Defined Benefit Overview

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MERS Defined Benefit Plan

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

The benefit formula is comprised of three components:

Defined Benefit Formula

Final Average Compensation (FAC)

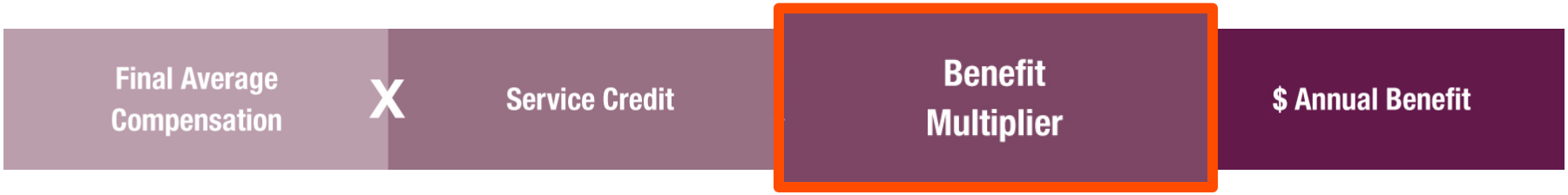
- Average of the highest wages earned over a period determined by employer
- Compensation is defined by employer

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% 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

- Multiple MERS Employers (MERS to MERS time)
- 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

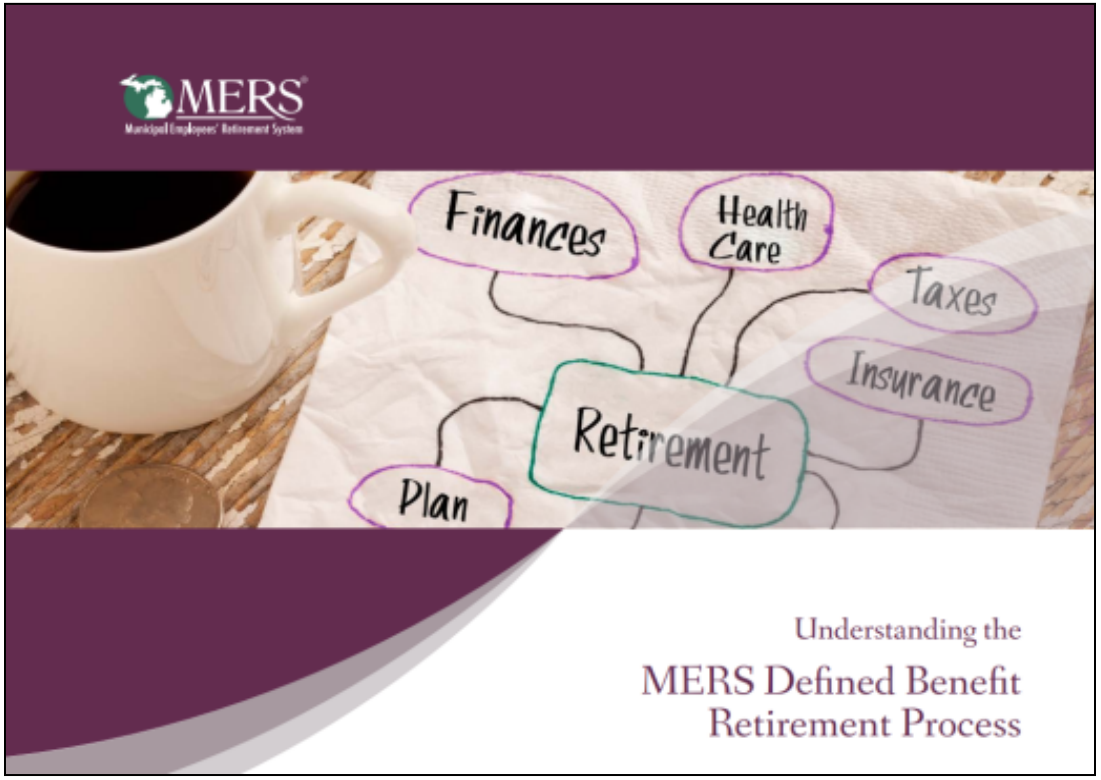
- Pension benefits are considered marital property and former spouse may be eligible to receive benefits
- State of Michigan enacted the Eligible Domestic Relations Order (EDRO) to help protect marital property
- MERS requires copy of entire Judgment of Divorce
- Contact MERS before any divorce proceedings

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

Applying for Retirement

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



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

IRS Views for Working After Retirement

- Pre-arranging a return to work
- Receiving a benefit while working for the same employer

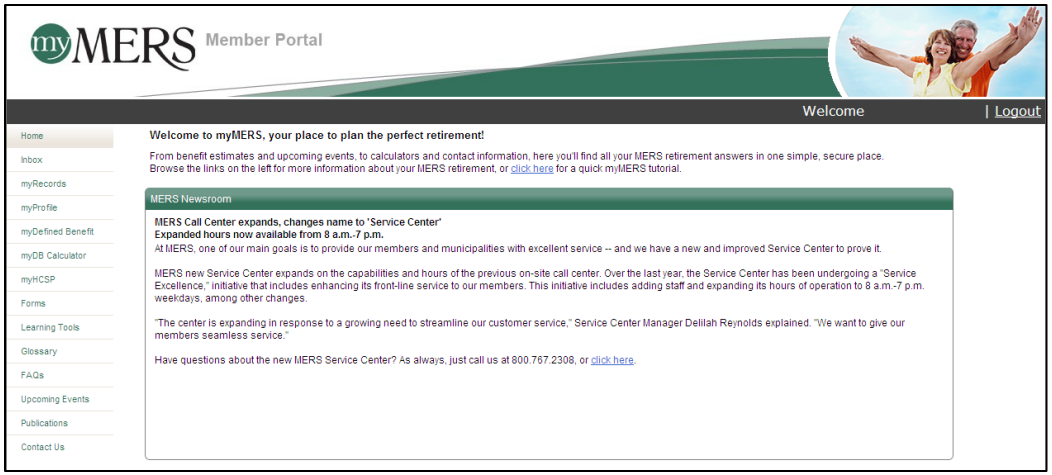
MERS Policy of Working After Retirement

- No restrictions for retirees hired at a different municipality or employer
- 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

myMERS 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 *mersofmich.com*

Helping Prepare for Retirement

Statements, Newsletters, and Publications

- Annual statements highlight your personal benefits
- Active members receive *Active Outlook* newsletter
- Retired members receive *Retiree News* newsletter

Group Meetings

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

Online Calculators

- Members can access online calculators to personalize their finances

Service Center

- Available weekdays by phone

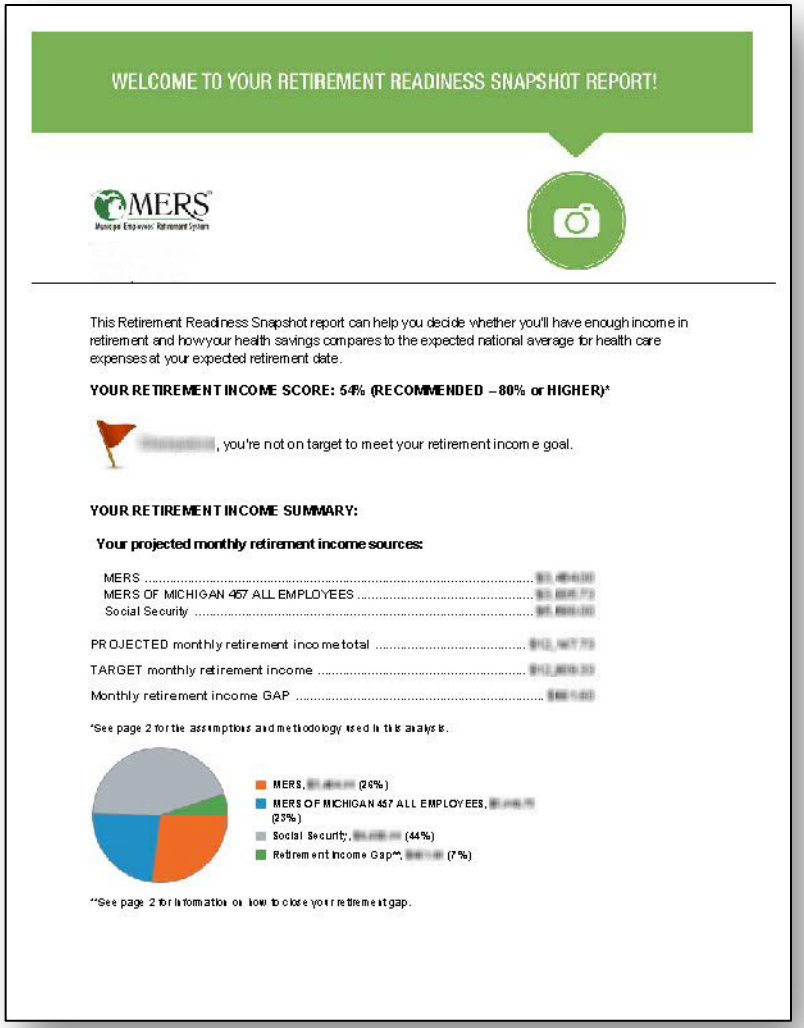
Expanding Our Services

Retirement Readiness

- We're committed to helping you prepare for life in retirement, which is why we're creating a variety of new resources
- This includes a customized retirement planning report, offering you a comprehensive view of how MERS benefits will work with other expected retirement income - and whether or not you're on track to meet your retirement goals

Online Enhancements

- Based on customer feedback, we have recently enhanced our online services and more enhancements are coming soon!



WELCOME TO YOUR RETIREMENT READINESS SNAPSHOT REPORT!

MERS

This Retirement Readiness Snapshot report can help you decide whether you'll have enough income in retirement and how your health savings compares to the expected national average for health care expenses at your expected retirement date.

YOUR RETIREMENT INCOME SCORE: 54% (RECOMMENDED – 80% or HIGHER)*

[redacted], you're not on target to meet your retirement income goal.

YOUR RETIREMENT INCOME SUMMARY:

Your projected monthly retirement income sources:

MERS .....
MERS OF MICHIGAN 457 ALL EMPLOYEES .....
Social Security .....

PROJECTED monthly retirement income total .....
TARGET monthly retirement income .....
Monthly retirement income GAP .....

*See page 2 for the assumptions and methodology used in this analysis.

MERS, [redacted] (26%)
MERS OF MICHIGAN 457 ALL EMPLOYEES, [redacted] (23%)
Social Security, [redacted] (44%)
Retirement Income Gap**, [redacted] (7%)

**See page 2 for information on how to close your retirement gap.

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!

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.