Health Care Savings Program

Participant Handbook

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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.

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.

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 MERS Health Care Savings Program Plan Document, which governs the Plan.

It Pays to Understand Rising Health Care Costs

The rising costs of health care can't be ignored. Consider these statistics:

- By the year 2050, life expectancy is expected to increase to between 89-93 years for women and to between 83-86 for men
- Studies show health care costs rank second only to food for retiree expenses, and can erode an individual's retirement savings without proper planning
- The standard Medicare Part B monthly premium continues to increase annually
- Medicare only covers 51% of costs, and does not include long term care, dental expenses, vision expenses or hearing aids

A Closer Look at the MERS Health Care Savings Program

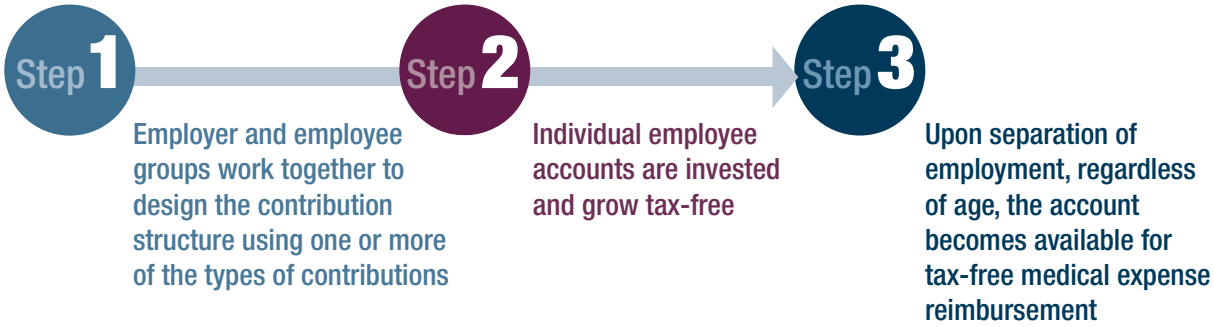
The MERS Health Care Savings Program is designed to help you prepare for the costs of health care after you leave your employer, with an invested account you manage. It's an employer-sponsored program providing a tax-free medical savings account for covering the costs of post-employment medical expenses. Your account is available for tax-free reimbursements for you, your spouse and any legal dependents and the ability to name a beneficiary to utilize the account on a taxable basis should the account balance exceed the life of you, your spouse and dependents.

Your MERS Health Care Savings Program is not the same as a Health Savings Account, Flexible Spending Account, or Health Reimbursement Account.

The MERS Health Care Savings Program is a tax-exempt Section 115 Governmental Integral Part Trust, healthcare reimbursement account. Features include:

- No requirements for a high-deductible health plan or any specific type of health plan
- Trust is approved by an IRS Private Letter ruling, which clarifies its tax-exempt status
- Can be used tax-free by your dependents
- Available for reimbursements after leaving employment

How it Works



Contributions

The money you will eventually use in your account starts with what's put into it — in the form of contributions. Your employer makes contributions to your account based on the provisions they've adopted. For more information regarding your plan provisions, contact your employer or MERS' Service Center.

Basic Employer Contributions

Your employer may contribute either a fixed dollar amount or a percentage of salary on a pre-tax basis. Your employer's contributions may also have vesting requirements. Vesting is the required amount of service credit you must earn to gain ownership of your employer's contributions. MERS calculates your service based on whole calendar months of employment.

Employers may choose their vesting options, some examples are listed:

- **Immediate Vesting** — You are fully vested in your employer's contributions upon deposit into the MERS Health Care Savings Program
- **Cliff Vesting** — You are fully vested in your employer's contributions upon completion of a stated number of years of service
- **Graded Vesting** — For each year of service you complete, you are vested in a percentage of your employer's contribution account balance

Mandatory Salary Reduction

Your group may have a fixed dollar or required percentage for mandatory salary reductions. While you are actively working, you cannot suspend your reductions. These are withheld pre-tax and submitted by your employer through a payroll deduction.

Leave Conversion Contributions

Leave time that is not used (either a portion or all) may be contributed to your MERS Health Care Savings Program account. Some examples of leave include vacation, personal time, sick time, or severance pay. The leave conversion is deposited into your MERS Health Care Savings Program account at a set time determined by your employer (such as annually, time of separation, or other time chosen by employer). If your employer has selected a leave conversion contribution, it is mandatory.

Post-Tax Voluntary Employee Contributions

The program also allows you to contribute to your account on a voluntary, post-tax basis, which means these contributions are submitted by your employer after taxes. You may start or stop these contributions at any time. The funds are invested after taxes, and investment returns and reimbursements are made on a tax-free basis.

! **There are no federally mandated maximums for the Health Care Savings Program.**

MERS Investments

The MERS Health Care Savings Program is an invested 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 two 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. All newly enrolled participants are defaulted into Retirement Strategies unless they elect otherwise.

"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.

Once you separate from employment, you will see a transfer of $1,000 of your assets deposited into a money market fund through Alerus. This ensures appropriate assets are available for reimbursement at the time you begin using your account for reimbursement of medical expenses. Your total account balance will always reflect the full market value as of the last business day and claims will be processed until your account reaches zero balance.

You'll find additional information on our website, as well as forms, benefit calculators, and helpful tutorials. **Log in to *myMERS* for your specific account details, investment information, and to make changes.**

You can also contact MERS Service Center weekdays by calling **800.767.6377.**

Making Investment Changes

With myMERS *www.mersofmich.com*, you have access to your MERS Health Care Savings Program account anytime. By creating a free myMERS account, you can make investment changes to your MERS Health Care Savings Program, track fund performance, download forms, as well as many other useful benefits.

You can also call us to help you.

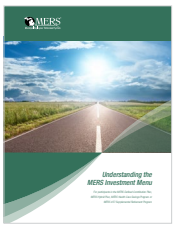
Investment Oversight — and Insight

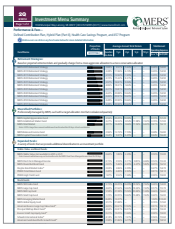
While we've made investing easier with the MERS Investment Menu, there are other ways we help you, too.

The MERS Retirement Board and Office of Investments provide oversight of the investment lineup, actively managing the investment options available to you. 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 options, instructions on changing your investment selections, glossary and more.

In addition to the account statements we send you quarterly, 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 from our website, or call us to have them sent to you.





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

When the unexpected happens, the MERS Health Care Savings Program can offer employees and their families peace of mind. This section looks at how you're covered in the event of death, disability or divorce.

Death

In the event of your death, your spouse and legal dependent(s) can continue to use your account for reimbursement of medical expenses until the account reaches a zero balance. MERS will work with the spouse/legal dependents and inform them on how to use the account on a tax-free basis.

If you have no spouse or legal dependent(s), your named beneficiary will be able to access your account on a taxable basis. **Be sure to log in to your myMERS account and designate Primary and Contingent beneficiaries** for your account.

If you are not married, have no legal dependents and no beneficiary on file, an estate executor must contact MERS within one year of your death; otherwise, unused dollars revert back to your employer.

Disability

If you are collecting a disability benefit from MERS or another a public pension plan, you may be eligible to use your account early. Once your employer notifies us of your disabled status, you'll receive information on how to begin receiving reimbursements from your account.

Extended Medical Leave

If you take an extended medical leave from your employer, you will be eligible to use your account after six months. If you return from extended medical leave, you must stop using your account, although any eligible medical expenses from your leave period will still qualify for reimbursement.

Divorce

Your MERS Health Care Savings Program account is not considered a legal marital asset unless specifically outlined in a Domestic Relations Order as part of the Judgment of Divorce.

If you find yourself in the process of a divorce, please follow these steps:

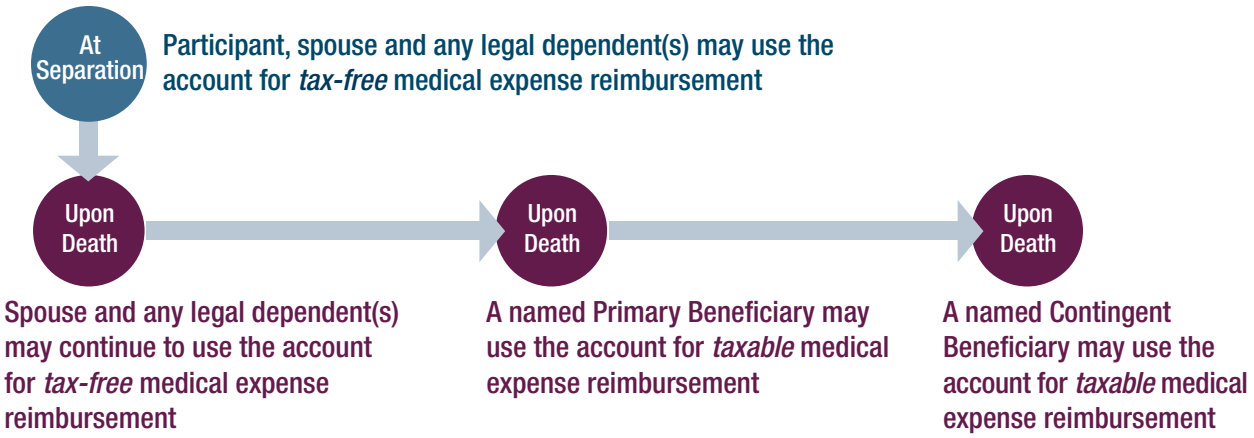
1. *Download a model domestic relations order (DRO/QDRO/EDRO*)* from our website — your attorney may find it helpful.
2. Send us a copy of your proposed order for review and approval before entry by the court.
3. Send us a complete copy of your Judgment of Divorce and a copy of the final Domestic Relations Order after your divorce is granted.

Once we have received the documentation for review and approval, we will distribute the account as directed.

** Domestic Relations Order (DRO), Qualified Domestic Relations Order (QDRO) and Eligible Domestic Relations Orders (EDRO) are specific types of court orders. Processing fees may apply.*

A Benefit That Keeps Working

The ability for a designated beneficiary to use the balance of your MERS Health Care Savings Program account after you pass away is unique to MERS.



Changing Jobs Within Your Municipality

If you change jobs within your municipality, there are two possible scenarios:

Moving into a Division That Offers MERS Health Care Savings Program

- Vesting is calculated from your original hire date, not the date of your transfer.
- Your MERS Health Care Savings Program account will transfer to the current division's provisions.
- Your MERS Health Care Savings Program account will be accessible to you upon separation of employment.

Moving into a Division That Does Not Offer MERS Health Care Savings Program

- Vesting is calculated using your original date of hire, not the date of your transfer.
- You may not receive further employer contributions or make further deposits.
- Your MERS Health Care Savings Program account is only accessible to you for medical expenses after separation of employment (either termination or retirement).

Changing the Beneficiary

It's easy to change or update a beneficiary for the MERS Health Care Savings Program. You can add, edit or delete beneficiary information in your *myMERS account*. Changes to your beneficiary can be made at any time, before or after you leave current employment.

Remember, **don't list your spouse as a Primary or Contingent Beneficiary**; a spouse and dependent children are already eligible to use the benefit before any named beneficiaries.

Reimbursement Options

You may begin receiving reimbursements for qualified medical expenses after you leave employment. There are three ways you can be reimbursed for purchases using the MERS Health Care Savings Program:

Health Benefits Debit Card

Each Health Care Savings Program participant will be provided with a debit card approximately seven days from the time the participant's termination date has been reported to MERS. The debit card is a convenient way to use your Health Care Savings Program account for reimbursement of eligible medical expenses. Unlike a traditional debit card, the Health Benefits debit card does not require a PIN and automatically identifies a medical expense at the time of purchase. It is important to keep your receipts as you will likely be asked to submit them for verification.

For your security, the Health Benefits debit card has a daily swipe limit of $10,000.

Online/Mobile Reimbursements

You can also request reimbursements online by using the claims management section of myMERS or the Alerus Retirement and Benefits app. From here, you can update banking information for direct deposit, and upload third party receipts showing which expenses have been paid. Processing your request takes one business day. All reimbursements are processed by direct deposit.

Additionally, you can pay providers directly through myMERS or the mobile app. Simply follow the instructions for uploading the bill you received, enter the payment information for the vendor and schedule the direct payment. Participants utilizing this payment option should monitor their account to ensure the payment was distributed from their account in a timely manner.

Reimbursement by Mail

You can also submit your requests by mail. A reimbursement form along with a copy of the applicable receipts is required. Reimbursements are processed by direct deposit within 10 business days.

You may receive information from Alerus Financial, which has partnered with MERS to provide trading and custodial services. If you have any questions regarding your claims, please call Alerus' Call Center at 866.808.7823 option 3.

Account Eligibility

You can begin using the money in your MERS Health Care Savings Program account after you have a separation from employment, if collecting disability from a public pension plan, or on extended medical leave (six months or longer). Please refer to the previous section for more information about disability and medical leave.

Once we're notified by your employer of your separation, you'll receive information on how to begin receiving reimbursements from your account.

Eligible Medical Expenses

An eligible medical expense is defined as those expenses paid for care as described in Section 213(d) of the Internal Revenue Code. Eligible medical expenses may include:

- Ambulance Transport
- Artificial limbs
- Blood tests
- Blood transfusions
- Braces
- Cardiographs
- Chiropractor
- Contact lenses
- Crutches
- Dental treatment
- Dentures
- Dermatologists
- Diagnostic fees
- Drug addiction therapy
- Drugs (prescription)
- Elastic hosiery (prescription)
- Eyeglasses
- Healing services
- Hearing aids
- Health care insurance premiums*
- Insulin treatment
- Lab tests
- Long-term care insurance
- Medicare B premium
- Operating room costs
- Ophthalmologist
- Orthopedist
- Osteopath
- Pediatrician
- Primary Care Physician
- Podiatrist
- Practical nurse for medical services
- Prescription medicines
- Splints
- Surgeon
- Therapy equipment
- Vaccines
- X-rays

Who Can Use My Account?

Your account is available for reimbursement for you, a spouse, or legal dependents. The definition of legal dependent has been expanded to include any children under 27 at the end of the year. This means adult children can use your MERS Health Care Savings Program account whether or not they are:

- married
- living with you
- in school
- financially dependent on you

In the event of death with no spouse or legal dependent to use your funds, your account may be available to use by a named beneficiary on a taxable basis. See page 6 for details.

**Note: Health insurance premiums when paid by salary reduction (for you or your spouse) or on a pre-tax basis are not eligible for reimbursement from HCSP.*

For more detailed information, please refer to www.mersofmich.com.

Retiree Health Care Exchange

MERS is pleased to provide you with access to a private retiree health care exchange – Mercer Marketplace 365 – to support you in choosing a health plan that best meets your needs.

With licensed benefits counselors to guide you through understanding options for pre-65 and Medicare insurance plans, Mercer is dedicated to helping you feel confident about your retiree health care choices.

To learn more, call 1.855.694.5369 or visit *retiree.mercermarketplace.com/mers* to view and compare plans in your area.

Helping You Prepare

The road to a sound financial future is paved with preparation, and we're here to help you. As you learn more about your program, there are always questions and concerns that arise. We provide you with quality, unbiased educational resources so you can make thoughtful, informed choices.

Seminars and Workshops

Whether you're in the middle of your career and need help preparing for retirement, or are ready to retire, we're here to help. MERS has a variety of seminars to help meet your needs.

- Group presentations and one-on-one consultations at municipalities
- Seminars and workshops are offered at different times and locations throughout the year
- Visit *www.mersofmich.com* for up-to-date information

Statements

Every quarter, you'll receive a statement detailing all your account information and the performance of your fund choices. You can also log in to your account at myMERS to find up-to-date information about your MERS account.

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.

Full Picture Report

The Full Picture report builder is available by logging in to you myMERS account. you can customize retirement goals, add spouse information and include non-MERS retirement accounts to create a "full picture" of your retirement readiness.

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 as of 09/16/2020. 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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