

MERS Defined Benefit Overview

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BUILDING
RETIREMENT
SUCCESS
TOGETHER

MERS Defined Benefit Plan

Provides you with a lifetime benefit that does not fluctuate due to investment gains or losses



A Closer Look at the MERS Defined Benefit Plan

The benefit formula is comprised of three components:

Final Average
Compensation

X

Service Credit

X

Benefit
Multiplier

=

\$ Annual Benefit

Defined Benefit Formula

Final Average
Compensation

Service Credit

X

Benefit
Multiplier

=

\$ Annual Benefit

Final Average Compensation (FAC)

- Average of the highest wages earned over a period determined by employer
- Compensation is defined by your employer

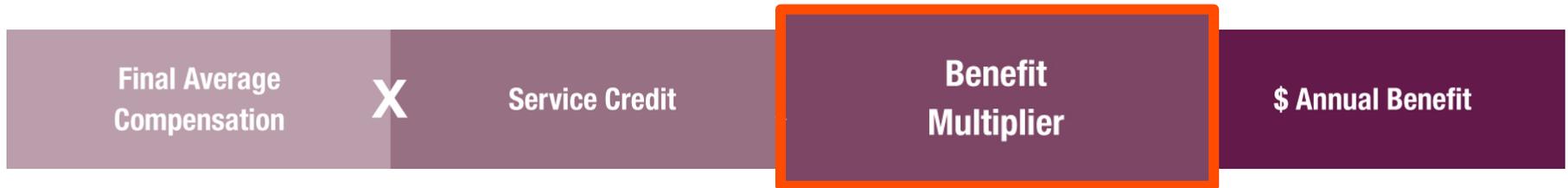
Defined Benefit Formula



Service Credit

- Earned each month of work that meets employer's requirements
- Service credit reported to MERS by your employer
- You can view service credit history through myMERS
- Includes any purchases of service credit

Defined Benefit Formula



Benefit Multiplier

- Specific percentage adopted by employer for each division
- Multipliers range from 1.0% to 2.50%
- Benefit maximum of 80% of Final Average Compensation for multipliers at 2.25% or more

Working Through an Example

Meet Jane



Final Average
Compensation \$45,000



Service Credit of 25 years



2.0% Benefit Multiplier

**Annual Straight Life
benefit* \$22,500**

**Monthly Straight Life
benefit* \$1,875**

*Maximum benefit at retirement
with no benefit to beneficiary

Eligibility

Vesting

The required amount of service credit you must earn for retirement benefits

Other Ways to Vest

- MERS Employer to MERS Employer
- Act 88 – Reciprocal Retirement Act of 1961



Retirement Eligibility

- You are eligible to receive full retirement benefits once you meet the age and service requirements
 - Normal retirement age is 60 and vested
- Early Retirement Options (adopted by employer)
 - At age 50 with 25 or 30 years of service
 - At age 55 with 15, 20, 25, or 30 years of service
 - Any age with a minimum of 20-30 years of service, in whole numbers

Reduced Retirement Benefits

- Permanently reduces your benefit by 0.5% per month if you are younger than the retirement age
- Age and service requirement must be met

Contributions

- Plan may be funded by both the employer and employee
- Employee contributions are a set percentage
- Employee contributions are 100% vested
- You can view your contribution detail online at myMERS

Defined Benefit Annual Statements

Employees will receive an annual statement detailing their personal retirement benefits, including contributions

Naming a Beneficiary

Each employee names his or her own beneficiary

- A spouse is always the beneficiary unless rights are waived in writing

Refund Beneficiary

- Receives a lump sum refund if the employee dies before being vested if there is no spouse or survivor beneficiary
- Successor refund beneficiary(s) receives a refund if the refund beneficiary is not living when the employee dies

Naming a Beneficiary

Survivor Beneficiary

- Must have an insurable interest in the employee's life, meaning he or she would suffer financial loss as a result of death
- Receives a lifetime benefit if the employee is vested and dies before benefit eligibility

Death and Life Changes

- **Duty Death**
 - Vesting is not required
 - Beneficiary receives benefit as applicable to situation

- **Non-Duty Death**
 - Vesting is required
 - Beneficiary receives benefit as applicable to situation

- **Duty Disability**
 - Vesting is not required
 - Receives benefit as applicable to situation

- **Non-Duty Disability**
 - Vesting is required
 - Receives benefit as applicable to situation

Disability applications are subject to approval by MERS Retirement Board.

Divorce

- Pension benefits are considered marital property and former spouse may be eligible to receive benefits
- State of Michigan enacted the Eligible Domestic Relations Order (EDRO) to help protect marital property
- MERS requires copy of entire Judgment of Divorce
- Contact MERS before any divorce proceedings

Leaving Employment Before Retirement

- You must be employed for at least a year in order to defer service
 - Benefits may be deferred until age requirements are met
 - If you work for any MERS employer within 20 years, your service credit may be used to help meet eligibility requirements
- You may request a refund of contributions
 - Receive a one-time refund of your own contributions plus interest
 - Employer contributions are not refunded
 - Your refund would forfeit your credited service and lifetime benefits

Changing Jobs at a Municipality

- If you move to a different position at your municipality, and the new position has different MERS benefits, then you must participate in the open, active plan
 - Your municipality may have Alternative Transfer Rules
 - In this case you have a choice of:
 - The division's open, active plan
- OR**
- Closed plan, if there are active employees in plan and it matches your prior plan (Defined Benefit to Defined Benefit)

Applying for Retirement

You can find the MERS Defined Benefit Retirement Process online at www.mersofmich.com



The image shows a purple banner at the top with the MERS logo (Michigan Employees' Retirement System). Below the banner is a photograph of a white coffee cup on a woven placemat. A napkin is placed on the placemat, featuring a hand-drawn mind map. The central node is 'Retirement', which is connected to five other nodes: 'Finances', 'Health Care', 'Taxes', 'Insurance', and 'Plan'.

Understanding the
MERS Defined Benefit
Retirement Process

Applying for Retirement

1 **Submit MERS *Application for Service Retirement***

Complete the application 45 – 90 days before desired retirement date

2 **We begin processing your application**

It can take up to six weeks to review your file and begin processing your information

3 **Your preliminary benefit estimate and forms are sent**

We'll send a personalized benefit calculation and you'll also receive the necessary forms to complete and submit back to MERS

Benefit payments subject to applicable state and federal taxes

Applying for Retirement

4 Return required forms to us

If applicable to your situation, you should also include:

- Marriage license
- Birth certificate, yours and beneficiary's
- Proof of name change for you and/or your beneficiary, if applicable
- Entire copy of your Judgment of Divorce
- Affidavit of Insurable Interest
- Death Certificate, if claiming benefits as a beneficiary

5 Enjoy your retirement!

Your retirement date will be the first day of the month following your termination date, or the first day of the month following MERS receipt of your completed retirement forms and information, whichever is later.

Benefit payments subject to applicable state and federal taxes

Receiving the Benefit

Straight Life Option

- Highest benefit at retirement
- Benefit applies only to retiree (no beneficiaries)

Life with 100%, 75% or 50% to Survivor

- A benefit for two lives, retiree and survivor
- Reduction for retiree based on life expectancy of both lives*
- If survivor beneficiary predeceases retiree, retiree reverts to Straight Life benefit

Life with 20, 15, 10, 5 years certain

- Retiree receives benefit for life
- If retiree dies before the period certain ends, the beneficiary(s) will equally share in the benefit until the period certain ends
- Multiple beneficiaries allowed

Working After Retirement

- No restrictions for retirees hired at a different municipality or employer
- Specific rules regarding retirees rehired to the *same* municipality in either elected or non-elected positions

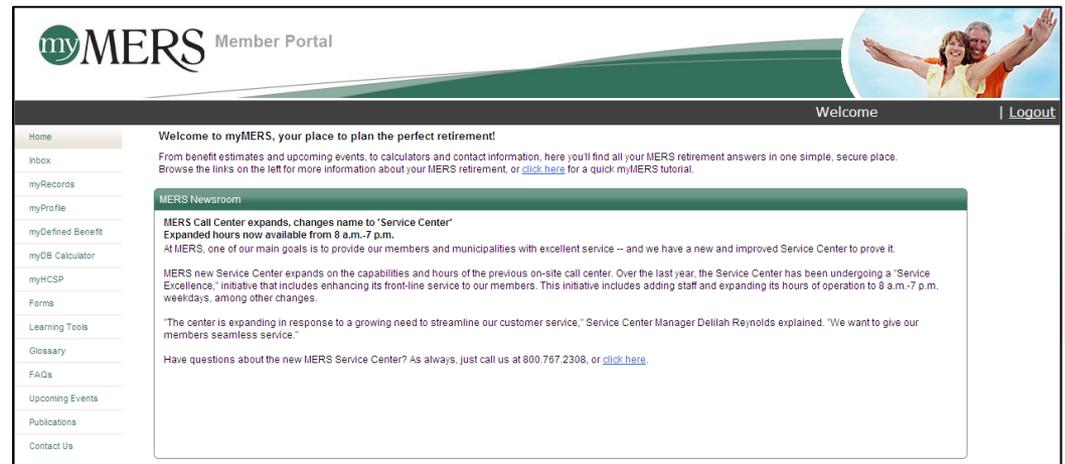
Key Points

- Per IRS rules, pre-arranging or discussing returning to work is not allowed
 - 30 day bona fide separation
 - For elected positions, 2 year lapse of employment
- Rehired retirees allowed maximum of 720 hours per calendar year before pension benefits suspended

Online Access

Full access to all your MERS benefits

- Account information
- Online calculators
- Wage and service information from employer
- View contact information
- FAQs and tutorial videos
- Newsletters and statements
- Current forms



You can access myMERS at *mymers.mersofmich.com*

Helping Prepare for Retirement

Service Center

- Available weekdays by phone

Statements, Newsletters, and Publications

- Annual statements highlight each member's personal benefit
- Active members receive *Active Outlook* newsletter
- Retired members receive *Retiree News* newsletter

Seminars

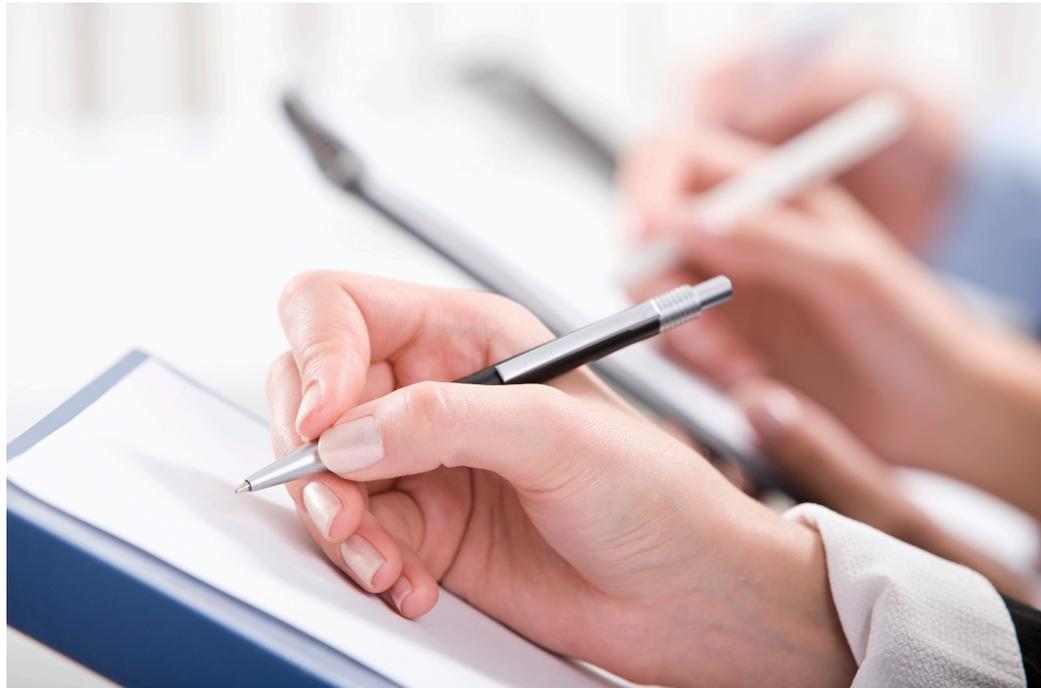
- Group presentations and one-on-one consultations at municipality during business hours or any time convenient for employees
- Seminars offered at different times and locations throughout the year

Online Calculators

- Members can access online calculators to personalize their finances

Please take time to fill in your survey

There are session surveys in the back of your book. Please take the time to fill in the survey to assist us in planning future events!



Contact Us

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