

MERS IRA Fee Disclosure Statement

This Fee Disclosure Statement is intended to provide the Individual Retirement Account (IRA) owner with the fees and costs associated with the establishment of, and participation in, the MERS IRA.

1. Administrative Fees

MERS IRA charges no annual account fee.

Administrative costs include MERS Operating Costs of 0.15% and Custody and Recordkeeping Costs of 0.15%. Both of these are included as part of the Total Annual Operating Expense in the table following, along with any Investment Management Costs that vary by fund.

MERS IRA charges no investment transfer fees

2. Total Annual Operating Expense

The MERS IRA takes advantage of MERS pooled assets of more than \$11 billion. As a result, the MERS IRA funds qualify for significant price reductions on investment management fees through the use of separate accounts; reductions individual investors probably would not be eligible for on their own.

Following is a table of investment management by fund of the MERS investment menu.

FUND NAME	TOTAL ANNUAL OPERATING EXPENSE ¹	COST per \$1,000
2005 Retirement Strategy	0.42%	\$4.20
2010 Retirement Strategy	0.42%	\$4.20
2015 Retirement Strategy	0.42%	\$4.20
2020 Retirement Strategy	0.43%	\$4.30
2025 Retirement Strategy	0.43%	\$4.30
2030 Retirement Strategy	0.43%	\$4.30
2035 Retirement Strategy	0.43%	\$4.30
2040 Retirement Strategy	0.43%	\$4.30
2045 Retirement Strategy	0.42%	\$4.20
2050 Retirement Strategy	0.42%	\$4.20
2055 Retirement Strategy	0.42%	\$4.20
2060 Retirement Strategy	0.42%	\$4.20
MERS Total Market Portfolio ²	0.58%	\$5.80
MERS Global Stock Portfolio	0.68%	\$6.80
MERS Capital Appreciation Portfolio	0.56%	\$5.60
MERS Established Market Portfolio	0.55%	\$5.50
MERS Balanced Income Portfolio	0.53%	\$5.30
MERS Capital Preservation Portfolio	0.48%	\$4.80
MERS Diversified Bond Portfolio	0.50%	\$5.00
Large Cap Stock Index	0.35%	\$3.50
Mid Cap Stock Index	0.35%	\$3.50
Small Cap Stock Index	0.35%	\$3.50
International Stock Index	0.39%	\$3.90
Emerging Market Stock	1.21%	\$12.10
Real Estate Stock	0.81%	\$8.10
Bond Index	0.45%	\$4.50
High Yield Bond	0.85%	\$8.50
Short-Term Income	0.35%	\$3.50

Before you make any decision to move money into any new retirement plan or IRA, you should research the applicable surrender fees, mortality and expense risk fees, administrative fees and investment management fees, as well as the initial investment requirements.

3. Trade Restrictions

The MERS Total Market Portfolio charges 2.00% on amounts withdrawn within 90 days of each contribution.

MERS IRA Disclosure Statement

The Municipal Employees' Retirement System of Michigan operates under the authority of the Municipal Employees Retirement Act, MCL 38.1501 et seq. Effective August 15, 1996, the legislature amended the retirement act and granted the Board of the Municipal Employees' Retirement System the power to establish all Retirement System provisions, including additional programs not limited to Defined Benefit and Defined Contribution programs. The MERS Board adopted these Plans, and the 457 Plan pursuant to Section 401 of the Internal Revenue Code of 1986, as now in effect or as hereafter amended (the "Code").

MERS adopted a deemed IRA program (the "MERS IRA") under the Defined Benefit and Defined Contribution Plan and the 457 Plan, pursuant to Section 408(q) of the Code that meet the requirements of a traditional IRA under Section 408 and a Roth IRA under Section 408A of the Code.

This Disclosure Statement is in accordance with Section 408 of the Code and other federal laws created by the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"), the Job Creation and Worker Assistance Act of 2002 and the Pension Protection Act of 2006. To acquaint you with the basic rules and tax considerations concerning the MERS IRA, the Plan is providing you with this Disclosure Statement as required by regulations of the Internal Revenue Service.

The purpose of the MERS IRA is to allow you to enjoy tax benefits while building a fund for your retirement and for the support of your beneficiaries after your death.

A. Revocation of Account

You may revoke your MERS IRA within seven (7) days after the account has been established by hand delivering or mailing a written notice to Plan. Your MERS IRA account is established as of the date shown on the written confirmation that we send to you. If you revoke your MERS IRA by mail, the notice must be postmarked by the seventh day after the account has been established. Upon receipt of your revocation, we will refund any amounts you have given us, without adding any earnings or deducting any fees or other charges. If you cancel your MERS IRA within the 7-day period, the Plan's record-keeper is still required to report the contribution on Form 5498 (except for transfers) and the revoked distribution on Form 1099-R. To revoke the account, send your written request, using this format, to:

Alerus Retirement and Benefits
3001 Coolidge Rd., Ste 105, East Lansing, MI 48823
Attention: MERS of Michigan IRA

The notice should read as follows:

I hereby elect to revoke my MERS IRA.

Account Number _____

Established on _____

Signature _____ Date _____

Printed Name _____

B. Statutory Requirements

A deemed IRA must satisfy certain requirements of the Code. The Directed Bank Trustee, Alerus, incorporates those requirements. The Code requires that the MERS IRA be governed by a written document. No investment may be made in life insurance contracts or in collectibles. Your interest in the MERS IRA must be non-forfeitable at all times.

C. Deemed IRA

The MERS IRA is a deemed IRA in accordance with Section 408(q) of the Code. The provisions establishing the MERS IRA are incorporated into the 401(a) Plan Document and the 457 Plan Document in the following sections set forth below. A copy of the 401(a) Plan Document and the 457 Plan Document are available on the Plan's Website at www.mersofmich.com or by calling (800) 767-6377.

401(a) Plan Document Provisions

ARTICLE VIII – ESTABLISHMENT OF DEEMED IRAs.

Sec. 94. Establishment of Accounts.

- (1) The System shall establish Deemed IRAs on behalf of participants who choose to make voluntary employee contributions and/or rollover contributions pursuant to this Article. The System shall establish a separate account for the voluntary employee contributions and rollover contributions to a Deemed Traditional IRA and/or Deemed Roth IRA of a participant and any earnings properly allocable to such contributions, and maintain separate recordkeeping with respect to each such Deemed IRA. Each Deemed IRA is established for the exclusive benefit of the participant and/or his or her beneficiaries.
- (2) In accordance with IRC 408 and 408A, a participant may also establish a Deemed IRA for the benefit of his or her spouse (a "spousal IRA"), provided that the participant and his or her spouse file a joint tax return. The spousal IRA will be a Deemed IRA that is established in the name of the spouse. The employee or former employee who is eligible to be a participant in the Deemed IRAs must establish a Deemed IRA in his or her own name prior to the establishment of a spousal IRA. Once established by the participant, the spouse's rights and benefits under the spousal IRA will be subject to the terms of this Article in the same way as a Deemed IRA established in the name of a participant.

Sec. 95. Trust; Trustee.

- (1) Separate Trust. Deemed IRAs established pursuant to this Article shall be held in a trust separate from the trust established under the System to hold contributions other than Deemed IRA contributions. In any event, the trust shall satisfy the applicable requirements of IRC 408 and IRC 408A, which requirements are set forth in sections 99 and 100.
- (2) Trustee. The System shall designate a trustee for the Deemed IRAs, which shall be a bank as defined in IRC 408(n), or an entity that has received approval to serve as a nonbank trustee or nonbank custodian pursuant to Treasury Regulation 1.408-2(e).

Sec. 96. Procedures for Deemed IRAs.

Except as specifically provided by this Article or by IRC 408 or IRC 408A or by applicable Treasury Regulations, all procedural provisions of this Plan Document shall apply to the Deemed IRAs.

Sec. 97. Reporting Duties.

The trustee shall be subject to the reporting requirements of IRC 408(i) with respect to all Deemed IRAs that are established and maintained by the System.

Sec. 98. Qualified Reservist Distributions.

A participant who receives a qualified reservist distribution as defined in IRC 72(t)(2)(G)(iii) may, at any time during the two-year period beginning on the day after the end of his active duty period, make one or more contributions to a Deemed Traditional IRA or Deemed Roth IRA under this Article in an aggregate amount not to exceed the amount of his qualified reservist distribution, provided the contribution otherwise meets the requirements to be a voluntary employee contribution. The annual dollar limitations otherwise applicable to Deemed Traditional IRAs or Deemed Roth IRAs shall not apply to any contribution made pursuant to the preceding sentence.

Sec. 99. Deemed Traditional IRA Requirements.

- (1) Maximum Annual Contributions.
 - (a) The System will accept voluntary employee contributions as cash contributions only. Such contributions are limited to \$5,500 for the 2018 tax year, adjusted annually thereafter for cost-of-living increases. For a participant who will reach the age of 50 before the close of the Plan Year, this contribution limit is increased to \$6,500 for the 2018 tax year, adjusted annually thereafter for cost-of-living increases. Voluntary employee contributions may be further limited by IRC 219. These contribution limits do not apply in the case of a

- rollover contribution as described in IRC 402(c), 402(e)(6), 403(a)(4), 403(b)(8), 408(d)(3), or 457(e)(16), an employer contribution to a "simplified employee pension plan" as described in IRC 408(k), or a recharacterized contribution as described in IRC 408A(d)(6).
- (b) If this is an inherited IRA within the meaning of IRC 408(d)(3)(C), no contributions will be accepted.
- (c) Voluntary employee contributions shall not be accepted to a Deemed Traditional IRA for any year beginning with the year in which the participant attains age 70½ or thereafter.
- (2) Investment Limitations.
- (a) No part of the trust funds allocable to a Deemed Traditional IRA may be invested in collectibles (within the meaning of IRC 408(m)) except as otherwise permitted by IRC 408(m)(3), which provides an exception for certain gold, silver, and platinum coins, coins issued under the laws of any state, and certain bullion.
- (b) No part of the trust funds will be invested in life insurance contracts.
- (c) No contributions will be accepted under a SIMPLE IRA plan established by any employer pursuant to IRC 408(p). Also, no transfer or rollover of funds attributable to contributions made by a particular employer under its SIMPLE IRA plan will be accepted from a SIMPLE IRA, that is, a traditional IRA used in conjunction with a SIMPLE IRA plan, prior to the expiration of the 2-year period beginning on the date the individual first participated in that employer's SIMPLE IRA plan.
- (3) Minimum Required Distributions.
- (a) Notwithstanding any provision of this Plan Document to the contrary, the distribution of the participant's interest in the account shall be made in accordance with the requirements of IRC 408(a)(6) and the regulations thereunder, the provisions of which are herein incorporated by reference. The required minimum distributions calculated for this Deemed Traditional IRA may be withdrawn from another traditional IRA of the participant in accordance with Q&A-9 of Treasury Regulation 1.408-8. For an inherited IRA within the meaning of IRC 408(d)(3)(C), the preceding sentence and paragraphs (b), (c) and (d) below do not apply.
- (b) The entire value of the Deemed IRA of the participant for whose benefit the Deemed IRA is maintained will commence to be distributed no later than the first day of April following the calendar year in which such participant or beneficiary attains age 70½ (the "required beginning date") over (i) the life of such participant or the lives of such participant and his or her designated beneficiary, or (ii) a period certain not extending beyond the life expectancy of such participant, or the joint and last survivor expectancy of such participant and his or her designated beneficiary.
- (c) The amount to be distributed each year, beginning with the calendar year in which the participant attains age 70½ and continuing through the year of death, shall not be less than the quotient obtained by dividing the value of the Deemed IRA (as determined under subsection (g)) as of the end of the preceding year by the distribution period in the Uniform Lifetime Table in Q&A-2 of Treas. Reg. § 1.401(a)(9)-9 of the Income Tax Regulations, using the participant's age as of his or her birthday in the year. However, if the participant's sole designated beneficiary is his or her surviving spouse and such spouse is more than 10 years younger than the participant, then the distribution period is determined under the Joint and Last Survivor Table in Q&A-3 of Treas. Reg. § 1.401(a)(9)-9, using the ages as of the participant's and spouse's birthdays in the year.
- (d) The required minimum distribution for the year the participant attains age 70½ can be made as late as April 1 of the following year. The required minimum distribution for any other year must be made by the end of such year.
- (e) Death On or After Required Beginning Date. If the participant dies on or after the required beginning date, the remaining portion of his or her interest will be distributed at least as rapidly as follows:
- (i) If the designated beneficiary is someone other than the participant's surviving spouse, the remaining interest will be distributed over the remaining life expectancy of the designated beneficiary, with such life expectancy determined using the beneficiary's age as of his or her birthday in the year following the year of the participant's death, or over the period described in subsection (iii) below if longer.
- (ii) If the participant's sole designated beneficiary is the participant's surviving spouse, the remaining interest will be distributed over such spouse's life expectancy or over the period described in subsection (iii) below if longer. Any interest remaining after such spouse's death will be distributed over such spouse's remaining life expectancy determined using the spouse's age as of his or her birthday in the year of the spouse's death, or, if the distributions are being made over the period described in subsection (iii) below, over such period.
- (iii) If there is no designated beneficiary, or if applicable by operation of subsections (i) or (ii) above, the remaining interest will be distributed over the participant's remaining life expectancy determined in the year of the participant's death.
- (iv) The amount to be distributed each year under subsections (i), (ii), and (iii) above, beginning with the calendar year following the calendar year of the participant's death, is the quotient obtained by dividing the value of the Deemed IRA as of the end of the preceding year by the remaining life expectancy specified in such paragraph. Life expectancy is determined using the Single Life Table in Q&A-1 of Treas. Reg. § 1.401(a)(9)-9. If distributions are being made to a surviving spouse as the sole designated beneficiary, such spouse's remaining life expectancy for a year is the number in the Single Life Table corresponding to such spouse's age in the year. In all other cases, remaining life expectancy for a year is the number in the Single Life Table corresponding to the beneficiary's or participant's age in the year specified in subsections (i), (ii), and (iii) above and reduced by 1 for each subsequent year.
- (f) Death Before Required Beginning Date. If the participant dies before the required beginning date, his or her entire interest will be distributed at least as rapidly as follows:
- (i) If the designated beneficiary is someone other than the participant's surviving spouse, the entire interest will be distributed, starting by the end of the calendar year following the calendar year of the participant's death, over the remaining life expectancy of the designated beneficiary, with such life expectancy determined using the age of the beneficiary as of his or her birthday in the year following the year of the participant's death, or, if elected, in accordance with subsection (iii) below. If this is an inherited IRA within the meaning of IRC 408(d)(3)(C) established for the benefit of a nonspouse designated beneficiary by a direct trustee-to-trustee transfer from a retirement plan of a deceased individual under IRC 402(c)(11), then, notwithstanding any election made by the deceased individual pursuant to the preceding sentence, the nonspouse designated beneficiary may elect to have distributions made under this subsection (i) if the transfer is made no later than the end of the year following the year of death.
- (ii) If the participant's sole designated beneficiary is the participant's surviving spouse, the entire interest will be distributed, starting by the end of the calendar year following the calendar year of the participant's death (or by the end of the calendar year in which the participant would have attained age 70½, if later), over such spouse's life expectancy, or, if elected, in accordance with subsection (iii) below. If the surviving spouse dies before distributions are required to begin, the remaining interest will

be distributed, starting by the end of the calendar year following the calendar year of the spouse's death, over the spouse's designated beneficiary's remaining life expectancy determined using such beneficiary's age as of his or her birthday in the year following the death of the spouse, or, if elected, will be distributed in accordance with subsection (iii) below. If the surviving spouse dies after distributions are required to begin, any remaining interest will be distributed over the spouse's remaining life expectancy determined using the spouse's age as of his or her birthday in the year of the spouse's death.

- (iii) If there is no designated beneficiary, or if applicable by operation of subsections (i) or (ii) above, the entire interest will be distributed by the end of the calendar year containing the fifth anniversary of the Participant's death (or of the spouse's death in the case of the surviving spouse's death before distributions are required to begin under subsection (ii) above).
- (iv) The amount to be distributed each year under subsections (i) and (ii) above is the quotient obtained by dividing the value of the Deemed IRA as of the end of the preceding year by the remaining life expectancy specified in such paragraph. Life expectancy is determined using the Single Life Table in Q&A-1 of Treas. Reg. § 1.401(a)(9)-9. If distributions are being made to a surviving spouse as the sole designated beneficiary, such spouse's remaining life expectancy for a year is the number in the Single Life Table corresponding to such spouse's age in the year. In all other cases, remaining life expectancy for a year is the number in the Single Life Table corresponding to the beneficiary's age in the year specified in subsections (i) and (ii) above, and reduced by 1 for each subsequent year.
- (g) The "value" of the IRA includes the amount of any outstanding rollover, transfer and recharacterization under Q&As-7 and -8 of Treas. Reg. § 1.408-8.
- (h) To the extent permitted under IRC 408(q) and the Treasury Regulations, if the sole designated beneficiary is the participant's surviving spouse, the spouse may elect to treat the Deemed IRA as his or her own Deemed IRA. This election will be deemed to have been made if such surviving spouse makes a contribution to the Deemed IRA or fails to take required distributions as a beneficiary.
- (4) Nonforfeitable. The interest of a participant or beneficiary in the balance in his or her Deemed Traditional IRA is nonforfeitable at all times.
- (5) No commingling. The assets of the trust will not be commingled with other property except in a common trust fund or common investment fund within the meaning of IRC 408(a)(5).

Sec. 100. Deemed Roth IRA Requirements.

(1) Maximum Annual Contributions.

- (a) **Maximum Permissible Amount.** Except in the case of a qualified rollover contribution (as defined in subsection (g) below) or a recharacterization (as defined in subsection (f) below), no contribution will be accepted unless it is in cash and the total of such contributions to all the participant's Roth IRAs for a taxable year does not exceed the applicable amount (as defined in subsection (b) below), or the participant's compensation (as defined in subsection (h) below), if less, for that taxable year. The contribution described in the previous sentence that may not exceed the lesser of the applicable amount or the participant's compensation is referred to as a "regular contribution." Contributions may be limited under subsections (b) through (d) below.
- (b) **Applicable Amount.** The applicable amount is determined below, unless otherwise limited by IRC 219:
 - (i) If the participant is under age 50, the applicable amount is \$5,500 for the 2018 tax year, adjusted annually thereafter for cost-of-living increases.

- (ii) If the participant is age 50 or older or will reach the age of 50 by the close of the Plan Year, the applicable amount is \$6,500 for the 2018 tax year, adjusted annually thereafter for cost-of-living increases.
- (c) **Regular Contribution Limit.** If subsections (b)(i) and/or (ii) apply, the maximum regular contribution that can be made to all the participant's Roth IRAs, including a Deemed Roth IRA, for a taxable year is the lesser amount determined under (i) or (ii) below.
 - (i) The maximum regular contribution is phased out ratably between certain levels of modified adjusted gross income ("modified AGI," as defined in IRC 408A(c)(3)(C)(i)). If the participant's modified AGI for a taxable year is in the phase-out range, the maximum regular contribution determined by the applicable table published by the IRS for that taxable year is rounded up to the next multiple of \$10 and is not reduced below \$200.
 - (ii) If the participant makes regular contributions to both Roth IRAs and traditional IRAs for a taxable year, the maximum regular contribution that can be made to all the participant's Roth IRAs (including a Deemed Roth IRA) for that taxable year is reduced by the regular contributions made to the participant's traditional IRAs for the taxable year.
- (d) **SIMPLE IRA Limits.** No contributions will be accepted under a SIMPLE IRA plan established by any employer pursuant to IRC 408(p). Also, no transfer or rollover of funds attributable to contributions made by a particular employer under its SIMPLE IRA plan will be accepted from a SIMPLE IRA, that is, a traditional IRA used in conjunction with a SIMPLE IRA plan, prior to the expiration of the 2-year period beginning on the date the individual first participated in that employer's SIMPLE IRA plan.
- (e) **Inherited IRA.** If this is an inherited IRA within the meaning of IRC 408(d)(3)(C), no contributions will be accepted.
- (f) **Recharacterization.** A regular contribution to a traditional IRA may be recharacterized pursuant to Treas. Reg. § 1.408A-5 as a regular contribution to this Deemed Roth IRA, subject to the limits in subsection (c) above.
- (g) **Qualified Rollover Contribution.** A "qualified rollover contribution" is a rollover contribution of a distribution from an eligible retirement plan described in IRC 402(c)(8)(B). If the distribution is from an IRA, the rollover must meet the requirements of IRC 408(d)(3), except the one-rollover-per-year rule of IRC 408(d)(3)(B) does not apply if the distribution is from a traditional IRA. If the distribution is from an eligible retirement plan other than an IRA, the rollover must meet the requirements of IRC 402(c), 402(e)(6), 403(a)(4), 403(b)(8), 403(b)(10), 408(d)(3) or 457(e)(16), as applicable. A qualified rollover contribution also includes (i) and (ii) below.
 - (i) All or part of a military death gratuity or service members' group life insurance ("SGLI") payment may be contributed if the contribution is made within 1 year of receiving the gratuity or payment. Such contributions are disregarded for purposes of the one-rollover-per-year rule under IRC 408(d)(3)(B).
 - (ii) All or part of an airline payment (as defined in § 125 of the Worker, Retiree, and Employer Recovery Act of 2008 ("WRERA"), Pub. L. 110-458) received by certain airline employees may be contributed if the contribution is made within 180 days of receiving the payment.
- (h) **Compensation.** For purposes of subsection (a) above, compensation is defined as wages, salaries, professional fees, or other amounts derived from or received for personal services actually rendered (including, but not limited to commissions paid salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, and bonuses) and includes earned income, as defined in IRC 401(c)(2) (reduced by the

deduction the self-employed individual takes for contributions made to a self-employed retirement plan). For purposes of this definition, IRC 401(c)(2) shall be applied as if the term trade or business for purposes of IRC 1402(c)(6) included service. Compensation does not include amounts derived from or received as earnings or profits from property (including but not limited to interest and dividends) or amounts not includible in gross income (determined without regard to IRC 112). Compensation also does not include any amount received as a pension or annuity or as deferred compensation. The term "compensation" shall include any amount includible in the individual's gross income under IRC 71(b)(2)(A) with respect to a divorce or separation instrument. In the case of a married individual filing a joint return, the greater compensation of his or her spouse is treated as his or her own compensation, but only to the extent that such spouse's compensation is not being used for purposes of the spouse making an IRA contribution. The term "compensation" also includes any differential wage payments as defined in IRC 3401(h)(2).

(2) Investment Limitations.

- (a) No part of the trust funds allocable to a Deemed Roth IRA may be invested in collectibles (within the meaning of IRC 408(m)) except as otherwise permitted by IRC 408(m)(3), which provides an exception for certain gold, silver, and platinum coins, coins issued under the laws of any state, and certain bullion.
 - (b) No part of the trust funds will be invested in life insurance contracts.
- (3) Distributions Before Death. No amount is required to be distributed prior to the death of the participant for whose benefit the account was originally established. If this is an inherited IRA within the meaning of IRC 408(d)(3)(C), this paragraph does not apply.

(4) Distribution Upon Death.

- (a) Notwithstanding any provision of this Deemed Roth IRA to the contrary, the distribution of the participant's interest in the account shall be made in accordance with the requirements of IRC 408(a)(6), as modified by IRC 408A(c)(5), and the regulations thereunder, the provisions of which are herein incorporated by reference.
- (b) Upon the death of the participant, his or her entire interest will be distributed at least as rapidly as follows:
 - (i) If the designated beneficiary is someone other than the participant's surviving spouse, the entire interest will be distributed, starting by the end of the calendar year following the calendar year of the participant's death, over the remaining life expectancy of the designated beneficiary, with such life expectancy determined using the age of the beneficiary as of his or her birthday in the year following the year of the participant's death, or, if elected, in accordance with subsection (iii) below. If this is an inherited IRA within the meaning of IRC 408(d)(3)(C) established for the benefit of a nonspouse designated beneficiary by a direct trustee-to-trustee transfer from a retirement plan of a deceased individual under IRC 402(c)(11), then, notwithstanding any election made by the deceased individual pursuant to the preceding sentence, the nonspouse designated beneficiary may elect to have distributions made under this subsection (i) if the transfer is made no later than the end of the year following the year of death.
 - (ii) If the participant's sole designated beneficiary is the participant's surviving spouse, the entire interest will be distributed, starting by the end of the calendar year following the calendar year of the participant's death (or by the end of the calendar year in which the participant would have attained age 70½, if later), over such spouse's life expectancy, or, if elected, in accordance with subsection (iii) below. If the surviving spouse dies before distributions are required to begin, the remaining interest will be distributed, starting by the end of the calendar year following the calendar year of the spouse's death, over the spouse's

designated beneficiary's remaining life expectancy determined using such beneficiary's age as of his or her birthday in the year following the death of the spouse, or, if elected, will be distributed in accordance with subsection (iii) below. If the surviving spouse dies after distributions are required to begin, any remaining interest will be distributed over the spouse's remaining life expectancy determined using the spouse's age as of his or her birthday in the year of the spouse's death.

- (iii) If there is no designated beneficiary, or if applicable by operation of subsections (i) or (ii) above, the entire interest will be distributed by the end of the calendar year containing the fifth anniversary of the participant's death (or of the spouse's death in the case of the surviving spouse's death before distributions are required to begin under subsection (ii) above).
 - (iv) The amount to be distributed each year under subsections (i) and (ii) is the quotient obtained by dividing the value of the Deemed Roth IRA as of the end of the preceding year by the remaining life expectancy specified in such paragraph. Life expectancy is determined using the Single Life Table in Q&A-1 of Treas. Reg. § 1.401(a)(9)-9. If distributions are being made to a surviving spouse as the sole designated beneficiary, such spouse's remaining life expectancy for a year is the number in the Single Life Table corresponding to such spouse's age in the year. In all other cases, remaining life expectancy for a year is the number in the Single Life Table corresponding to the beneficiary's age in the year specified in subsections (i) and (ii) and reduced by 1 for each subsequent year.
- (c) The "value" of the Deemed Roth IRA includes the amount of any outstanding rollover, transfer and recharacterization under Q&As-7 and -8 of Treas. Reg. § 1.408-8.
 - (d) If the sole designated beneficiary is the participant's surviving spouse, the spouse may elect to treat the Deemed Roth IRA as his or her own Deemed Roth IRA. This election will be deemed to have been made if such surviving spouse makes a contribution to the Deemed Roth IRA or fails to take required distributions as a beneficiary.
 - (e) The required minimum distributions payable to a designated beneficiary from this Deemed Roth IRA may be withdrawn from another IRA the beneficiary holds from the same decedent in accordance with Q&A-9 of Treas. Reg. § 1.408-8.
- (5) Rollovers Into Deemed Roth IRA. Upon any distribution event pursuant to which a participant, a spouse beneficiary, or a spousal alternate payee would be permitted to have all or any portion of the participant's account that qualifies as an eligible rollover distribution rolled over into another eligible retirement plan, such participant, spouse beneficiary, or spousal alternate payee may elect to have the portion of such eligible rollover distribution that is not attributable to contributions to the Deemed Roth IRA directly rolled over into a separately maintained account within his or her Deemed Roth IRA. Any such amounts will be included in gross income as if the distribution had been made to such participant, surviving spouse beneficiary, or spousal alternate payee.
- (6) Nonforfeitable. The interest of a participant or beneficiary in the balance in his or her Deemed Roth IRA is nonforfeitable at all times.
- (7) No Commingling. The assets of the trust will not be commingled with other property except in a common trust fund or common investment fund within the meaning of IRC 408(a)(5).

Sec. 101. Distribution Rights.

- (1) A participant may elect to receive a distribution of his or her Deemed IRA(s) at any time, subject to the minimum distribution requirements applicable to a Deemed Traditional IRA before the participant's death under section 101(3).
- (2) A participant may elect to receive a distribution in any form of payment permitted under section 58 of the Plan Document.

Sec. 102. Beneficiaries.

- (1) Upon the death of a participant, the beneficiary or beneficiaries, if any, nominated by the deceased participant may, on forms prescribed by the System with all documentation that the System may require, apply for and receive the accumulated balance of the deceased participant's Deemed IRA(s).
- (2) To designate a beneficiary or beneficiaries, a participant shall file a written designation form provided by the System with the System based on procedures established by the Retirement Board.
- (3) If the participant dies without a designated beneficiary, the benefit shall be paid in the following order of priority:
 - (a) The surviving spouse of the participant.
 - (b) If none, the individual designated by the participant with respect to another benefit provided by this Plan with respect to benefits accrued by the deceased participant with the same participating employer.
 - (c) If none, the individual designated by the participant with respect to another Plan benefit administered by MERS with respect to benefits accrued by the deceased participant with the same participating employer.
 - (d) If none, surviving children of the participant in equal shares.
 - (e) If none, surviving parents of the participant in equal shares.
 - (f) If none, the participant's estate.
 - (g) If none, the individual(s) identified as entitled to a share of the participant's property in a sworn Affidavit of Decedent's Successor for Delivery of Certain Assets Owned by Decedent with respect to the participant, in accordance with MCL §§ 700.3983-700.3984, in proportion to the shares identified on that form.
- (4) Notwithstanding anything in this Plan Document to the contrary, distributions to participants and beneficiaries shall not commence later nor in an amount that is less than required by IRC Section 401(a)(9).
- (5) With respect to a spouse for whom a participant has established a spousal IRA, the beneficiary provisions of this section (with the exception of subsections (3)(b) and (3)(c)) shall apply to the spouse with respect to the spousal IRA as if the spouse were the participant.

Sec. 103. Transfers of Deemed IRAs Pursuant to Divorce.

Pursuant to a decree of divorce or separate maintenance or a written instrument incident to such a decree, the plan administrator may approve a direct transfer of all or a portion of a participant's interest in his or her Deemed IRA to a separate individual retirement account or individual retirement annuity owned by such participant's spouse or former spouse. The plan administrator shall establish reasonable procedures for determining the status of any such decree or written instrument and for effectuating transfer in accordance with IRC 408(d)(6).

Sec. 104. Construction.

Notwithstanding any other sections which may be added or incorporated, the provisions of this Article and this sentence will be controlling with respect to each Deemed Traditional IRA and Deemed Roth IRA created under the System. Any additional sections inconsistent with the Internal Revenue Code, the Treasury Regulations, and other published guidance will be invalid.

457 Plan Document Provisions

ARTICLE XXV – DEEMED IRA

25.1 Applicability and effective date. This Article XXV shall be effective June 1, 2018.

25.2 Deemed IRAs.

- (a) A Participant may make Voluntary Employee Contributions and Rollover Contributions to a Deemed IRA under the Plan. The Plan shall establish a separate Account for the Voluntary Employee Contributions to a Deemed Traditional IRA and/or Deemed Roth IRA of a Participant and any earnings properly allocable to such contributions, and maintain separate recordkeeping with respect to each such Deemed IRA. Each Deemed IRA is established for the exclusive benefit of the Participant and/or his or her Beneficiaries.
- (b) In accordance with Code §§ 408 and 408A, a Participant may also establish a Deemed IRA for the benefit of his or her spouse (a "spousal IRA"), provided that the Participant and his or her spouse file a joint tax return. The spousal IRA will be a Deemed IRA that is established in the name of the spouse. The Employee or former Employee who is eligible to be a Participant in the Deemed IRAs must establish a Deemed IRA in his or her own name prior to the establishment of a spousal IRA. Once established by the Participant, the spouse's rights and benefits under the spousal IRA will be subject to the terms of this Article in the same way as a Deemed IRA established in the name of a Participant.

25.3 Procedures for Deemed IRAs. Except as specifically provided by this Article XXV or by Code §§ 408 or 408A or by applicable Treasury Regulations, all procedural provisions of this Plan shall apply to the Deemed IRAs.

25.4 Reporting Duties. The Trustee shall be subject to the reporting requirements of Code § 408(i) with respect to all Deemed IRAs that are established and maintained under the Plan.

25.5 Qualified Reservist Distributions. A Participant who receives a qualified reservist distribution as defined in Code § 72(t)(2)(G)(iii) may, at any time during the two-year period beginning on the day after the end of his active duty period, make one or more contributions to a Deemed Traditional IRA or Deemed Roth IRA under this Article in an aggregate amount not to exceed the amount of his qualified reservist distribution, provided the contribution otherwise meets the requirements to be a voluntary employee contribution. The annual dollar limitations otherwise applicable to Deemed Traditional IRAs or Deemed Roth IRAs shall not apply to any contribution made pursuant to the preceding sentence.

25.6 Establishment of Deemed IRAs. Deemed IRAs established pursuant to this Article shall be held in a trust separate from the Trust established under the Plan to hold contributions other than Deemed IRA contributions. In any event, the Trust shall satisfy the applicable requirements of Code §§ 408 and 408A, which requirements are set forth in subsections 25.7 and 25.8.

25.7 Deemed Traditional IRA Requirements.

(a) Maximum Annual Contributions.

- (1) The Administrator will accept Voluntary Employee Contributions as cash contributions only. Such contributions are limited to \$5,500 for the 2018 tax year, adjusted annually thereafter for cost-of-living increases. For a Participant who will reach the age of 50 before the close of the Plan Year, this contribution limit is increased to \$6,500 for the 2018 tax year, adjusted annually thereafter for cost-of-living increases. Voluntary Employee Contributions may be further limited by Code § 219. These contribution limits do not apply in the case of a rollover contribution as described in Code §§ 402(c), 402(e)(6), 403(a)(4), 403(b)(8), 408(d)(3), or 457(e)(16), an Employer contribution

to a "simplified employee pension plan" as described in Code § 408(k) or a recharacterized contribution as described in Code § 408A(d)(6).

- (2) If this is an inherited IRA within the meaning of §408(d)(3)(C), no contributions will be accepted.
- (3) Voluntary Employee Contributions shall not be accepted to a Deemed Traditional IRA for any year beginning with the year in which the Participant attains age 70½ or thereafter.

(b) Investment Limitations.

- (1) No part of the trust funds allocable to a Deemed Traditional IRA may be invested in collectibles (within the meaning of Code § 408(m)) except as otherwise permitted by Code § 408(m)(3), which provides an exception for certain gold, silver, and platinum coins, coins issued under the laws of any state, and certain bullion.
- (2) No part of the trust funds will be invested in life insurance contracts.
- (3) No contributions will be accepted under a SIMPLE IRA plan established by any Employer pursuant to Code § 408(p). Also, no transfer or rollover of funds attributable to contributions made by a particular Employer under its SIMPLE IRA plan will be accepted from a SIMPLE IRA, that is, a traditional IRA used in conjunction with a SIMPLE IRA plan, prior to the expiration of the 2-year period beginning on the date the individual first participated in that Employer's SIMPLE IRA plan.

(c) Minimum Required Distributions.

- (1) Notwithstanding any provision of this Plan to the contrary, the distribution of the Participant's interest in the account shall be made in accordance with the requirements of Code § 408(a)(6) and the regulations thereunder, the provisions of which are herein incorporated by reference. The required minimum distributions calculated for this Deemed Traditional IRA may be withdrawn from another traditional IRA of the Participant in accordance with Q&A-9 of Treas. Reg. § 1.408-8. For an inherited IRA within the meaning of Code § 408(d)(3)(C), the preceding sentence and paragraphs (2), (3) and (4) below do not apply.
- (2) The entire value of the Deemed IRA of the Participant for whose benefit the Deemed IRA is maintained will commence to be distributed no later than the first day of April following the calendar year in which such Participant or Beneficiary attains age 70½ (the "required beginning date") over (a) the life of such Participant or the lives of such Participant and his or her designated Beneficiary, or (b) a period certain not extending beyond the life expectancy of such Participant, or the joint and last survivor expectancy of such Participant and his or her designated Beneficiary.
- (3) The amount to be distributed each year, beginning with the calendar year in which the Participant attains age 70½ and continuing through the year of death, shall not be less than the quotient obtained by dividing the value of the Deemed IRA (as determined under subsection 25.7(c)(7)) as of the end of the preceding year by the distribution period in the Uniform Lifetime Table in Q&A-2 of Treas. Reg. § 1.401(a)(9)-9 of the Income Tax Regulations, using the Participant's age as of his or her birthday in the year. However, if the Participant's sole designated Beneficiary is his or her surviving spouse and such spouse is more than 10 years younger than the Participant, then the distribution period is determined under the Joint and Last Survivor Table in Q&A-3 of Treas. Reg. § 1.401(a)(9)-9, using the ages as of the Participant's and spouse's birthdays in the year.
- (4) The required minimum distribution for the year the Participant attains age 70½ can be made as late as April 1 of the following year. The required minimum distribution for any other year must

be made by the end of such year.

- (5) **Death On or After Required Beginning Date.** If the Participant dies on or after the required beginning date, the remaining portion of his or her interest will be distributed at least as rapidly as follows:
 - (A) If the designated Beneficiary is someone other than the Participant's surviving spouse, the remaining interest will be distributed over the remaining life expectancy of the designated Beneficiary, with such life expectancy determined using the Beneficiary's age as of his or her birthday in the year following the year of the Participant's death, or over the period described in subsection 25.7(c)(5)(C) below if longer.
 - (B) If the Participant's sole designated Beneficiary is the Participant's surviving spouse, the remaining interest will be distributed over such spouse's life expectancy or over the period described in subsection 25.7(c)(5)(C) below if longer. Any interest remaining after such spouse's death will be distributed over such spouse's remaining life expectancy determined using the spouse's age as of his or her birthday in the year of the spouse's death, or, if the distributions are being made over the period described in subsection 25.7(c)(5)(C) below, over such period.
 - (C) If there is no designated Beneficiary, or if applicable by operation of subsections 25.7(c)(5)(A) or (B) above, the remaining interest will be distributed over the Participant's remaining life expectancy determined in the year of the Participant's death.
 - (D) The amount to be distributed each year under subsections 25.7(c)(5)(A), (B), and (C), beginning with the calendar year following the calendar year of the Participant's death, is the quotient obtained by dividing the value of the Deemed IRA as of the end of the preceding year by the remaining life expectancy specified in such paragraph. Life expectancy is determined using the Single Life Table in Q&A-1 of Treas. Reg. §1.401(a)(9)-9. If distributions are being made to a surviving spouse as the sole designated Beneficiary, such spouse's remaining life expectancy for a year is the number in the Single Life Table corresponding to such spouse's age in the year. In all other cases, remaining life expectancy for a year is the number in the Single Life Table corresponding to the Beneficiary's or Participant's age in the year specified in subsections 25.7(c)(5)(A), (B), and (C) and reduced by 1 for each subsequent year.
- (6) **Death Before Required Beginning Date.** If the Participant dies before the required beginning date, his or her entire interest will be distributed at least as rapidly as follows:
 - (A) If the designated Beneficiary is someone other than the Participant's surviving spouse, the entire interest will be distributed, starting by the end of the calendar year following the calendar year of the Participant's death, over the remaining life expectancy of the designated Beneficiary, with such life expectancy determined using the age of the Beneficiary as of his or her birthday in the year following the year of the Participant's death, or, if elected, in accordance with subsection 25.7(c)(6)(C) below. If this is an inherited IRA within the meaning of Code § 408(d)(3)(C) established for the benefit of a nonspouse designated beneficiary by a direct trustee-to-trustee transfer from a retirement plan of a deceased individual under §402(c)(11), then, notwithstanding any election made by the deceased individual pursuant to the preceding sentence, the nonspouse designated beneficiary may elect to have distributions made under this subsection 25.7(c)(6)(A) if the

transfer is made no later than the end of the year following the year of death.

- (B) If the Participant's sole designated beneficiary is the Participant's surviving spouse, the entire interest will be distributed, starting by the end of the calendar year following the calendar year of the Participant's death (or by the end of the calendar year in which the Participant would have attained age 70½, if later), over such spouse's life expectancy, or, if elected, in accordance with subsection 25.7(c)(6)(C) below. If the surviving spouse dies before distributions are required to begin, the remaining interest will be distributed, starting by the end of the calendar year following the calendar year of the spouse's death, over the spouse's designated beneficiary's remaining life expectancy determined using such beneficiary's age as of his or her birthday in the year following the death of the spouse, or, if elected, will be distributed in accordance with subsection 25.7(c)(6)(C) below. If the surviving spouse dies after distributions are required to begin, any remaining interest will be distributed over the spouse's remaining life expectancy determined using the spouse's age as of his or her birthday in the year of the spouse's death.
 - (C) If there is no designated Beneficiary, or if applicable by operation of subsections 25.7(c)(6)(A) or (B) above, the entire interest will be distributed by the end of the calendar year containing the fifth anniversary of the Participant's death (or of the spouse's death in the case of the surviving spouse's death before distributions are required to begin under subsection 25.7(c)(6)(B) above).
 - (D) The amount to be distributed each year under subsections 25.7(c)(6)(A) and (B) is the quotient obtained by dividing the value of the Deemed IRA as of the end of the preceding year by the remaining life expectancy specified in such paragraph. Life expectancy is determined using the Single Life Table in Q&A-1 of Treas. Reg. § 1.401(a)(9)-9. If distributions are being made to a surviving spouse as the sole designated Beneficiary, such spouse's remaining life expectancy for a year is the number in the Single Life Table corresponding to such spouse's age in the year. In all other cases, remaining life expectancy for a year is the number in the Single Life Table corresponding to the beneficiary's age in the year specified in subsections 25.7(c)(6)(A) and (B) and reduced by 1 for each subsequent year.
- (7) The "value" of the IRA includes the amount of any outstanding rollover, transfer and recharacterization under Q&As-7 and -8 of Treas. Reg. § 1.408-8.
 - (8) To the extent permitted under Code § 408(q) and the Treasury Regulations, if the sole designated Beneficiary is the Participant's surviving spouse, the spouse may elect to treat the Deemed IRA as his or her own Deemed IRA. This election will be deemed to have been made if such surviving spouse makes a contribution to the Deemed IRA or fails to take required distributions as a Beneficiary.
 - (d) Nonforfeitable. The interest of a Participant or Beneficiary in the balance in his or her Deemed Traditional IRA is nonforfeitable at all times.
 - (e) No Commingling. The assets of the trust will not be commingled with other property except in a common trust fund or common investment fund within the meaning of Code § 408(a)(5).

25.8 Deemed Roth IRA Requirements.

(a) Maximum Annual Contributions.

- (1) Maximum Permissible Amount. Except in the case of a qualified rollover contribution (as defined in subsection 25.8(a)(7) below)

or a recharacterization (as defined in 25.8(a)(6) below), no contribution will be accepted unless it is in cash and the total of such contributions to all the Participant's Roth IRAs for a taxable year does not exceed the applicable amount (as defined in 25.8(a)(2) below), or the Participant's compensation (as defined in 25.8(a)(8) below), if less, for that taxable year. The contribution described in the previous sentence that may not exceed the lesser of the applicable amount or the Participant's compensation is referred to as a "regular contribution." Contributions may be limited under subsections (2) through (6) below.

- (2) Applicable Amount. The applicable amount is determined below, unless otherwise limited by Code § 219:
 - (A) If the Participant is under age 50, the applicable amount is \$5,500 for the 2018 tax year, adjusted annually thereafter for cost-of-living increases.
 - (B) If the Participant is age 50 or older or will reach the age of 50 by the close of the Plan Year, the applicable amount is \$6,500 for the 2018 tax year, adjusted annually thereafter for cost-of-living increases.
- (3) Regular Contribution Limit. If subsections 25.8(a)(3)(A) and/or (B) apply, the maximum regular contribution that can be made to all the Participant's Roth IRAs, including a Deemed Roth IRA, for a taxable year is the lesser amount determined under (A) or (B) below.
 - (A) The maximum regular contribution is phased out ratably between certain levels of modified adjusted gross income ("modified AGI," as defined in Code § 408A(c)(3)(C)(i)). If the Participant's modified AGI for a taxable year is in the phase-out range, the maximum regular contribution determined by the applicable table published by the IRS for that taxable year is rounded up to the next multiple of \$10 and is not reduced below \$200.
 - (B) If the Participant makes regular contributions to both Roth IRAs and traditional IRAs for a taxable year, the maximum regular contribution that can be made to all the Participant's Roth IRAs (including a Deemed Roth IRA) for that taxable year is reduced by the regular contributions made to the Participant's traditional IRAs for the taxable year.
- (4) SIMPLE IRA Limits. No contributions will be accepted under a SIMPLE IRA plan established by any Employer pursuant to Code § 408(p). Also, no transfer or rollover of funds attributable to contributions made by a particular Employer under its SIMPLE IRA plan will be accepted from a SIMPLE IRA, that is, a traditional IRA used in conjunction with a SIMPLE IRA plan, prior to the expiration of the 2-year period beginning on the date the individual first participated in that Employer's SIMPLE IRA plan.
- (5) Inherited IRA. If this is an inherited IRA within the meaning of Code § 408(d)(3)(C), no contributions will be accepted.
- (6) Recharacterization. A regular contribution to a traditional IRA may be recharacterized pursuant to Treas. Reg. § 1.408A-5 as a regular contribution to this Deemed Roth IRA, subject to the limits in subsection 25.8(a)(3) above.
- (7) Qualified Rollover Contribution. A "qualified rollover contribution" is a rollover contribution of a distribution from an eligible retirement plan described in Code § 402(c)(8)(B). If the distribution is from an IRA, the rollover must meet the requirements of Code § 408(d)(3), except the one-rollover-per-year rule of Code § 408(d)(3)(B) does not apply if the distribution is from a traditional IRA. If the distribution is from an eligible retirement plan other than an IRA, the rollover must meet the requirements of Code §§ 402(c), 402(e)(6), 403(a)(4), 403(b)(8),

403(b)(10), 408(d)(3) or 457(e)(16), as applicable. A qualified rollover contribution also includes (A) and (B) below.

- (A) All or part of a military death gratuity or service members' group life insurance ("SGLI") payment may be contributed if the contribution is made within 1 year of receiving the gratuity or payment. Such contributions are disregarded for purposes of the one-rollover-per-year rule under Code § 408(d)(3)(B).
- (B) All or part of an airline payment (as defined in §125 of the Worker, Retiree, and Employer Recovery Act of 2008 ("WRERA"), Pub. L. 110-458) received by certain airline employees may be contributed if the contribution is made within 180 days of receiving the payment.

- (8) **Compensation.** For purposes of subsection (1) above, compensation is defined as wages, salaries, professional fees, or other amounts derived from or received for personal services actually rendered (including, but not limited to commissions paid salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, and bonuses) and includes earned income, as defined in Code § 401(c)(2) (reduced by the deduction the self-employed individual takes for contributions made to a self-employed retirement plan). For purposes of this definition, Code § 401(c)(2) shall be applied as if the term trade or business for purposes of Code § 1402(c) (6) included service. Compensation does not include amounts derived from or received as earnings or profits from property (including but not limited to interest and dividends) or amounts not includible in gross income (determined without regard to Code § 112). Compensation also does not include any amount received as a pension or annuity or as deferred compensation. The term "compensation" shall include any amount includible in the individual's gross income under Code § 71(b)(2)(A) with respect to a divorce or separation instrument. In the case of a married individual filing a joint return, the greater compensation of his or her spouse is treated as his or her own compensation, but only to the extent that such spouse's compensation is not being used for purposes of the spouse making an IRA contribution. The term "compensation" also includes any differential wage payments as defined in Code § 3401(h)(2).

(b) Investment Limitations.

- (1) No part of the trust funds allocable to a Deemed Roth IRA may be invested in collectibles (within the meaning of Code § 408(m)) except as otherwise permitted by Code § 408(m)(3), which provides an exception for certain gold, silver, and platinum coins, coins issued under the laws of any state, and certain bullion.
- (2) No part of the trust funds will be invested in life insurance contracts.

- (c) **Distributions Before Death.** No amount is required to be distributed prior to the death of the Participant for whose benefit the account was originally established. If this is an inherited IRA within the meaning of Code § 408(d)(3)(C), this paragraph does not apply.

(d) Distribution Upon Death.

- (1) Notwithstanding any provision of this Deemed Roth IRA to the contrary, the distribution of the Participant's interest in the Account shall be made in accordance with the requirements of Code § 408(a) (6), as modified by § 408A(c)(5), and the regulations thereunder, the provisions of which are herein incorporated by reference.
- (2) Upon the death of the Participant, his or her entire interest will be distributed at least as rapidly as follows:
 - (A) If the designated Beneficiary is someone other than the Participant's surviving spouse, the entire interest will be distributed, starting by the end of the calendar year following the calendar year of the Participant's death, over the remaining

life expectancy of the designated Beneficiary, with such life expectancy determined using the age of the Beneficiary as of his or her birthday in the year following the year of the Participant's death, or, if elected, in accordance with subsection 25.8(d) (2)(C) below. If this is an inherited IRA within the meaning of Code § 408(d)(3)(C) established for the benefit of a nonspouse designated beneficiary by a direct trustee-to-trustee transfer from a retirement plan of a deceased individual under Code § 402(c)(11), then, notwithstanding any election made by the deceased individual pursuant to the preceding sentence, the nonspouse designated Beneficiary may elect to have distributions made under this subsection 25.8(d)(2)(A) if the transfer is made no later than the end of the year following the year of death.

- (B) If the Participant's sole designated beneficiary is the Participant's surviving spouse, the entire interest will be distributed, starting by the end of the calendar year following the calendar year of the Participant's death (or by the end of the calendar year in which the Participant would have attained age 70½, if later), over such spouse's life expectancy, or, if elected, in accordance with subsection 25.8(d)(2)(C) below. If the surviving spouse dies before distributions are required to begin, the remaining interest will be distributed, starting by the end of the calendar year following the calendar year of the spouse's death, over the spouse's designated beneficiary's remaining life expectancy determined using such beneficiary's age as of his or her birthday in the year following the death of the spouse, or, if elected, will be distributed in accordance with subsection 25.8(d)(2) (C) below. If the surviving spouse dies after distributions are required to begin, any remaining interest will be distributed over the spouse's remaining life expectancy determined using the spouse's age as of his or her birthday in the year of the spouse's death.
- (C) If there is no designated Beneficiary, or if applicable by operation of subsections 25.8(d)(2)(A) or (B) above, the entire interest will be distributed by the end of the calendar year containing the fifth anniversary of the Participant's death (or of the spouse's death in the case of the surviving spouse's death before distributions are required to begin under subsection 25.8(d)(2)(B) above).
- (D) The amount to be distributed each year under subsections 25.8(d)(2)(A) and (B) is the quotient obtained by dividing the value of the Deemed Roth IRA as of the end of the preceding year by the remaining life expectancy specified in such paragraph. Life expectancy is determined using the Single Life Table in Q&A-1 of Treas. Reg. § 1.401(a)(9)-9. If distributions are being made to a surviving spouse as the sole designated beneficiary, such spouse's remaining life expectancy for a year is the number in the Single Life Table corresponding to such spouse's age in the year. In all other cases, remaining life expectancy for a year is the number in the Single Life Table corresponding to the beneficiary's age in the year specified in subsections 25.8(d)(2) (A) and (B) and reduced by 1 for each subsequent year.
- (3) The "value" of the Deemed Roth IRA includes the amount of any outstanding rollover, transfer and recharacterization under Q&As-7 and -8 of Treas. Reg. § 1.408-8.
- (4) If the sole designated Beneficiary is the Participant's surviving spouse, the spouse may elect to treat the Deemed Roth IRA as his or her own Deemed Roth IRA. This election will be deemed to have been made if such surviving spouse makes a contribution to the Deemed Roth IRA or fails to take required distributions as a Beneficiary.
- (5) The required minimum distributions payable to a designated Beneficiary from this Deemed Roth IRA may be withdrawn from another IRA the Beneficiary holds from the same decedent in accordance with Q&A-9 of Treas. Reg. § 1.408-8.

- (e) **Rollovers Into Deemed Roth IRA.** Upon any distribution event pursuant to which a Participant, a spouse Beneficiary, or a spousal alternate payee would be permitted to have all or any portion of the Participant's Account that qualifies as an Eligible Rollover Distribution rolled over into another Eligible Retirement Plan, such Participant, spouse Beneficiary, or spousal alternate payee may elect to have the portion of such Eligible Rollover Distribution that is not attributable to contributions to the Deemed Roth IRA directly rolled over into a separately maintained Account within his or her Deemed Roth IRA. Any such amounts will be included in gross income as if the distribution had been made to such Participant, surviving spouse Beneficiary, or spousal alternate payee.
- (f) **Nonforfeitable.** The interest of a Participant or Beneficiary in the balance in his or her Deemed Roth IRA is nonforfeitable at all times.
- (g) **No Commingling.** The assets of the trust will not be commingled with other property except in a common trust fund or common investment fund within the meaning of Code § 408(a)(5).

25.9 Construction. Notwithstanding any other sections which may be added or incorporated, the provisions of this Article XXV and this sentence will be controlling with respect to each Deemed Traditional IRA and Deemed Roth IRA created under the Plan. Any additional sections inconsistent with the Code, the Treasury Regulations, and other published guidance will be invalid.

D. Important Rules for your Roth MERS IRA

1. Eligibility to Contribute to the Roth MERS IRA

An individual who is or was a municipal employee or judicial employee who establishes a MERS Roth IRA while his or her employer or former employer continues to qualify as a participating municipality or participating court and is within the modified adjusted gross income limits is permitted to make contributions to a Roth IRA. You can make a contribution to your Roth MERS IRA for each tax year that you receive taxable compensation. Your taxable compensation consists of amounts you earn from personal services — wages, salaries, tips, professional fees, bonuses, commissions, and self-employment and partnership incomes. Compensation also includes taxable alimony received by a divorced spouse under a decree of divorce or separate maintenance. Compensation does not include earnings and profits from property, such as interest and dividends, or amounts not includable in gross income. It also does not include pensions or annuities or amounts received as deferred compensation.

Spousal Roth MERS IRA

Your spouse may qualify to establish a Spousal Roth MERS IRA if you, the eligible employee, establishes a Roth MERS IRA account, funding is not required, and you and your spouse file a joint tax return. In that case, you or your spouse can make contributions to a separate Spousal Roth MERS IRA as well contributions to your own Roth MERS IRA.

For example, if you earn \$30,000 in tax year 2017, you could contribute \$5,500 to your Roth IRA and \$5,500 to your spouse's Roth IRA for a total maximum contribution of \$11,000 for tax year 2017 or 100% of your taxable compensation, whichever is less.

2. Types of Roth Contributions:

A regular contribution is a contribution to a Roth IRA for a tax year that is made in cash. It may not be deducted on your federal income tax return.

A rollover contribution is a contribution to a Roth IRA of any or all assets received from another Roth IRA or from a Roth 401(k) plan or Roth 457. A rollover contribution continues the tax deferral on the assets deposited into the Roth IRA.

The Plan will permit rollovers from 457 plans and traditional 401(k) plan to the Roth MERS IRA. Such a rollover is taxable as ordinary income and subject to AGI based restrictions.

A conversion contribution is a contribution to a Roth IRA of any or all assets received from a traditional IRA. A conversion contribution is taxable as

ordinary income and subject to AGI based restrictions.

3. Maximum Amount, Deductibility and Deadline for Roth Contributions

If you contribute to a Roth MERS IRA for yourself only:

Maximum amount: You can contribute each tax year up to:

- \$5,500 for tax year 2017 and as indexed for inflation thereafter.
- Catch up contributions: If you are age 50 or older before the end of the tax year, you can make a "catch up contribution" to your Roth IRA for that tax year of up to \$1,000 for tax year 2017, and thereafter.

Contributions are not tax deductible.

Note: Your contribution cannot be more than 100% of your taxable compensation.

Note: In any tax year you make a contribution to another IRA, that contribution must be used to reduce the regular contribution that you can make to your Roth MERS IRA for that year.

Contributions can be made in accordance with your adjusted gross income and tax filing status as follows:

- Full contributions. Single taxpayers with adjusted gross income up to \$118,000 for tax year 2017, and married taxpayers filing jointly with adjusted gross income up to \$186,000 for tax year 2017, can make full contributions.
- Partial contributions.
- Single taxpayers with adjusted gross income between \$118,000 and \$133,000 for tax year 2017, can make contributions reduced proportionately for adjusted gross income over \$118,000 for tax year 2017.
- Married taxpayers filing jointly with adjusted gross income between \$186,000 and \$196,000 for tax year 2017, can make contributions reduced proportionately for adjusted gross income over \$186,000 for tax year 2017.
- No contributions. Single taxpayers with adjusted gross income \$133,000 or greater for tax year 2017; married taxpayers filing jointly with adjusted gross income \$196,000 or greater for tax year 2017.

Deadline: You may establish and contribute to a Roth MERS IRA for a tax year at any time during that year or any time up until your federal income tax filing deadline (usually April 15th) for that year without regard to extensions. Assets contributed to the MERS IRA must be received by the Plan's custodian prior to the tax-filing deadline

4. Excess Contributions

Contributions That Exceed Limits: To the extent that your total regular contribution to a Roth IRA for a tax year exceeds the maximum amount you are permitted to contribute, it is an excess contribution. If you are not eligible to make a regular contribution to your Roth IRA for a tax year, the entire amount of the contribution for that year is an excess contribution.

You cannot deduct an excess contribution on your federal income tax return. In addition, you may be charged a nondeductible tax penalty of 6% of the excess contribution to the Roth IRA. This 6% tax penalty will be charged each year the excess contribution remains in your Roth IRA. Please consult IRS Publication 590 for further information.

5. Roth Conversions, Rollovers and Recharacterizations

If you receive a distribution from a Roth 401(k) Plan, or a Roth IRA you may rollover part or all of it to your Roth MERS IRA. If you receive a distribution from the Traditional MERS IRA or another traditional IRA, you may convert part or all of it to your Roth MERS IRA.

Direct Rollover to Roth MERS IRA. A direct transfer from a Roth IRA, Roth 401(k), or Roth 457 plan, either at your request or that of the Roth IRA trustee or custodian, can be made at any time and is not included in your gross income, as long as you do not receive any of it.

Indirect Rollover to Roth MERS IRA. A distribution paid to you from an outside Roth IRA, Roth 401(k) plan or Roth 457 plan may be rolled over to the Roth MERS IRA, subject to the following:

- You must roll over any assets you received within 60 days of receiving them.
- You can roll over assets from another Roth individual retirement plan to your Roth MERS IRA only once within a 12-month period. You cannot, for a 12-month period, roll over the distributions from the IRA receiving the rollover.

Taxes continue to be deferred on tax-deferred amounts rolled over. Any assets from the Roth IRA that you do not roll over may be taxable for the tax year you receive them if they do not meet the requirements for tax-free withdrawals.

Requirements of the retirement plan and Roth IRA eligibility requirements.

Note: Distributions from eligible retirement plans, such as the MERS Defined Contribution Plan or the MERS 457 Plan, may be rolled over directly into the Roth MERS IRA. The rollover is taxable as ordinary income and subject to AGI based restrictions.

Note: SIMPLE IRAs that meet their two-year holding period, as well as SEP-IRAs, may now be directly converted into a Roth IRA.

Conversions from non-Roth IRAs: An IRA conversion consists of amounts rolled over, transferred, or considered transferred from a non-Roth IRA, such as the Traditional MERS IRA to a Roth IRA. Assets distributed from a non-Roth IRA will be reported to the IRS as a taxable distribution. If they are rolled over to a Roth MERS IRA, they will not be subject to penalties for premature distributions.

Recharacterizations. You may be able to treat a contributions made to one type of IRA as having been made to a different type of IRA. This is called recharacterizing the contribution. Recharacterization of IRA contributions: An annual contribution made to either a Roth IRA or a traditional IRA may be transferred from one to the other, with gains or losses, prior to your tax filing deadline plus extensions.

How to recharacterize. To recharacterize a contribution, you generally must have the contribution plus any net income (or loss) allocable to the contribution transferred from the first IRA (the one to which it was made) to the second IRA in a trustee-to-trustee transfer. If the transfer is made by the due date (including extensions) for your tax return for the year during which the contribution was made, you can elect to treat the contribution as having been originally made to the second IRA instead of to the first IRA. It will be treated as having been made to the second IRA on the same date that it was actually made to the first IRA. You must report the recharacterization, and must treat the contribution as having been made to, and any net income earned in, the second IRA, instead of the first IRA, on your tax return for the year during which the contribution was made. If you file your return timely without making the election, you can still make the choice by filing an amended return within six months of the due date of the return (excluding extensions).

6. Distributions from Roth MERS IRA

Distributions: You may at any time withdraw any or all of the balance in your Roth MERS IRA. An amount paid to you or those you name as beneficiaries to receive the balance in your Roth MERS IRA after your death is called a distribution.

Tax free distributions: Distributions free of federal, state and local income tax from a Roth IRA may be made after five or more years (i) when you are age 59½ or older; or (ii) on account of your death or disability. The five-year period will start on the first tax year in which a regular or conversion contribution was first made for the Roth IRA. A subsequent contribution or conversion will not start the running of a new five-year period.

Taxable distributions: In the event the requirements for tax-free distributions are not met, the earnings on contributions will be taxed as ordinary income in the year they are withdrawn. Taxable distributions from your Roth MERS IRA are subject to 10% income tax withholding. The amount withheld is remitted

to the IRS in prepayment of your federal income tax liability. You can elect in writing to waive withholding, in which case the record-keeper will not withhold taxes from your distribution.

Distribution Before Age 59½: Since the Tax Code encourages use of a Roth IRA for your retirement; there is a non-deductible tax penalty of 10% of the taxable portion on a distribution made before you reach age 59½. This 10% tax penalty on a “premature distribution” does not apply to a distribution made because of your permanent disability or death; if you take a series of equal or substantially equal payments that meet the exemption requirements of the Tax Code; used to pay medical expenses of more than 7.5% of adjusted gross income, used to pay health insurance premiums after separation from employment in certain cases; used for qualified first time homebuyer distributions (\$10,000 lifetime limit); or used for certain qualified higher education expenses.

Contributions to Roth IRAs are non-deductible. They may be withdrawn at any time without tax consequences, and are deemed withdrawn prior to assets in Roth IRAs not previously taxed. You may wish to consult with your tax advisor with regard to Roth IRA distributions.

E. Important Rules for your Traditional MERS IRA

1. Eligibility to Contribute to the Traditional MERS IRA

An individual who is or was a municipal employee or judicial employee who establishes a MERS Roth IRA while his or her employer or former employer continues to qualify as a participating municipality or participating court and who is within the modified adjusted gross income limits is permitted to make contributions to a Traditional IRA. You can make a contribution to your Traditional MERS IRA for each tax year that you receive compensation, even if you are covered under an employer’s tax-qualified retirement plan. However, you cannot make regular contributions once you reach the tax year in which you become age 70½. Your taxable compensation consists of amounts you earn from personal services — wages, salaries, tips, professional fees, bonuses, commissions, and self-employment and partnership incomes. Compensation also includes taxable alimony received by a divorced spouse under a decree of divorce or separate maintenance. Compensation does not include earnings and profits from property, such as interest and dividends, or amounts not includable in gross income. It also does not include pensions or annuities or amounts received as deferred compensation.

Spousal Traditional MERS IRA

Your spouse may qualify to establish a Spousal Traditional MERS IRA if you, the eligible employee establishes a Traditional MERS IRA account, funding is not required, and you and your spouse file a joint tax return. In that case, you or your spouse can make contributions to a separate Spousal Traditional MERS IRA as well contributions to your own Traditional MERS IRA.

For example, if you earn \$30,000 in tax year 2017, you could contribute \$5,500 to your Traditional IRA and \$5,500 to your spouse’s Traditional IRA for a total maximum contribution of \$11,000 for tax year 2017 or 100% of your taxable compensation, whichever is less.

Your spouse cannot make contributions to your MERS IRA for any tax year in which:

- you are age 70½ or older, or
- you and your spouse do not file a joint tax return.

2. Types of Traditional IRA Contributions

A regular contribution is a contribution to an IRA for a tax year that is made in cash. It may be deducted on your federal income tax return up to a maximum amount set by law. A regular contribution can be deducted even if no other deductions are itemized.

A rollover contribution is a contribution to an IRA of any or all assets received from another retirement plan. A rollover contribution is not tax-deductible, but it does continue the tax deferral on the retirement plan assets deposited into the IRA.

3. Maximum Amount, Deductibility and Deadline for Traditional IRA Contributions

Maximum amount: You can contribute each tax year up to:

- \$5,500 for tax year 2017 and as indexed for inflation thereafter.
- Catch up contributions: If you are age 50 or older before the end of the tax year, you can make a “catch up contribution” to your Roth IRA for that tax year of up to \$1,000 for tax year 2017 and thereafter.

Note: Your contribution amount cannot be more than 100% of your earned income.

Note: In any tax year you make a regular contribution to another IRA, or make a regular contribution to a Roth IRA, that contribution must be used to reduce the regular contribution that you can make to your MERS IRA for that year.

Deductibility: The maximum amount that can be deducted on your federal income tax return for any tax year depends upon whether you are covered by a tax-qualified plan as follows:

- Not covered by a tax-qualified plan. If you are not covered by a tax-qualified plan and you file an individual return, or if both you and your spouse are not covered by a tax-qualified plan and you file jointly or separately, you may deduct your full contribution to your Traditional MERS IRA.
- Covered by a tax-qualified plan. If you are covered by a tax-qualified plan and you file an individual return (other than a married individual filing a separate return), the maximum deductible amount depends upon your adjusted gross income.

Please consult your tax advisor to determine whether your contribution is tax deductible.

Non-Deductible Contributions You may designate a portion or all of your IRA contribution as a “nondeductible contribution” if amounts contributed do not exceed the lesser of 100% of compensation or the Traditional IRA contribution limit. If the deductible IRA contribution is limited because of active participation in an employer-maintained retirement plan and your adjusted gross income exceeds the amount set forth in Code Section 219, you may make a nondeductible contribution. You are required to designate on IRS Form 8606 how much of your IRA contribution is nondeductible. (This form should be attached to your Federal income tax return.) Therefore, your designation must be made by the due date (including extensions) for filing your tax return. Nondeductible contributions receive tax-deferred accumulation of income until withdrawn.

Deadline: You may establish and contribute to a Traditional MERS IRA for a tax year at any time during that year or any time up until your federal income tax filing deadline (usually April 15th) for that year without regard to extensions. Assets contributed to the MERS IRA must be received by the Plan’s custodian prior to the tax-filing deadline.

4. Excess Contributions

Contributions That Exceed Limits: To the extent that your total regular contribution to a Traditional IRA for a tax year exceeds the maximum amount you are permitted to contribute, it is an excess contribution. If you are not eligible to make a regular contribution to your Traditional MERS IRA for a tax year, the entire amount of the contribution for that year is an excess contribution.

You cannot deduct an excess contribution on your federal income tax return. In addition, you may be charged a nondeductible tax penalty of 6% of the excess contribution to the Traditional IRA. This 6% tax penalty will be charged each year the excess contribution remains in your Traditional MERS IRA. Please consult IRS Publication 590 for further information.

5. Rollover to the Traditional MERS IRA

If you have assets in another retirement plan, you may rollover all or part of them to your Traditional MERS IRA. The retirement plan from which you may roll over assets can either be an employer’s tax-qualified retirement plan,

such as the MERS 401(a) plan, 457 program or IRA with another financial institution.

Direct Rollover from an IRA or an Employer’s Retirement Plan to the Traditional MERS IRA: A direct transfer from an outside IRA or an employer’s retirement plan, such as the MERS 401(a) plan, 457 program to the Traditional MERS IRA, either at your request or that of the IRA trustee or custodian, can be made at any time, and is not included in your gross income as long as you do not receive any of it.

Indirect Rollover from an IRA or an Employer’s Retirement Plan to the Traditional MERS IRA: A distribution paid to you from an outside IRA or an employer’s retirement plan, such as a 457 plan, or 401(k) plan may be rolled over to the Traditional MERS IRA, subject to the following:

- You must roll over any assets you received within 60 days of receiving them.
- You can roll over assets from another individual retirement plan to your Traditional MERS IRA only once within a 12-month period. You cannot, for a 12-month period, roll over the distributions from the IRA receiving the rollover.

6. Distributions from Traditional MERS IRA

A taxable distribution from the Traditional MERS IRA is taxed as ordinary income. You may at any time withdraw any or all of the balance in your Traditional MERS IRA account. An amount paid to you or those you name as beneficiaries to receive the balance in your MERS IRA account after your death is called a distribution. A distribution to you must be included in your gross income on your federal income tax return for the tax year you receive it, and is taxable as ordinary income unless it is a non-taxable withdrawal. Taxable distributions from your IRA are subject to 10% income tax withholding by the MERS IRA. The amount withheld is remitted to the IRS in prepayment of your federal income tax liability. You can elect in writing to waive withholding by submitting Form W-4P, in which case MERS IRA will not withhold taxes from your distribution.

Distribution Before Age 59½: Since the Tax Code encourages use of a Traditional MERS IRA for your retirement, there is an additional nondeductible tax penalty of 10% of the taxable portion on a distribution made before you reach age 59½. This 10% tax penalty on a “premature distribution” does not apply to a distribution made because of the following:

- a distribution due to your death or disability,
- a distribution of an exempt excess contribution,
- a distribution that is rolled over to another IRA or to an employer-sponsored retirement plan,
- a distribution to purchase a principal residence for the first-time home buyer who is closely related to you (\$10,000 lifetime limit),
- a distribution to pay for qualified higher education expenses for you, your spouse, your children or your grandchildren,
- a distribution for deductible medical expenses (medical expenses of the individual that exceed 7.5% of your adjusted gross income),
- a distribution to purchase health insurance (if you have received unemployment compensation for twelve (12) consecutive weeks in the current or previous year),
- a distribution that is part of a series of substantially equal periodic payments (at least annual payments) made over your life or joint lives of you and your designated beneficiary, or
- a distribution on account of certain tax levies.

7. Required Minimum Distribution (RMD)

RMD must begin by age 70½, the tax code requires that you receive the minimum distribution from your Traditional MERS IRA account by April 1 of the calendar year following the calendar year you become age 70½. The RMD amount will be calculated using the “Applicable Distribution Period Table” or “Uniform Table”, which is based on the age of the IRA owner with a

beneficiary who is exactly 10 years younger. However, if the sole designated beneficiary is a spouse more than 10 years younger than the IRA owner, the minimum amount will be determined every year using the age of the IRA owner and the spouse. You may be subject to a 50% IRS penalty for failing to take a minimum distribution after you reach age 70½. Please consult Publication 590 for further information.

F. Transfers Incident to Divorce

If all or any portion of your IRA is awarded to a former spouse or spouse pursuant to divorce or legal separation, that portion can be transferred to an IRA or employer sponsored plan in the receiving spouse's name. This transaction can be processed without any tax implications to you if a written document executed by a court for the divorce or legal separation in accordance with Code Section 408(d) (6) is received by the Plan, and specifically directs the transfer. In addition, you must also provide the Plan with a letter of instruction and account number of the IRA maintained by the receiving spouse.

G. Investments

The assets of the MERS IRA will be invested in accordance with directions from the MERS IRA owner and in the investments permitted under by the Plan. The value of the MERS IRA will be solely dependent upon the performance of the investment instruments chosen by you. Therefore, no projection of the growth of the MERS IRA can be reasonably guaranteed at any given time.

H. Beneficiaries

Upon establishment of a MERS IRA, the account owner has the opportunity to choose both primary beneficiaries and contingent beneficiaries. Upon the death of the IRA owner, any amount payable from the MERS IRA shall be paid only to the primary beneficiary(ies) who survive the IRA owner. If any of the primary beneficiaries predecease the IRA owner, their share will be distributed proportionately among the remaining primary beneficiaries. Only if all the primary beneficiaries predecease the participant will the contingent beneficiary(ies) be entitled to any amount of the MERS IRA. If any of the contingent beneficiaries predecease the participant their share will be distributed proportionately among the remaining contingent beneficiaries. If no beneficiary designation is in effect at the time of the participant's death, or if no primary or contingent beneficiary survives the IRA owner, the MERS IRA will be paid to the owner's surviving spouse, or, if there is no surviving spouse, to the IRA owner's estate.

If you are a spousal beneficiary, you have the option of establishing a MERS IRA beneficiary account from assets inherited from your spouse. With an inherited traditional MERS IRA, the amount of your Required Minimum Distributions will be based on your age and be recalculated each year based on the factors in the Single Life Expectancy Table. Spousal beneficiaries also have the option to roll over your inherited MERS IRA proceeds into your own new or existing IRA and treat these assets as if they were your own.

If you are a non-spousal beneficiary of a MERS IRA account, you'll control both how your inherited assets are invested and to whom they pass upon your death. Your Required Minimum Distributions will also generally be based on your own life expectancy.

I. Additional Information

This Disclosure Statement should answer most questions concerning your IRA. If you have additional questions regarding IRAs, you should consult your tax advisor. You may obtain additional information regarding IRAs from any District Office of the Internal Revenue Service. Please see the Internal Revenue Service Publication 590 and Internal Revenue Service Publication 560, which are updated annually.