

# Supplemental Savings Options (2020)



Feature	MERS 457 Program		MERS IRA	
	Pre-Tax	Roth	Traditional	Roth
<b>Enrollment Eligibility</b>	Employer must adopt for employee to be eligible	Same as Pre-Tax 457	Current and former employees of any Michigan municipality and their spouses	Same as Traditional IRA
<b>Contributions</b>				
<b>Maximum Contribution (2020)</b>	\$19,500/year Age 50 Catch-Up: \$6,500 (\$26,000 total) Pre-Retirement Catch-Up: 2x normal limit (\$39,000 total)	Same as Pre-Tax 457	\$6,000/year Age 50 Catch-Up: \$1,000 (\$7,000 total)	Same as Traditional IRA
<b>Do Contributions Reduce Taxable Income?</b>	Yes	No	Yes – modified adjusted gross income (MAGI) can't exceed: If you ARE covered by another retirement plan at work: Up to \$104,000 (married), or \$65,000 (single). If you are NOT covered by a retirement plan at work: Up to \$196,000 (married, spouse IS covered at work), or no limit (single or married but spouse is NOT covered at work). See IRS Publication 590-A for details and exceptions.	No
<b>Contribution Eligibility</b>	No limitations	Same as Pre-Tax 457	No limitations	Modified adjusted gross income (MAGI) can't exceed: \$196,000 (married - filing jointly); \$124,000 (single). See IRS Publication 590-A for details and exceptions.
<b>Withdrawals</b>				
<b>When can I withdraw money?</b>	Upon separation from service with your employer, regardless of your age	Upon separation from service with your employer (penalties may apply - see below)	Withdrawals can be taken at any time (penalties may apply - see below)	Same as Traditional IRA
<b>Taxation of Withdrawals</b>	Withdrawals are subject to federal and state income taxes.	Qualified withdrawals <sup>1</sup> are tax-free. Non-qualified withdrawals are subject to income tax on the <i>earnings</i> portion of the withdrawal.	Withdrawals are subject to federal and state income taxes	<i>Contributions</i> can be withdrawn tax-free at any time. <i>Earnings</i> may be withdrawn tax-free, so long as they are a qualified withdrawal <sup>2</sup> .
<b>10% Early Withdrawal Penalty (before age 59½)</b>	There is no penalty on withdrawal of contributions and earnings. However, a penalty may apply if you withdraw assets rolled in from another type of account.	Same as Pre-Tax 457	Early withdrawal penalty applies. Exceptions are qualified expenses: 1) Education expenses for you/spouse/child/grandchild; 2) Buying or building your first home (up to \$10,000); 3) Some medical expenses	<i>Contributions</i> can be withdrawn at any time without penalty. Early withdrawal penalty may apply to <i>earnings</i> and assets rolled in from another type of account. No penalty on qualified expenses: 1) Education for you/spouse/child/grandchild; 2) First home (up to \$10,000); 3) Some medical
<b>Required Minimum Distributions (RMD)<sup>3</sup></b>	After age 72 (or 70½ if you reached age 70½ by 12/31/2019) or separation from employer, whichever is later	Same as Pre-Tax 457	After age 72 (or 70½ if you reached age 70½ by 12/31/2019)	None

<sup>1</sup> Qualified withdrawal for Roth 457: Account held for at least 5 years; recipient is at least age 59½; terminated from service (or deceased/disabled).

<sup>2</sup> Qualified withdrawal for Roth IRA: Account held for at least 5 years; recipient is at least age 59½.

<sup>3</sup> The Coronavirus Aid, Relief and Economic Security (CARES) Act waived the RMD for governmental 457(b) plans and IRAs in 2020.

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