

# Defined Contribution Overview

Presented by  
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BUILDING  
RETIREMENT  
**SUCCESS**  
TOGETHER

# What is MERS Defined Contribution Plan?

$$\begin{array}{ccccccc} \text{Employer} & & \text{Employee} & & \text{Earnings or} & & \\ \text{Contributions} & + & \text{Contributions} & + & \text{Losses in} & - & \\ & & & & \text{the Market} & & \\ & & & & & & \text{Fees} & = & \text{\$ Account Balance} \end{array}$$

- Pre-tax contributions are made to your account throughout your employment
- Assets are invested and accumulate tax-deferred
- Retirement benefit is your account balance

## Factors that directly affect account balance

- How much contributed
- Performance of investment funds minus fees
- Years invested

# Understanding Defined Contribution



## *Employer Contributions*

- Contributions are made pre-tax
- Not taxable until withdrawn
- Three options for contributions
  1. Fixed dollar or percentage, without required employee contributions
  2. Fixed dollar or percentage, with required employee contributions
  3. Fixed dollar or percentage of employee contributions, matched by employer

# Understanding Defined Contribution



## ***Mandatory Employee Contributions***

- Contributions are made pre-tax
- Fixed dollar or required percentage
  - Employee elects amount at enrollment that cannot be changed

## ***Voluntary After-Tax Contributions***

- Allowed through payroll deduction
- Start and stop contributions any time
- Maximum contribution 25% of salary

# 401(a) and 401(k)

Employers and participants may confuse 401(a) and 401(k). A big difference is that **by law**, public sector employers are required to provide a 401(a) plan, not a 401(k) plan.

MERS 401(a) Defined Contribution	401(k)
<ul style="list-style-type: none"><li>• Participation is mandatory</li></ul>	<ul style="list-style-type: none"><li>• Participant must choose to actively enroll in plan</li></ul>
<ul style="list-style-type: none"><li>• Pre-tax employee contributions are mandatory</li><li>• Employer may offer a contribution range in which the employee makes a one-time choice</li></ul>	<ul style="list-style-type: none"><li>• Participant may change contributions at any time</li></ul>
<ul style="list-style-type: none"><li>• Not subject to ERISA laws but subject to other state and federal laws</li></ul>	<ul style="list-style-type: none"><li>• Subject to ERISA laws</li></ul>

# Benefits of Pre-Tax Contributions

	No Program Deductions	MERS Defined Contribution pre-tax deductions
<b>Gross Wages</b>	<b>\$2,000</b>	<b>\$2,000</b>
MERS Defined Contribution Pre-tax deductions	0.00	<b>100.00</b>
<b>Payroll Deductions</b>		
Federal Income Tax	282.93	257.93
Social Security	124.00	124.00
Medicare Tax	29.00	29.00
MI State Income Tax	81.82	77.42
<b>Net Pay (Take-home Pay)</b>	<b>\$1,482.25</b>	<b>\$1,411.65</b>

# Maximum Contribution Limits

Internal Revenue Service sets annual contribution limit (employer and employee contributions), which is the lesser of:

- Up to 100% of gross wages (minus pre-tax contributions and FICA taxes)
- No more than the IRS allowed annual limit on contributions,
  - \$51,000 in 2013 (adjusted annually)
  - IRS contribution limits available on MERS website

# Rollovers

- Accepts rollovers from eligible plans
- Amounts rolled over are not subject to federal income tax
- Money grows tax-deferred until withdrawn
- Examples of eligible plans include:
  - 401(a) or 401(k)
  - Tax sheltered annuity contract (403b)
  - Eligible deferred compensation plans (457b)
  - Individual Retirement Account (IRA), Traditional or SIMPLE

## Benefits of rolling into MERS Defined Contribution Plan

- MERS average fees may be lower
- Access to MERS investment expertise and funds
- Receive information and service from one plan



**MERS  
Investment  
Menu**

# MERS Investment Menu

- Historically, participants have had to make a lot of complex decisions in a self-directed plan
- MERS sought to improve participant outcomes by developing a strategic and streamlined investment menu
- The MERS Investment Menu has a concentrated list of options to provide quality over quantity, following industry best practices
  - Options are grouped into four logical “sleeves” that participants can identify with, which assists in simplified decision making

## MERS Retirement Strategies

- Default fund for the MERS Defined Contribution Plan
- Nearly half of participants are in the MERS Retirement Strategies funds (47.6%)

# Benefits of MERS Investment Menu

- MERS is the fiduciary, meaning we have an obligation to place the participant's interest first in making any decisions about the plan
- The MERS Retirement Board and the MERS Office of Investments
  - Actively monitor and select the fund lineup and investment managers
  - Ensures quality investment options are offered
  - Negotiates fees that individuals would not be able to negotiate on their own

# Department of Labor Requirements Participant Fee Disclosure Overview

- All participants and beneficiaries:
  - Have access to general plan and investment information
  - Are made aware of rights and responsibilities
  - Have sufficient information to make informed decisions

# How it Works

- MERS provides resources to help select funds
- Participants choose the investment category that best meets their needs
- Participants can take the investor profile quiz to learn more about their investing style

**Understanding the MERS Investment Menu**  
For participants in the  
MERS Defined Contribution Plan,  
MERS Hybrid Plan,  
MERS Health Care Savings Program or  
MERS 407 Supplemental Retirement Program

**The MERS Investment Menu**  
When it comes to meeting the first step to meeting your goals is finding an investment strategy that best suits you. The MERS Investment Menu is comprised of four strategic categories designed with a diversified approach to choosing investments. Take this short quiz to find the category that sounds appropriate for your needs.

**Get started**  
Choose one of the investment categories that feels the most comfortable to you:

- "I want a simplified way to invest. I would like an option that is both fully diversified and professionally managed, and I don't want to do the legwork on my own."
  - 1 Retirement Strategies**
- "I want a fully diversified, professionally managed charge of changing over time."
  - 2 Diversified Portfolio**
- "I want to start with a fully diversified, professional and flexible investment using MERS' selected funds."
  - 2 Diversified Portfolio + 3 Expanded Funds**
- "I want to build my own portfolio using a variety of funds selected for me by MERS."
  - 4 Self-Directed 'Challenge Window'**

\*Based on MERS Defined Contribution Plan, MERS Hybrid Plan and MERS 407 Supplemental Retirement Program

**Investor Profile Quiz**  
This section offers some helpful information when building or fine-tuning your retirement portfolio, and can help you understand what kind of investment strategy best suits you. These questions are just a guide. "Yes" or "No" means a final evaluation of your risk tolerance. However, it will help you think about some important considerations. It may also help determine whether you are a conservative, moderate, or an aggressive investor. You should consult your investment advisor to determine the strategies that are right for you.

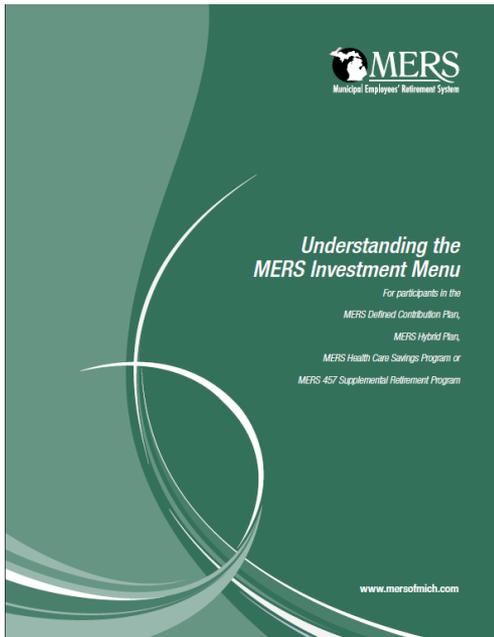
Investor Profile Quiz	None	Some	Some	Some	None
1. I am willing to accept a greater degree of risk to gain the potential for higher returns.	1	2	3	4	5
2. I am willing to invest on a long-term basis.	1	2	3	4	5
3. If one of my investments dropped 20% in value over six months due to a stock market fluctuation, I would hold on to that investment, expecting to recover its value.	1	2	3	4	5
4. I have sources of savings other than my MERS account that make me feel better about my financial future.	1	2	3	4	5
Total Score _____					

Use the results from your investor profile quiz and your time horizon to determine the investor profile which best suits your needs.

Investor Profile	Time Horizon 0-5Y	Time Horizon 6-10Y	Time Horizon 11-20Y
Very conservative	Conservative Growth (C)	Conservative Growth (C)	Conservative Growth (C)
Conservative	Moderate Growth (M)	Conservative Growth (C)	Income Oriented (I)
Moderate	Moderate Growth (M)	Conservative Growth (C)	Income Oriented (I)
Aggressive	Conservative Growth (C)	Income Oriented (I)	Income Oriented (I)

12 | Managed Employee Retirement System of Michigan

# MERS Resources



**3Q 9/30/11**  
Page 1 of 4  
1314 Municipal Way Lansing, MI 48917 | 517.793.9630 | 800.742.2308  
www.mersofmich.com

### Investment Menu Summary

Performance Summary  
Defined Contribution, Hybrid (Part II) Plans, Health Care Savings Program, and 457

Fund Type	Quarter-to-Date	1 yr.	3 yr.	5 yr.	10 yr.	inception date
<b>Stable Value Funds</b>						
MERS Stable Value Fund (not available to HCF or 457)	0.74%	-	-	-	-	Jan. 2011
<b>Bond Funds</b>						
MERS Short Term Managed Income Fund	0.59%	-1.03%	1.82%	4.54%	6.03%	Jan. 1987
Randcap Capital U.S. Strategy 1-2 Year Index	0.59%	-1.03%	2.46%	3.86%	3.23%	Jan. 1987
MERS Diversified Bond Fund	1.06%	-3.33%	9.19%	6.60%	6.01%	Jan. 1987
Randcap Capital U.S. Aggregate Index	3.62%	-	-	-	-	Jan. 2011
American Century Government Bond Fund	4.36%	-	-	-	-	Jan. 2011
Dreyfus Bond Market Index	3.72%	-	-	-	-	Jan. 2011
Randcap Capital U.S. Aggregate Bond Index	3.62%	-	-	-	-	Jan. 2011
PRMCO Total Return Fund	-1.56%	-	-	-	-	Jan. 2011
Randcap Capital U.S. Aggregate Bond Index	3.62%	-	-	-	-	Jan. 2011
PRMCO High Yield Fund	-4.30%	-	-	-	-	Jan. 2011
Bank of Montreal U.S. High Yield, BB-B Rated, Constrained Index	-4.29%	-	-	-	-	Jan. 2011
<b>Target Date Funds</b>						
MERS 2005 Retirement Strategy	-5.92%	-	-	-	-	Jan. 2011
Custom Benchmark	-5.81%	-	-	-	-	Jan. 2011
MERS 2010 Retirement Strategy	-8.15%	-	-	-	-	Jan. 2011
Custom Benchmark	-8.00%	-	-	-	-	Jan. 2011
MERS 2015 Retirement Strategy	-9.81%	-	-	-	-	Jan. 2011
Custom Benchmark	-9.71%	-	-	-	-	Jan. 2011
MERS 2020 Retirement Strategy	-11.23%	-	-	-	-	Jan. 2011
Custom Benchmark	-11.03%	-	-	-	-	Jan. 2011
MERS 2025 Retirement Strategy	-12.62%	-	-	-	-	Jan. 2011
Custom Benchmark	-12.42%	-	-	-	-	Jan. 2011
MERS 2030 Retirement Strategy	-14.27%	-	-	-	-	Jan. 2011
Custom Benchmark	-14.07%	-	-	-	-	Jan. 2011
MERS 2035 Retirement Strategy	-15.23%	-	-	-	-	Jan. 2011
Custom Benchmark	-15.03%	-	-	-	-	Jan. 2011
MERS 2040 Retirement Strategy	-16.12%	-	-	-	-	Jan. 2011
Custom Benchmark	-15.92%	-	-	-	-	Jan. 2011
MERS 2045 Retirement Strategy	-16.10%	-	-	-	-	Jan. 2011
Custom Benchmark	-15.90%	-	-	-	-	Jan. 2011
MERS 2050 Retirement Strategy	-16.11%	-	-	-	-	Feb. 2011
Custom Benchmark	-15.91%	-	-	-	-	Feb. 2011
MERS 2055 Retirement Strategy	-16.13%	-	-	-	-	Feb. 2011
Custom Benchmark	-15.93%	-	-	-	-	Feb. 2011

3Q 2011	3Q 2011	3Q 2011
<p><b>MERS 2015 Retirement</b></p> <p>Objective: Meet the target date for the highest and best use of assets.</p> <p>Investment Strategy: A diversified portfolio of equities and fixed income assets, with a focus on growth and income. The portfolio is managed to meet the target date for the highest and best use of assets.</p> <p>Primary Investments: <ul style="list-style-type: none"> <li>U.S. Equity</li> <li>U.S. Fixed Income</li> <li>International Equity</li> <li>International Fixed Income</li> <li>Commodities</li> <li>Real Estate</li> </ul> </p> <p>Risk Factors: <ul style="list-style-type: none"> <li>Market Risk</li> <li>Interest Rate Risk</li> <li>Foreign Exchange Risk</li> <li>Commodity Risk</li> <li>Real Estate Risk</li> </ul> </p> <p>Performance Information: <ul style="list-style-type: none"> <li>3Q 2011: 1.23%</li> <li>YTD: 1.23%</li> <li>1 yr.: 1.23%</li> <li>3 yr.: 1.23%</li> <li>5 yr.: 1.23%</li> <li>10 yr.: 1.23%</li> </ul> </p>	<p><b>MERS 2020 Retirement</b></p> <p>Objective: Meet the target date for the highest and best use of assets.</p> <p>Investment Strategy: A diversified portfolio of equities and fixed income assets, with a focus on growth and income. The portfolio is managed to meet the target date for the highest and best use of assets.</p> <p>Primary Investments: <ul style="list-style-type: none"> <li>U.S. Equity</li> <li>U.S. Fixed Income</li> <li>International Equity</li> <li>International Fixed Income</li> <li>Commodities</li> <li>Real Estate</li> </ul> </p> <p>Risk Factors: <ul style="list-style-type: none"> <li>Market Risk</li> <li>Interest Rate Risk</li> <li>Foreign Exchange Risk</li> <li>Commodity Risk</li> <li>Real Estate Risk</li> </ul> </p> <p>Performance Information: <ul style="list-style-type: none"> <li>3Q 2011: 1.23%</li> <li>YTD: 1.23%</li> <li>1 yr.: 1.23%</li> <li>3 yr.: 1.23%</li> <li>5 yr.: 1.23%</li> <li>10 yr.: 1.23%</li> </ul> </p>	<p><b>MERS 2025 Retirement Strategy</b></p> <p>Objective: Meet the target date for the highest and best use of assets.</p> <p>Investment Strategy: A diversified portfolio of equities and fixed income assets, with a focus on growth and income. The portfolio is managed to meet the target date for the highest and best use of assets.</p> <p>Primary Investments: <ul style="list-style-type: none"> <li>U.S. Equity</li> <li>U.S. Fixed Income</li> <li>International Equity</li> <li>International Fixed Income</li> <li>Commodities</li> <li>Real Estate</li> </ul> </p> <p>Risk Factors: <ul style="list-style-type: none"> <li>Market Risk</li> <li>Interest Rate Risk</li> <li>Foreign Exchange Risk</li> <li>Commodity Risk</li> <li>Real Estate Risk</li> </ul> <p>Target Asset Allocation (as of September 30, 2011): <ul style="list-style-type: none"> <li>U.S. Equity: 45%</li> <li>U.S. Fixed Income: 35%</li> <li>International Equity: 10%</li> <li>International Fixed Income: 5%</li> <li>Commodities: 2%</li> <li>Real Estate: 5%</li> </ul> </p> </p>
<p><b>MERS Capital Appreciation</b></p> <p>Objective: Meet the target date for the highest and best use of assets.</p> <p>Investment Strategy: A diversified portfolio of equities and fixed income assets, with a focus on growth and income. The portfolio is managed to meet the target date for the highest and best use of assets.</p> <p>Primary Investments: <ul style="list-style-type: none"> <li>U.S. Equity</li> <li>U.S. Fixed Income</li> <li>International Equity</li> <li>International Fixed Income</li> <li>Commodities</li> <li>Real Estate</li> </ul> </p> <p>Risk Factors: <ul style="list-style-type: none"> <li>Market Risk</li> <li>Interest Rate Risk</li> <li>Foreign Exchange Risk</li> <li>Commodity Risk</li> <li>Real Estate Risk</li> </ul> </p> <p>Performance Information: <ul style="list-style-type: none"> <li>3Q 2011: 1.23%</li> <li>YTD: 1.23%</li> <li>1 yr.: 1.23%</li> <li>3 yr.: 1.23%</li> <li>5 yr.: 1.23%</li> <li>10 yr.: 1.23%</li> </ul> </p>	<p><b>MERS Established Market</b></p> <p>Objective: Meet the target date for the highest and best use of assets.</p> <p>Investment Strategy: A diversified portfolio of equities and fixed income assets, with a focus on growth and income. The portfolio is managed to meet the target date for the highest and best use of assets.</p> <p>Primary Investments: <ul style="list-style-type: none"> <li>U.S. Equity</li> <li>U.S. Fixed Income</li> <li>International Equity</li> <li>International Fixed Income</li> <li>Commodities</li> <li>Real Estate</li> </ul> </p> <p>Risk Factors: <ul style="list-style-type: none"> <li>Market Risk</li> <li>Interest Rate Risk</li> <li>Foreign Exchange Risk</li> <li>Commodity Risk</li> <li>Real Estate Risk</li> </ul> </p> <p>Performance Information: <ul style="list-style-type: none"> <li>3Q 2011: 1.23%</li> <li>YTD: 1.23%</li> <li>1 yr.: 1.23%</li> <li>3 yr.: 1.23%</li> <li>5 yr.: 1.23%</li> <li>10 yr.: 1.23%</li> </ul> </p>	<p><b>MERS Established Market Fund</b></p> <p>Objective: Meet the target date for the highest and best use of assets.</p> <p>Investment Strategy: A diversified portfolio of equities and fixed income assets, with a focus on growth and income. The portfolio is managed to meet the target date for the highest and best use of assets.</p> <p>Primary Investments: <ul style="list-style-type: none"> <li>U.S. Equity</li> <li>U.S. Fixed Income</li> <li>International Equity</li> <li>International Fixed Income</li> <li>Commodities</li> <li>Real Estate</li> </ul> </p> <p>Risk Factors: <ul style="list-style-type: none"> <li>Market Risk</li> <li>Interest Rate Risk</li> <li>Foreign Exchange Risk</li> <li>Commodity Risk</li> <li>Real Estate Risk</li> </ul> <p>Target Asset Allocation (as of September 30, 2011): <ul style="list-style-type: none"> <li>U.S. Equity: 45%</li> <li>U.S. Fixed Income: 35%</li> <li>International Equity: 10%</li> <li>International Fixed Income: 5%</li> <li>Commodities: 2%</li> <li>Real Estate: 5%</li> </ul> </p> </p>
<p><b>MERS Short-Term Mans</b></p> <p>Objective: Meet the target date for the highest and best use of assets.</p> <p>Investment Strategy: A diversified portfolio of equities and fixed income assets, with a focus on growth and income. The portfolio is managed to meet the target date for the highest and best use of assets.</p> <p>Primary Investments: <ul style="list-style-type: none"> <li>U.S. Equity</li> <li>U.S. Fixed Income</li> <li>International Equity</li> <li>International Fixed Income</li> <li>Commodities</li> <li>Real Estate</li> </ul> </p> <p>Risk Factors: <ul style="list-style-type: none"> <li>Market Risk</li> <li>Interest Rate Risk</li> <li>Foreign Exchange Risk</li> <li>Commodity Risk</li> <li>Real Estate Risk</li> </ul> </p> <p>Performance Information: <ul style="list-style-type: none"> <li>3Q 2011: 1.23%</li> <li>YTD: 1.23%</li> <li>1 yr.: 1.23%</li> <li>3 yr.: 1.23%</li> <li>5 yr.: 1.23%</li> <li>10 yr.: 1.23%</li> </ul> </p>	<p><b>MERS Diversified Bond</b></p> <p>Objective: Meet the target date for the highest and best use of assets.</p> <p>Investment Strategy: A diversified portfolio of equities and fixed income assets, with a focus on growth and income. The portfolio is managed to meet the target date for the highest and best use of assets.</p> <p>Primary Investments: <ul style="list-style-type: none"> <li>U.S. Equity</li> <li>U.S. Fixed Income</li> <li>International Equity</li> <li>International Fixed Income</li> <li>Commodities</li> <li>Real Estate</li> </ul> </p> <p>Risk Factors: <ul style="list-style-type: none"> <li>Market Risk</li> <li>Interest Rate Risk</li> <li>Foreign Exchange Risk</li> <li>Commodity Risk</li> <li>Real Estate Risk</li> </ul> </p> <p>Performance Information: <ul style="list-style-type: none"> <li>3Q 2011: 1.23%</li> <li>YTD: 1.23%</li> <li>1 yr.: 1.23%</li> <li>3 yr.: 1.23%</li> <li>5 yr.: 1.23%</li> <li>10 yr.: 1.23%</li> </ul> </p>	<p><b>MERS Mid Cap Fund</b></p> <p>Objective: Meet the target date for the highest and best use of assets.</p> <p>Investment Strategy: A diversified portfolio of equities and fixed income assets, with a focus on growth and income. The portfolio is managed to meet the target date for the highest and best use of assets.</p> <p>Primary Investments: <ul style="list-style-type: none"> <li>U.S. Equity</li> <li>U.S. Fixed Income</li> <li>International Equity</li> <li>International Fixed Income</li> <li>Commodities</li> <li>Real Estate</li> </ul> </p> <p>Risk Factors: <ul style="list-style-type: none"> <li>Market Risk</li> <li>Interest Rate Risk</li> <li>Foreign Exchange Risk</li> <li>Commodity Risk</li> <li>Real Estate Risk</li> </ul> <p>Target Asset Allocation (as of September 30, 2011): <ul style="list-style-type: none"> <li>U.S. Equity: 45%</li> <li>U.S. Fixed Income: 35%</li> <li>International Equity: 10%</li> <li>International Fixed Income: 5%</li> <li>Commodities: 2%</li> <li>Real Estate: 5%</li> </ul> </p> </p>

Overview Booklet with Glossary of Terms

Performance and Fee Summary

Fund Sheets



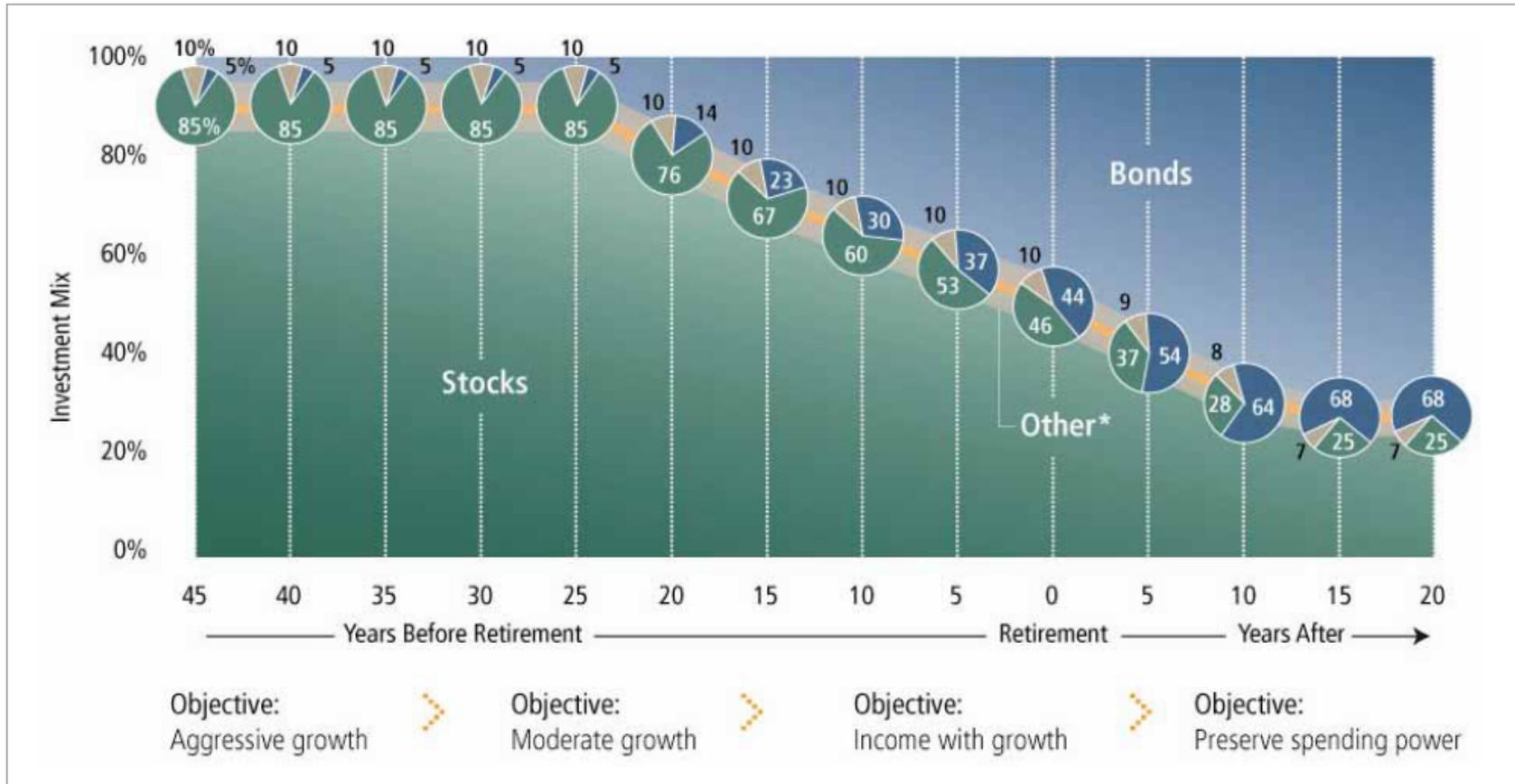
## Retirement Strategies

### *Target Date Funds*

For those who want a simplified way to invest

- Complete diversified investment fund
- Assets change from aggressive to conservative as participant approaches selected retirement age and through retirement
- Default investment selection, based on projected retirement age 60

# How the Glide Path Works



\*Other includes Global Real Estate Investment Trusts (REITs) and Commodities



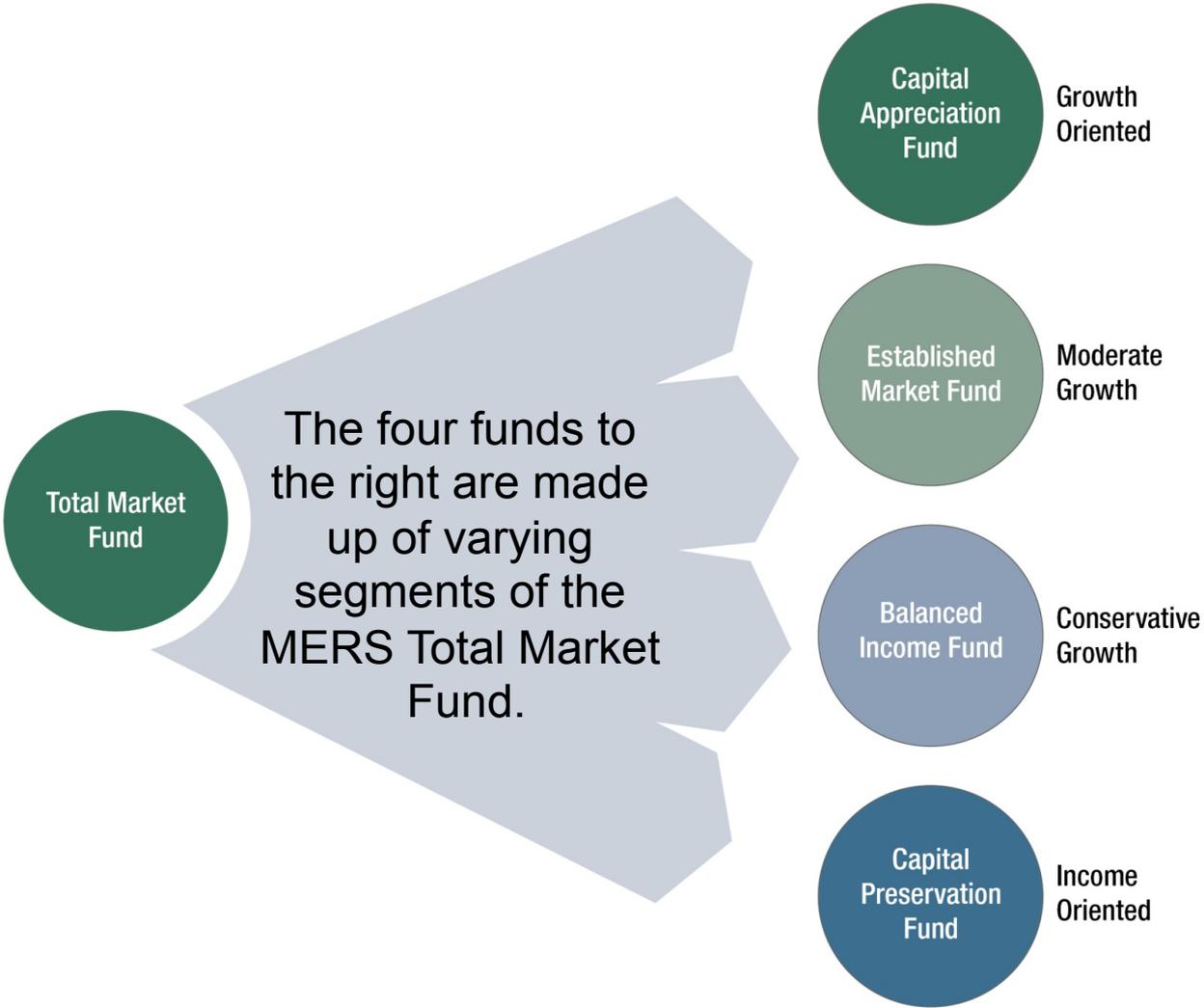
## Diversified Portfolios

### *MERS-managed portfolios*

For those who want a fully diversified, professionally managed portfolio they are in charge of changing

- Professionally managed by MERS
- Customized to participant's risk tolerances
- Each have target allocation mix rebalanced (or readjusted) quarterly

# How Diversified Portfolios Work



# 3

## Expanded Funds

*Building and fine-tuning your own portfolio*

For the investor who knows their goals, risk tolerance and time horizon and wants to build or add to their current portfolio

- Gives experienced investors a variety of funds to select from
- Can be a great addition to the other categories and help to further diversify investment portfolio and fine-tune strategy
- MERS actively monitors the selection of funds to ensure quality

# 4

## Self-Directed Brokerage Window

*More choices for experienced investors*

For the experienced investor who wants access to even more options

- Gives access to over 1,000 additional investments:
  - Individual securities
  - Mutual funds in a variety of share classes
- Available through Charles Schwab
- Certain restrictions apply

# Making Investment Changes

- Make changes online through myMERS
- Use the *Payroll/Investment Election Form*
- Call our Service Center at 800.767.2308



# Vesting

Amount of service required to be eligible for employer contributions

## *Vesting by Years of Service*

- One month of service is earned for each month a contribution deposited into account
- Employer chooses vesting requirement

# Vesting, Cont'd.

## *Automatic Vesting Age*

- Automatically vested at an age determined by the employer
  - Typically age 60

- Employee contributions are always 100% vested
- Employees must be vested at termination to withdraw employer contributions and associated earnings

# Other Vesting Considerations

## *Other Employment Statuses That Affect Vesting*

- Worker's Compensation
  - No contributions into your account
  - Continue to earn service toward vesting
- Qualified Active Military Service
  - If employee contributions are made or paid back, service will be earned



# Other Vesting Considerations

## ***MERS-to-MERS Time***

- Minimum of 12 months of service at each employer
- Cannot have a break of more than 20 years between MERS employers

## ***Reciprocal Retirement Act (Act 88)***

- Current employer must have adopted Act 88
- Minimum of 30 months of credited service

# Naming a Beneficiary

## *Primary Beneficiary*

- Spouse always primary beneficiary
  - Entitled to 100% of benefits unless waived in writing
- Entitled to account balance upon your death
- May split the account among multiple people, a trust, estate or any legal entity as the beneficiary

## *Contingent Beneficiary*

- In the event of your death and primary beneficiary death, contingent beneficiary is entitled to account balance
- A trust, estate or any legal entity may also be named

# Beneficiary Access to the Account

- Upon death of an **active** participant, the account becomes immediately vested
  - Beneficiary is eligible to receive account balance
  - Beneficiary retains all of the same investment privileges as participant

# Other Life Changes

## *Disability*

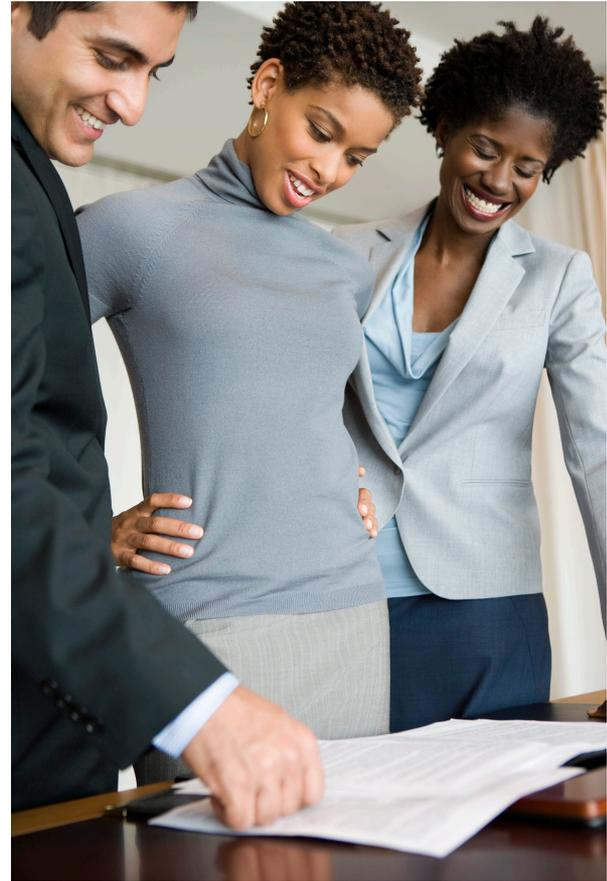
- A permanent physical or mental impairment that renders an employee incapable of performing regular work duties
- Upon approval by the employer, disabled employee becomes immediately vested

## *Divorce*

- Retirement benefits are considered marital property and a former spouse may be entitled to a portion of the benefits
- State of Michigan enacted the Eligible Domestic Relations Order (EDRO)

# Changing Jobs at a Municipality

If moving to a different position at your municipality with different MERS benefits, you must participate in the open, active plan



# Leaving Current Employment

- You may withdraw assets from the plan without tax penalty if you leave employment after Jan. 1 of the year you turn 55
- If you leave employment before this time, you must wait until they are age 59 ½ to take withdrawals without penalty

Keep account  
with MERS

Full or partial  
rollover

Withdraw the  
account\*

MERS Stable  
Income Annuity

*\*Taxes and penalties may apply*

# Types of Distributions

## Lump Sum

- Full or partial amount of the account balance

## Substantially Equal Payments

- Terminates employment before the calendar year participant turns age 55
- May avoid paying 10% early withdrawal penalty by taking substantially equal payment following 72(t) IRS guidelines

## Periodic

- Periodic payments made monthly, quarterly, semi-annually, or annually until account is exhausted
- Payments can be a flat dollar or percentage until account is exhausted

# Stable Income Annuity

- Allows individuals to convert retirement account into guaranteed income stream for life, or period of choice
- Guaranteed monthly income
  - Inflation protection available, with an annually increasing payment of 1%, 2%, 3%, 4% or 5%
- Available for individual purchase, employer does not need to adopt

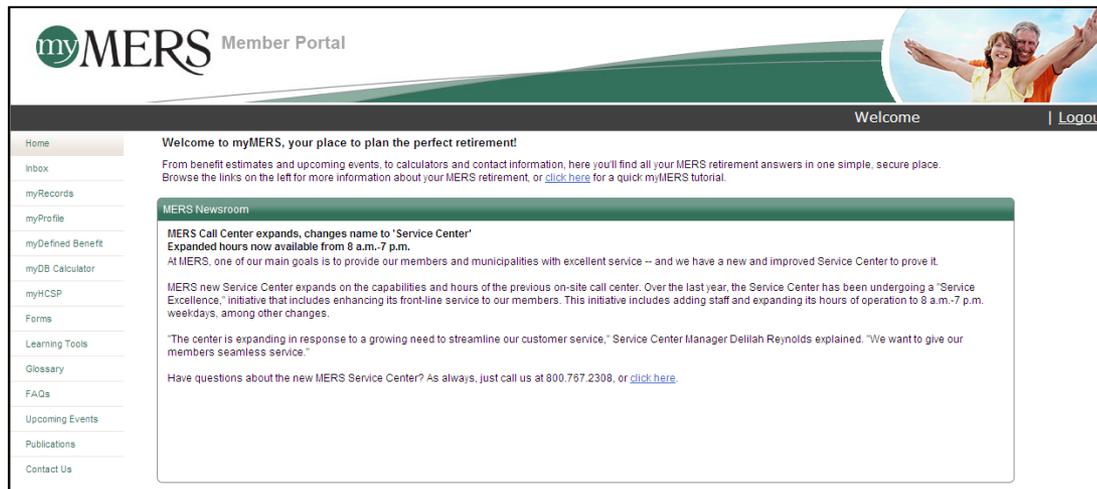
## Why Guaranteed Income?

- 9 out of 10 participants in a defined contribution plan seek guaranteed income\*
- Worry about invested assets
- Questions about Social Security's long-term stability
- Worry about market downturn

# myMERS Online Access

## *Full Access to All Your MERS Benefits*

- View the full menu of investment choices
- Track current fund performance
- Change investment selections or contact information
- Download current forms
- Access useful retirement planning information and calculators



You can access myMERS at [mymers.mersofmich.com](http://mymers.mersofmich.com)

# Helping Prepare for Retirement

## ***Service Center***

- Available weekdays by phone

## ***Statements, Newsletters, and Publications***

- Quarterly 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

## MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

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*This presentation contains a summary description of MERS benefits, policies or procedures. MERS has made every effort to ensure that the information provided is accurate and up to date. Where the publication conflicts with the relevant Plan Document, the Plan Document controls.*