfolio. The decisions you make today will affect the results you see tomorrow.

The MERS Investment Menu is simplified into three categories to help you find the investment mix that best meet your investment style.



“Do it for me”

The **Retirement Strategies** are a simplified way to invest. These options are fully diversified, professionally managed, and automatically adjust over time as you get closer to retirement.



“Help me do it”

These **Premium Selected Options** were actively chosen for you by MERS. Here you have access to pre-built portfolios that MERS helps you manage by monitoring the investment managers and rebalancing the portfolio quarterly. It also gives you access to selected funds to help you build your own portfolio.



“I’ll do it myself”

The **Self-Directed Brokerage Account** gives you access to funds outside of MERS investment menu. The available investments under this window have not been reviewed by MERS. You are solely responsible for determining the appropriateness of the investment options.

You’ll find additional information on our website, as well as forms, benefit calculators, and helpful tutorials.

You can also contact MERS Service Center weekdays by calling 800.767.MERS (6377).

Investment Oversight — and Insight

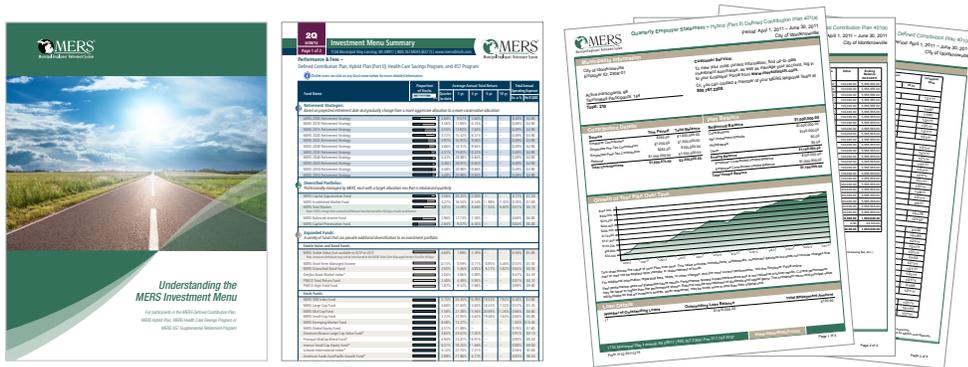
While we've made investing easier with the MERS Investment Menu, there are other ways we help you, too.

The MERS Retirement Board and Office of Investments actively manages the investment options. We review our investment menu on a regular basis and changes are made if appropriate. If a fund is removed, you will be given at least 30 days notice before the change.

You'll also find some insight in the [Understanding the MERS Investment Menu](#) publication, which offers a closer look at each of the investment sleeves, instructions on changing your investment selections, glossary and more. In addition, you'll

receive an annual statement for the defined contribution portion of your Hybrid Plan, and quarterly statements detailing the defined contribution portion of your account.

Another important publication we offer is the [MERS Investment Menu Summary](#), which details the performance and fees of each of our funds. The summary is updated on a quarterly basis, making sure you have the most up-to-date investment information. You can download a copy of the publications on our website or myMERS, or call us to have them sent to you.



Making Investment Changes

With myMERS (log in at www.mersofmich.com), you have access to your MERS Hybrid Plan account anytime. By creating a free myMERS account, you can make investment changes to your MERS Hybrid Plan, track fund performance, download forms, as well as many other useful benefits.

Putting It All Together

With the Hybrid Plan, your future benefit is the combination of these two parts when you retire. Here's the equation:

Part I – Defined Benefit



Part II – Defined Contribution



Example

Bill works for the city, which has a MERS Hybrid Plan with a 1.5% multiplier. He also contributes 7.5% of his salary to the defined contribution portion of the plan. His starting salary is \$17,814. After 30 years, he retires at age 60, making \$50,000 a year at his highest consecutive three-year salary average.

His benefit results from this equation:

Part I – Defined Benefit

$\$50,000 \times 30 \times 1.5\% = \$22,500 / 12 = \$1,875$ per month

Part II – Defined Contribution

7.5% contribution over 30 years + annual average rate of return of 6% = \$171,810* account balance for Bill to choose how to use in his retirement

** Assumes a 3.5% rate of wage inflation. This account balance will continue to be invested, unless Bill chooses to withdraw all his assets.*

Eligibility

Now that you have a general overview of how your retirement benefit is calculated, we will take a more in-depth look at how everything else works together.

Vesting occurs when you have earned the required amount of service credit you must earn to be eligible for your retirement benefit.

Hybrid Part I – Your Defined Benefit Portion

You are eligible to begin receiving retirement benefits when you reach the age and service requirements under your plan provisions. Vesting occurs after six years with a standard normal retirement age of 60, but check with your employer as it may differ. Your employer may have adopted an early retirement

provision, which means you may begin receiving your full, unreduced benefit before normal retirement age, if you have met the requirements. Ask your employer or log in to your account at www.mersofmich.com to see if you qualify.

Hybrid Part II – Your Defined Contribution Portion

Your employer chooses your vesting requirement for the defined contribution portion. The options vary, but may include:

- Immediate vesting – fully vested once enrolled
- 100% vested after predetermined year(s) – not to exceed 10 years
Example: 0% vested in years 1-4, 100% vested in year 5
- Graded vesting – vesting based on a certain percentage per years of service (employers can select the vesting percentage for each corresponding year(s) of service, not to exceed 10 years)
Example: 25% vested in year 2, 50% in year 3, 100% vested in year 5

! You always have ownership of your contributions. To withdraw any employer contributions you must meet your employer's vesting requirements.

For more information on withdrawing your defined contribution portion, please see *Using Your Account and Retirement* on [page 15](#). For more information about your plan's specific vesting requirements, contact your employer or the MERS Service Center.

Other Employment Statuses that Affect Vesting

- Workers' Compensation – if you're receiving workers' compensation benefits, your employer will not continue to make contributions into your account. However, for each month you are considered actively employed, you will continue to earn service toward vesting.
- Qualified Active Duty Military Service – if you're enlisted as a member of the United States branch of Armed Services, contributions, benefits, and service credit with regard to qualified military services, will be provided in accordance with the Uniformed Services Employment and Reemployment Rights Act of 1994.
 - **Hybrid Part I – Your Defined Benefit Portion**
You may receive service credit while you are in active duty, up to a maximum of 5 years. Even though you do not purchase this service credit, you must also return to the same municipality within 90 days of your discharge date in order to receive this benefit.
 - **Hybrid Part II – Your Defined Contribution Portion**
During your active duty, your employer will continue to make contributions into your account. The amount will generally be based on the rate of pay you would have received if you were not on leave. To be eligible to withdraw these benefits when you terminate employment, you must return to work for your employer within six months of your discharge from active duty service, and work a minimum of one month.

Other Ways to Vest

There are two other ways you may meet your vesting requirements: Other MERS Service, and the Reciprocal Retirement Act – also known as Act 88. If you have been enrolled in another Michigan governmental employer's retirement plan, you may be eligible to use it to help meet your employer's vesting requirement.

Generally, you will be eligible if:

- You worked for the other MERS or Act 88 governmental employer before your current MERS Hybrid Plan employer.
- You worked for the other MERS or Act 88 governmental employer after your current MERS Hybrid employer, and you have not received a full distribution from the current defined contribution portion of your Hybrid Plan.
- Your service cannot be concurrent — if you earn a month of service from two employers in the same month, only one of the months can be counted for vesting purposes.
- If your other Act 88 retirement plan was a defined benefit plan, then your employee contributions (if applicable) must remain on deposit with that plan. You may receive retirement benefits from your previous defined benefit plan (this is not considered a refund).

! To find out if you qualify for these benefits, please contact our Service Center with your specific situation.

Other MERS Service

Participants need to contact MERS at 800.767.MERS (6377) or fill out the [MERS-to-MERS Service Verification Form](#) to verify MERS-to-MERS time in order to include it as part of their Defined Contribution service. MERS-to-MERS time will only apply before a Defined Contribution distribution is taken or a forfeiture occurs, ensuring that employers will not incur future liabilities.

- Minimum of one year of service — you must have a minimum of one year of service credit with each MERS employer in order to combine service to meet the vesting and eligibility requirements.
- You must earn one year of service credit with your second MERS employer before you begin receiving retirement benefits from your first MERS employer to combine the service for vesting and retirement eligibility.
- You cannot have more than a 20-year break in service between MERS employers.

Reciprocal Retirement Act – Act 88

- Your employer must adopt Act 88 to be eligible.
- You must have a minimum of 30 months of service with the employer from which you want to retire.
- Any breaks in employment must meet Act 88 requirements; generally, a break in service between employments cannot be more than 20 years.

Death, Disability and Divorce – What Happens to Your Benefits?

Naming Your Beneficiary

When the unexpected happens, it helps to have the security and peace of mind the MERS Hybrid Plan offers.

One of the most important things you can do for yourself and your family is to name a beneficiary. Equally important is to make sure your beneficiary information is up-to-date in your records. You can add, edit or delete beneficiary information in your myMERS account.

Hybrid Part I – Your Defined Benefit Portion

Unless otherwise specified, your spouse is always your Monthly Pension Beneficiary. If your spouse chooses to waive their rights, it must be in writing.

A **Monthly Pension Beneficiary** is one person who would receive a lifetime benefit if you are vested and die before you are eligible to receive your benefits.

Death Before Retirement – Active Employees (Defined Benefit Portion)

If you are still an active member at the time of your death, your beneficiary may be entitled to a monthly death benefit. There are two terms used when describing death benefits – *duty death* and *non-duty death*.

Duty death is a death that happens as the direct result of an injury or illness arising out of the actual performance of assigned work duties.

- You do not need to be vested.
- Your spouse will automatically receive a minimum of 25% of your final average compensation.
- If you do not have a named Monthly Pension Beneficiary, children under 21 would be eligible to equally share 50% of your Straight Life Benefit.

Non-duty death is a death due to a non-work related condition or event.

- You must be vested.
- Your Monthly Pension Beneficiary will be eligible to receive a lifetime benefit which is a minimum of 85% of your accrued Straight Life benefit.
- If you do not have a surviving spouse or other named Monthly Pension Beneficiary, children under 21 would be eligible to equally share 50% of your Straight Life benefit.

Death Before Retirement – Terminated and Vested (Defined Benefit Portion)

If you decide to terminate your employment but die before your retirement benefits start, your beneficiary may be entitled to a monthly benefit from the defined benefit portion of your plan.

1. Your spouse or Monthly Pension Beneficiary is eligible to begin receiving benefits when you would have been eligible for a retirement benefit — usually age 60.
2. If there is no spouse or named Monthly Pension Beneficiary, children under 21 would be eligible to begin receiving benefits immediately. Each child would equally share a portion of your benefit until age 21.

Hybrid Part II – Your Defined Contribution Portion

If you should die while you are working, you will become vested immediately in the Defined Contribution portion of your plan. Your beneficiary will also be eligible to receive your account balance. Your beneficiary will retain all of the same investment privileges you have, and may elect to invest in any of the funds offered.

A **Primary Beneficiary** is entitled to your remaining account balance in the event of your death.

A **Contingent Beneficiary** is entitled to receive the remaining account balance in the event of your death and your Primary Beneficiary's death. You can also name multiple beneficiaries.

A spouse is always the Primary Beneficiary and is entitled to 100% of benefits unless he/she waives this right in writing. If you have no spouse (or your spouse waives their rights), you may choose one or more persons as your Primary or Contingent Beneficiary. You may also choose to name a trust, estate or any legal entity as your beneficiary.

Disability

Hybrid Part I — Your Defined Benefit Portion

Disability Retirement

If you happen to reach a point in your career where an injury or illness prohibits you from working, you may need to apply for a disability retirement pension. Disability benefits are subject to approval by MERS.

There are two types of disability retirement: duty disability and non-duty disability. Either you or your employer may apply for disability retirement benefits. Applications must be filed within two years of your termination date. A **termination date** is usually the last date you are employed.

Duty Disability

Duty disability is an injury or illness that is the direct result of a work-related cause. For this type of disability, you do not need to be vested. The monthly pension payment will be a minimum of 25% of your final average compensation.

Non-Duty Disability

Non-duty disability is an injury or illness that is not caused by a work-related incident. In order to be eligible for this type of disability, you must be vested. The monthly pension payment is calculated using the defined benefit formula.

Disability Income Limitation

When you receive a disability pension benefit from MERS, there is an income limitation on the amount of considered income you may earn (in addition to your MERS disability pension) without a reduction to your disability pension. Your income limitation is 100% of your final average compensation and is calculated at the time of your retirement. Your **considered income** is any additional income you receive from other sources. Some examples are Social Security disability benefits; workers' compensation; short and long term disability benefits; sick and accident benefits; and/or any employment — including self-employment.

If the money you earn exceeds your income limitation, your pension amount will be reduced dollar for dollar in excess of your limitation. This limitation stays in effect until your municipality's normal retirement age, if you meet both age and service requirements.

Some key points to keep in mind:

- You must notify MERS of changes in your income as they occur
- Failure to notify MERS of income changes may result in a reduction of monthly pension payments, and repayment of pension overpayment

Hybrid Part II — Your Defined Contribution Portion

If you are permanently and totally disabled and unable to return to work while actively employed, you may be eligible to receive your retirement benefits early with no early withdrawal penalties. **Disability** is defined as a permanent physical or mental impairment that renders you incapable of performing your regular work duties. To declare disability, you will need to provide your employer with medical documentation or a certification of disability from the Social Security Administration to support your claim. Upon approval by your employer, you will become immediately vested.

To receive your distribution, you will need to complete the [Distribution/Direct Rollover Form \(MD-005\)](#) located on myMERS.

Divorce

The eligibility requirements for divorce are the same for both the defined benefit and defined contribution portions:

Divorce is a life-changing event that can impact your financial future. In the event of a divorce, many issues will need to be addressed. Quite often, your retirement benefits can make up a substantial portion of your assets. Retirement benefits earned during the marriage are considered marital property and your spouse may be entitled to a portion of your benefit.

The Eligible Domestic Relations Order Act – also known as the EDRO Act – authorizes the division and assignment of pension benefits earned by public employees upon divorce.

If the court orders an assignment of some or all of your MERS benefit to your former spouse, a domestic relations order is required to be submitted to MERS.

Please see our website for more information and sample orders: <https://www.mersofmich.com/participant/life-events/getting-divorced/>.

Changing Jobs at Your Municipality

Standard Transfer Rules

Over the course of your career, you may change jobs at your municipality, whether it's a new position or even a new division. If you transfer from one division at your municipality to another division, you must participate in the open, active retirement plan of the new division. Certain conditions apply. If you do change jobs at your municipality, you'll need to complete the appropriate Transfer Member Certification (*Form 35B* and *Form 35C*) and return it to your employer. For more information, please read the Standard Transfer Rules under the Forms section of myMERS.

Alternative Transfer Rules

Your municipality may have adopted MERS **Alternative Transfer Rules**, which may offer you a choice of plans. Please ask your employer for more information about what transfer rules apply.

Retirement

Leaving Employment Before Retirement

Hybrid Part I – Your Defined Benefit Portion

Your options depend on whether or not you are vested, and how much service credit you have acquired. Here are a few things to keep in mind:

- If you leave employment but have at least one year of service credit, you may defer your benefits and service until you meet the age requirements.
- If you are not vested when you terminate employment, you have up to 20 years to go to work for the same or another MERS employer to earn the additional service credit you need to become vested. (See Other MERS Service and Act 88 on [page 10](#).)

Hybrid Part II — Your Defined Contribution Portion

Keeping Your Account

A change in employment status doesn't require a change in the defined contribution portion of your plan. You can leave your account with MERS and access it at a later time, or when you're ready to retire. By keeping your account in the MERS Hybrid Plan, you'll continue to receive the benefits of MERS Investment Menu, low administrative fees, and excellent customer service.

Pre-Tax

You can also choose to directly roll your account into another eligible retirement plan or into a personal IRA account. This allows you to avoid the 20% mandatory federal income tax withholding and any early withdrawal penalties.

Post Tax

A distribution of after-tax contributions from the plan may be rolled into a Traditional IRA, Roth IRA or to certain employer plans that accept rollovers of after-tax contributions and separately account for them. The following rules apply:

- Rollover into an IRA – You may roll over after-tax contributions to a Roth IRA or a Traditional IRA either directly or indirectly. Once you roll over, these amounts cannot be rolled over to another qualified employer plan.
- Rollover into an Employer Plan – You may roll over after-tax contributions to another qualified retirement plan or a Section 403(b) annuity plan using a direct rollover. The other plan must separately account for amounts rolled over, including the earnings on those after-tax contributions.

You cannot roll over after-tax contributions from your MERS Defined Contribution Plan to a governmental 457 plan.

For more information, you should closely review the Special Tax Notice included with the Distribution forms, available on myMERS or call the MERS Service Center.

Distributions that Cannot be Rolled Over

- Distributions spread over long periods (e.g. more than 10 years)
- Minimum required distributions once you reach age 72 or retire, whichever is later
- Corrective distributions that exceed qualified plan limits
- Defaulted loans that are treated as taxable distributions

Withdrawing Your Account

If you leave your current employer, you can choose to begin using the vested portion of your account and withdrawing some or all of your money. While your own contributions (and any earnings on them) are always available to you, the portion of your account that your employer contributed may be subject to a vesting schedule. Please read the [Vesting](#) section for more information.

You have a variety of distribution options (see [pages 15](#) and [16](#)).

You can begin using your account before then, but please **be aware there are penalties** for doing so. If you leave your employer before Jan. 1 of the year you turn 55, you must wait until age 59½ to take withdrawals without penalty.

Low Balance Fee

In January, an annual \$15 low balance fee will be applied to all MERS Hybrid Retirement Plan (Part II - Defined Contribution) accounts with a balance of \$1,000 or less for terminated participants. In addition to the distribution options listed in this section, you may also consider rolling funds into your account to increase the balance. To do so, complete and submit the [Incoming Direct Rollover form \(MD-304\)](#).

Please note:

You may receive information from Alerus Financial, which has partnered with MERS to provide trading and custodial services for several of our plans, as well as banking services for plan deposits and withdrawals.

Using Your Account in Retirement

Whether your retirement is right around the corner or several years down the road, it's never too early to start planning.

Hybrid Part I — Your Defined Benefit Portion

Applying for Retirement

When you meet the age and service requirements (refer to [Eligibility](#) section on page 13), you're ready to start the retirement process.

Here's how to get started:

1. It's important to apply within 45-90 days of your anticipated retirement date. Apply online through your myMERS account, by selecting your MERS Defined Benefit Plan and clicking the "Apply for Retirement" button.
2. We'll send you all the necessary paperwork to complete and return to us, as well as a benefit estimate (see sample on [page 18](#)).
3. All retirements are effective at your termination date.
4. All retirement payments are directly deposited on the 18th of every month unless that falls on a holiday or weekend, in which case payments are transferred the first business day prior.

Payment Options

When you retire, you will be able to choose the form of payment that works for you.

Your available options are:

- Straight Life – highest monthly payment paid for your lifetime, with no monthly pension benefits
- Life with 100%, 75%, or 50% to Monthly Pension Beneficiary – a reduced monthly benefit that provides a chosen percentage to your beneficiary for life if you die. If your beneficiary predeceases you, your payment reverts to the Straight Life payment for the rest of your life
- Life with 20, 15, 10, or 5 year period certain – provides a lifetime benefit. If you die before the period certain ends, your beneficiary receives your payment until the period certain ends

View a short video explaining the three payment options. (www.mersofmich.com/video-library)

Ready to Retire?

Requests for distributions from your Defined Contribution account are available online.

1. Login to your myMERS account
2. Choose the appropriate DC account (if you have more than one MERS benefit)
3. From the Account Overview landing page, select Distributions from the left-hand navigation
4. Choose the appropriate distribution – a full distribution or partial distribution option is available to you
5. From the amount currently available to you, check either the Maximum value (for a full distribution), or a Specified Amount (for partial distribution) – click Calculate
6. Verify that the amount you have requested in the Distribution model is correct – select Next
7. Follow next steps for accuracy, select Next
8. Review the Distribution Certification questions and acknowledge the Special Tax notice before selecting Finish
9. Review and/or Save confirmation

All Distributions are processed in the form of a check and are mailed within three to five business days from the day of request. MERS will also accept a distribution request by form, mailed to MERS record keeper for distribution. For a faster and more secure method, MERS recommends you request distributions from your online account.

Lump sum payments

Lump sum payments can be a full or partial amount of your account balance. In addition to a mandatory 20% federal income tax, as well as any applicable state tax withholding from your distribution, you may be subject to a 10% early withdrawal penalty if you receive your payment in a lump sum, unless you:

- Leave your employer in the same calendar year you turn age 55 or after
- Are at least age 59½ when you begin your distribution
- Meet allowed IRS exceptions (disability, EDRO/QDRO, or distributions due to death of participant)

Voluntary after-tax contributions are not subject to the 20% withholding; however, the earnings on the after-tax contributions would be subject to the withholding.

Substantially equal payments

If you terminate your employment before the calendar year you turn age 55, you may avoid paying the 10% early withdrawal penalty by taking substantially equal payments following the 72(t) IRS guidelines. For more information, please consult your tax advisor or visit www.irs.gov.

Periodic payments

Periodic payments can be made monthly, quarterly, semi-annually, or annually until your account is fully exhausted.

Amount certain

Amount certain payments are usually an equal amount of your choosing until your account is exhausted.

Period certain

Period certain payments are usually an equal amount estimated to exhaust over a specific time period of your choosing.

Required Minimum Distributions

After you have terminated employment and reached age 72 (or 70½ if you reach age 70½ before 12/31/2019), you (or your beneficiary) must begin taking minimum distributions from your plan every year. This IRS mandatory withdrawal is called a **Required Minimum Distribution**. Your initial distribution can be deferred until April 1 of the calendar year following the year you turn age 72, or terminate employment, whichever is later. However, the subsequent payments must be taken by Dec. 31 of each year.

Example: You turn age 72 in August 2022. You defer your first required distribution until April 2023. Your second required distribution will occur by December 2023.

Your distribution is subject to income tax withholding. If you do not take your Required Minimum Distribution when required, there is a significant IRS penalty.



Payment choices must meet IRS requirements for required minimum distributions.



You may receive information from Alerus Financial, which has partnered with MERS to provide trading and custodial services for several of our plans, as well as banking services for plan deposits and withdrawals.

The Sustainable Retirement Solution – MERS Stable Income Annuity

If you're concerned about making your distributions last through your retirement, MERS offers another option. The MERS Stable Income Annuity is a program that allows you to convert your retirement account into a **guaranteed income stream** for life — or a period of your choice. There may also be the flexibility of a lump sum payment depending upon which annuity option you choose. Here are some of the options available to you.

- Life Income*
- Life Income with Installment Refund
- Life Income with Certain Period*
- Joint and Survivor Life Income
- Joint and Survivor Life Income with Installment Refund
- Joint and Survivor Life Income with Certain Period
- Joint and Contingent Survivor Life Income
- Certain Period*

**Inflation protection available. You can elect to guard against the effects of inflation with an annually increasing payment of 1%, 2%, 3%, 4%, or 5%.*

There are many benefits to MERS Stable Income Annuity – but best of all, we’ve designed it to help meet your personal financial needs. For more information or to receive a free individual estimate, please contact our Service Center at 800.767.MERS (6377) or visit our website.

Working In Retirement

If you retire and later decide to return to the workplace, there are restrictions that can affect your MERS pension under certain conditions. These restrictions apply only if you become re-employed by the employer you retired from. There are also different rules for elected officials than regular employees. There are no restrictions if you are hired anywhere other than the employer you retired from.

If you retire and you are returning to a **regular** (non-elected/appointed) **position**, the following rules apply:

- You must complete and submit the appropriate Dual Certification form, signed by both you and your employer, to MERS.
- You must have a bona fide termination before returning to work, per IRS rules. **Bona fide termination** is defined as *no* formal or informal agreement to return to work prior to retirement.
- You must have 60 days of separation.
- You may work up to 1,000 hours in a calendar year.

If you retire and you are returning to an **elected/ appointed position**, the following rules apply:

Taxability of MERS Benefits

Income Tax Withholding

Federal income tax and, under certain conditions, state tax is required on your MERS benefits, with the exception of any post-tax employee contributions that may have been made.

You choose how you want your taxes to be withheld at the time of your first payment. You may change your tax choice at any time. Please see the [Pension Recipient’s Federal Income Tax Withholding Authorization \(F-31\)](#).

Each January, MERS will mail to you or your beneficiary the 1099-R form necessary to file your income tax. It will have your gross distribution, taxable amount, federal and any applicable state income tax withheld, employee contributions (if you contributed to your pension), and type of benefit being paid (retirement, disability, beneficiary, refund).

- You must complete and submit the appropriate Dual Certification form, signed by both you and your employer, to MERS.
- You must have a bona fide retirement before returning to work, per IRS rules. **Bona fide retirement** is defined as *no* formal or informal agreement to return to work prior to retirement.
- If you are re-elected/appointed into the **same** position, you must have two years of separation.
- If you are elected/appointed into a different position, you must have 60 days of separation.
- You are not subject to any hours limitation.

Helping You Prepare

Part of being prepared for retirement is planning for the retirement you want, and MERS can help you make that a reality. As you learn more about your plan, there are always questions and concerns that arise. We provide you with quality, unbiased educational resources so you can make thoughtful, informed choices.

Statements & Newsletters

Every quarter, you'll receive a statement detailing the defined contribution portion of your account and the performance of your fund choices as well as useful tips and information to help you plan for a successful retirement.

You can also log in to your account at myMERS to find up-to-date information about your MERS retirement at any time.

Service Center

MERS Service Center offers friendly, knowledgeable, over-the-phone assistance for a wide variety of benefit questions and issues. The Service Center staff is available weekdays at 800.767.6377.

Financial Wellness

Taking control of finances your likelihood of a successful retirement, and relieves the stress that financial uncertainty can cause. MERS provides you with access to a free *Financial Fitness tool* account that helps track your financial wellness.

Educational Opportunities

We offer a variety of ways to help you prepare for retirement, with educational events on important MERS topics throughout the year, including online virtual options:

- Group presentations and one-on-one consultations
- Educational events are offered throughout the year
- Visit www.mersofmich.com for up-to-date information

Social Media

Want to make the most out of your plan and receive tips to help you with your financial future? MERS delivers relevant news articles, helpful resources, tips and videos. Follow us today.



Municipal Employees' Retirement System of Michigan
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800.767.MERS (6377)
www.mersofmich.com

This publication contains a summary description of MERS benefits, policies or procedures. MERS has made every effort to ensure that the information provided is accurate and up to date. If this publication conflicts with the relevant provisions of the Plan Document, the Plan Document Controls. MERS, as a governmental plan, is exempted by state and federal law from registration with the SEC. However, it employs registered investment advisors to manage the trust fund in compliance with Michigan Public Employee Retirement System Investment Act. Past performance is not a guarantee of future returns. Please make independent investment decisions carefully and seek the assistance of independent experts when appropriate.

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