



# Hybrid Plan – Part 1: Defined Benefit



## DEFINED BENEFIT FORMULA

Your defined benefit plan is made up of three components:



**Final average compensation (FAC)** is the average of your highest consecutive wages earned over a period of time determined by your employer.

**Service credit** is earned for each month of work that meets your employer's requirements.

Your **benefit multiplier** is a specific percentage adopted by your employer.

Your FAC, service credit and benefit multiplier can be found in your myMERS account.

## CALCULATING YOUR PERSONAL BENEFIT

You can run projections of your benefit at retirement using the "Calculate My Benefit" option in your myMERS account.

The screenshot shows the myMERS account interface. On the left is a navigation menu with options: ACCOUNT DETAIL, CALCULATOR, INBOX, FILE UPLOAD, STATEMENTS, 1099 RECORDS, FORMS, PUBLICATIONS, CONTACT US, and I Want To... Below 'I Want To...' is a button labeled 'CALCULATE MY BENEFIT' with a calculator icon, circled in red. The main content area shows 'Account Detail - Summary' with a 'Retirement Benefit' section. This section includes: Estimated Date (7/1/2020), Retirement Age (60), Years Until Retirement (1 Year 1 Months), and Earned Monthly Benefit (\$1,100.00). There is a 'Details' button and a 'Calculate My Benefit' button, the latter of which is also circled in red. Below this is an 'Employee Contributions' section showing Post-Tax contributions of \$0.00.

## BENEFICIARIES

One of the most important things you can do for yourself and your family is to name your beneficiaries for your retirement benefit, and keep them updated.

Three types of beneficiary designations:

- Monthly Pension Beneficiary**  
One person who would receive a lifetime benefit if you are vested and die before you are eligible to receive your benefits. Your spouse is always your *Monthly Pension Beneficiary* unless they waive their right in writing.

The screenshot shows the myMERS account interface with the 'Beneficiaries' section highlighted. The 'Retirement Benefit' section is visible at the top. Below it, the 'Beneficiaries' section is titled and lists: Monthly Pension Beneficiary (Joe Smith), Primary Refund Beneficiary (Sarah Jones), and Contingent Refund Beneficiary (Bill Smith). A 'Details' button is circled in red. The 'Employee Contributions' section is also visible at the bottom.



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## 2. Refund Beneficiary

A person, trust, estate, or charity that receives a refund of your employee contributions (plus interest) if you die *before* you are vested. If married, your spouse must be named your *Primary Refund Beneficiary* unless they waive this right in writing.

You'll also be asked to provide a *Contingent Refund Beneficiary* in the event your Primary Refund Beneficiary is deceased.

You can review and change your beneficiaries in your online myMERS account at [www.mersofmich.com](http://www.mersofmich.com).

## RETIREMENT INFORMATION

### Eligibility

You are eligible to receive full retirement benefits once you meet the age and service requirements defined by your employer.

### Payment Options

#### Straight Life

- Provides the largest benefit at retirement
- Benefit applies only to you (no beneficiaries)

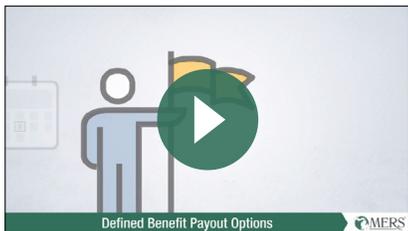
#### Life with 100%, 75% or 50% to Monthly Pension Beneficiary

- Provides a benefit for the you and one beneficiary
- Reduction in benefit amount based on life expectancy of both lives
- If your monthly pension beneficiary predeceases you, your benefit reverts to Straight Life option
- Beneficiary may not be changed after retirement

#### Life with 5, 10, 15 or 20 Years Certain

- You receive the benefit for life
- If you die before the period certain ends, the beneficiary(s) will equally share in the benefit until the period certain ends
- Multiple beneficiaries allowed
- Beneficiaries can be changed

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



### Steps to Apply for Retirement

#### 1. Apply for Defined Benefit Retirement Online

You should complete the online retirement application through your myMERS account 45 – 90 days before your desired retirement date.

#### 2. MERS Processes Your Application

It can take up to six weeks to review your file and begin processing your information. During this time, we are reviewing your application and verifying important information provided by you and your employer.

#### 3. Receive Preliminary Benefit Calculation Estimate

We'll send a personalized preliminary calculation of benefits and a letter confirming your retirement elections.

### What is the difference between termination date and retirement date?

Your **termination date** is the last day in which you are compensated. Your **retirement date** will always be the first of the month following your termination.



# Hybrid Plan – Part 2: Defined Contribution



## DEFINED CONTRIBUTION FORMULA

Employer Contributions	+	Employee Contributions	+	Earnings or Losses in the Market	-	Fees	=	\$ Account Balance
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### Employer Contributions:

- Made pre-tax
- Not taxable until withdrawn from the plan
- May be subject to vesting

### Employee Contributions:

- As required are pre-tax (federal and state)
- May be a set dollar amount or percentage of pay
- If a matching contribution is offered, you can make a **one-time** election of your contribution at the time of enrollment

**My Contributions:** \_\_\_\_\_

## VESTING

Vesting is when you own the employer contributions and related earnings. Your employee contributions are always 100% vested and yours to keep. You vest based on one of the following ways elected by your employer:

- Service based on elapsed time
- Service earned based on hours reported
- Reaching automatic vesting age

*Note:* MERS to MERS Service and Act 88 – Reciprocal Retirement Act of 1961 may also help you vest. These may have eligibility requirements. Please see [www.mersofmich.com](http://www.mersofmich.com) or contact the MERS Service Center at 800.767.MERS (6377) for details.

**My Vesting:** \_\_\_\_\_

## BENEFICIARIES

Your spouse is always your primary beneficiary and is entitled to 100% of benefits unless they waive this right in writing. If you are not married, or your spouse waives their rights, you can choose one or more persons as your primary or contingent beneficiary.

- Primary beneficiary is entitled to the remaining account balance in the event of your death
- Contingent beneficiary is entitled to receive the remaining account balance in the event of your death and primary beneficiary's death
- A trust, estate or any legal entity may be named as beneficiary

**Make updates online!** 

Beneficiaries can be added, removed or updated at any time through your myMERS account at [www.mersofmich.com](http://www.mersofmich.com).

## MERS IRA

Interested in supplementing your defined contribution plan? The MERS IRA is a great way to build retirement security through tax-advantaged saving, with flexible withdrawals that can help you reach your other financial goals at the same time. For more information and an IRA application, visit [www.mersofmich.com/ira](http://www.mersofmich.com/ira).



## ROLLOVERS

### Consolidate Your Accounts

You may be able to roll over your money from qualified retirement plans. Benefits of rolling over outside accounts include:

- **Convenience** – Easier to track your investments and manage your account
- **Account Growth** – Our low-cost investments keep more of your money invested for retirement
- **Investment Options** – Access to select investment funds not available to the public
- **Tax Deferred** – Keeping your money invested means it will grow tax-deferred until you withdraw it
- **Access** – Funds transferred to your MERS account remain available according to the terms of your original plan

**To roll in an outside account:**

- Visit [www.mersofmich.com/rollover](http://www.mersofmich.com/rollover) for more information, eligible accounts and related forms.
- Contact your current provider to see if any paperwork is required to roll funds out of your account into MERS. If required, complete and submit those forms to your provider.
- Complete and submit the appropriate MERS forms to roll funds into your MERS account.

## RETIREMENT INFORMATION

Once your employer has reported your final contributions and enters your termination date, you can request distributions. All payments are taxable in the calendar year you receive the money.

### Periodic Payment Options – Installments

Allows you to continue taking advantage of MERS' low fees

- Periodic payments can be made until the account is exhausted:
  - Monthly
  - Quarterly
  - Semi-annually
  - Annually
- If you terminate before the calendar year in which you turn 55 (age 50 for public safety employees), 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 a tax advisor or visit [www.irs.gov](http://www.irs.gov).

**Apply online!**

You may apply for periodic payments through your myMERS account at [www.mersofmich.com](http://www.mersofmich.com).

### Lump Sum

- You can take a full or partial amount of the account balance
- May be subject to a 10% early withdrawal penalty. Penalty payment must be paid in a lump sum, unless you:
  - Leave your employer the same calendar year you turn age 55 (age 50 for public safety employees), or any age after
  - Are at least age 59½ when you begin the distribution
  - Meet allowed IRS exceptions (disability, DRO/EDRO/QDRO, or distributions due to death)

**Please note:**

- Mandatory withholding for federal income taxes is also applied, unless you are eligible to opt out
- 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
- 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