



Preparing To Retire With A MERS Defined Benefit (DB) Plan

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AGENDA

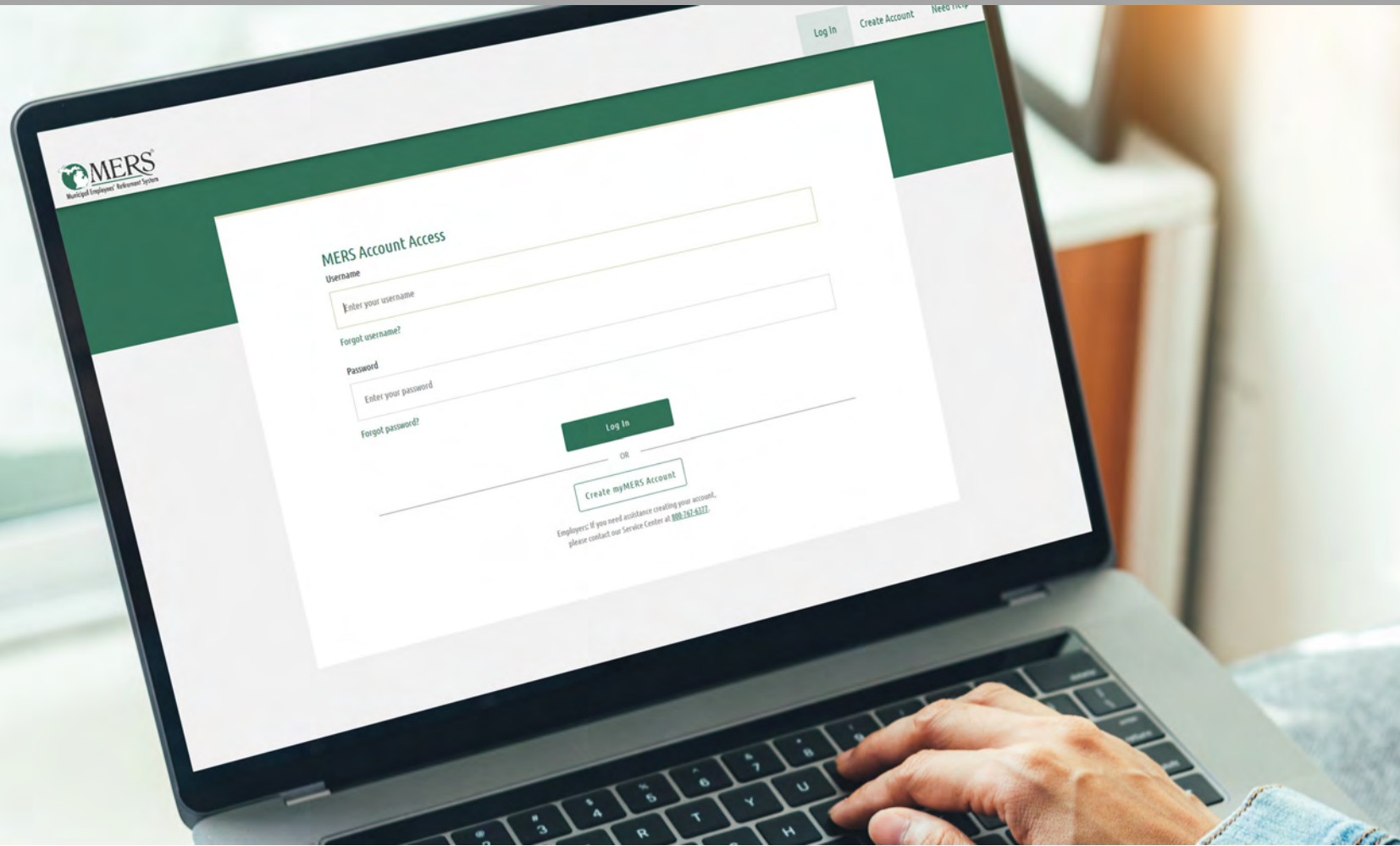
- Are you retirement ready?
- Understanding the defined benefit plan
- Retirement information

Are you Retirement Ready?



Your myMERS Account

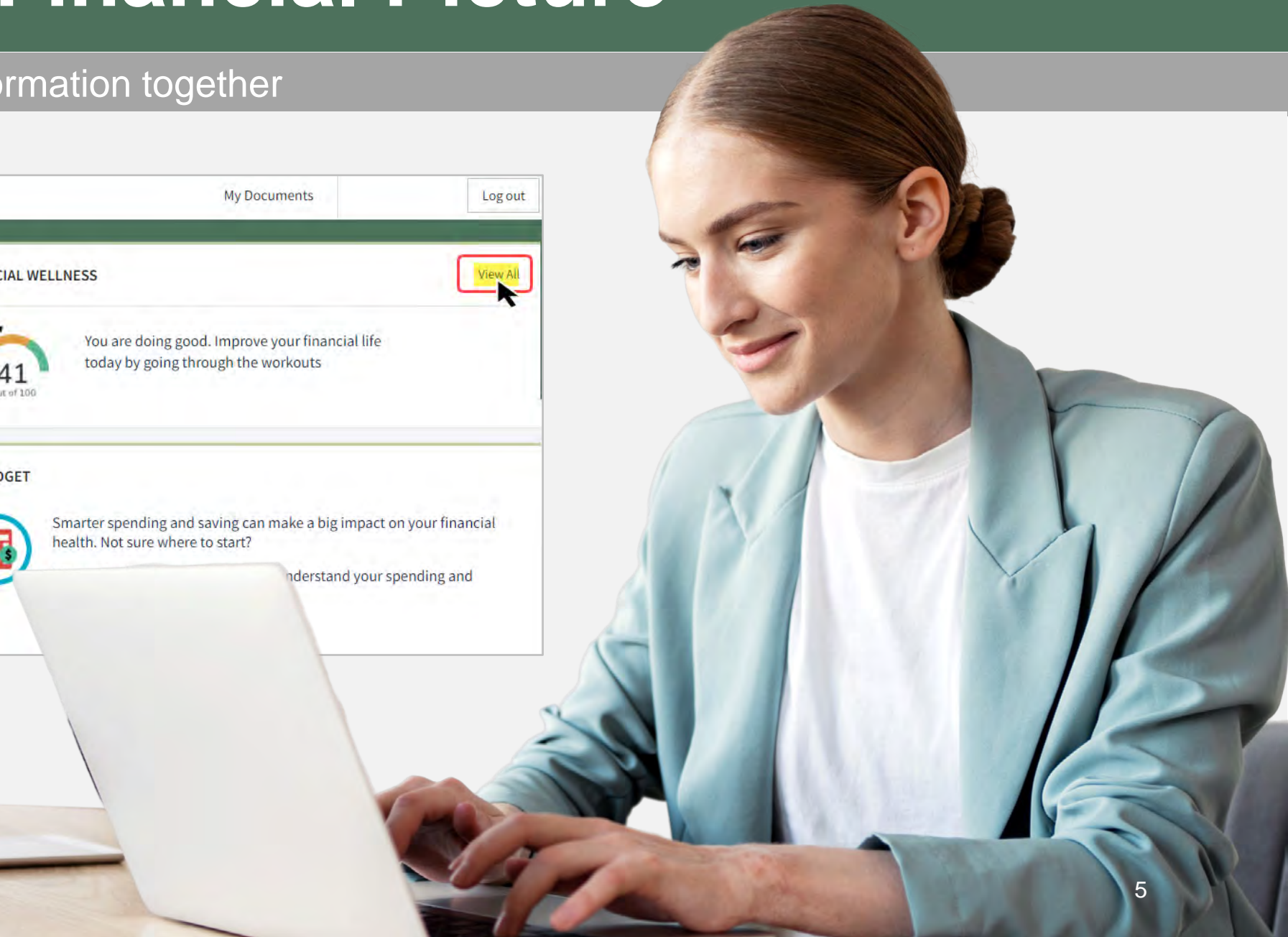
mersofmich.com



A Complete Financial Picture

Bringing all your financial information together

The screenshot displays the MERS Financial Wellness dashboard. The top navigation bar includes 'Accounts', 'Financial Wellness' (highlighted), 'Budget', 'My Documents', and 'Log out'. The 'ACCOUNTS' section on the left lists 'Retirement' with a total of \$50,000.00, including 'Sample City 457' (\$30,000.00) and 'Sample City HCSP' (\$20,000.00), and 'Defined Benefit'. The 'FINANCIAL WELLNESS' section features a score of 41 out of 100 and a 'View All' button. The 'MY BUDGET' section includes a calculator icon and text about smarter spending and saving.



Understanding the Defined Benefit Plan



Defined Benefit Plan Basics



A **lifetime** pension benefit provided to **vested** participants in retirement



Benefit does **not** fluctuate due to investment gains or losses

How the Defined Benefit Plan Works



Example of How the Defined Benefit Plan Works

Final Average
Compensation



\$55,000

Example of How the Defined Benefit Plan Works

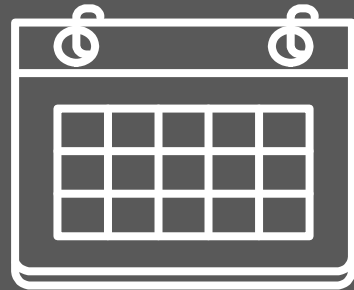
Final Average
Compensation



\$55,000

X

Service
Credit



25 years

Example of How the Defined Benefit Plan Works

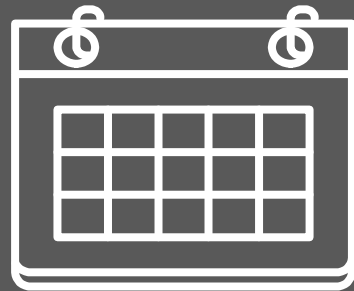
Final Average Compensation



\$55,000

X

Service Credit



25 years

X

Benefit Multiplier



2.25%

=

Annual Benefit



\$30,937.50

Vesting

The required amount of service credit you need to be eligible for retirement benefits.



Job Change?

You may be able to roll over service credits if moving from one MERS Employer to another, or you could be eligible to apply for Act 88.



Service Credits

**Can I buy the
service credits
I am missing?**



Purchasing Service Credits

YES, IF...

- ☑ Your employer's plan allows it and...
- ☑ You apply for the purchase and...
- ☑ The purchase is approved by your employer's governing body and...
- ☑ You will use them to meet early retirement eligibility or increase your pension

Purchasing Service Credits

YES, IF...

- ☑ Your employers plan allows it and...
- ☑ You apply for the purchase and...
- ☑ The purchase is approved by your employer's governing body and...
- ☑ You will use them to meet early retirement eligibility or increase your pension

BUT...

- ✗ You can't use them to become vested

Service Credit Purchase

Application for Additional Service Credit Purchase

Section 1: Service Credit Purchase Cost Estimate

With the approval of the employer and the local governing body, participants can purchase additional service credit to help meet an early retirement eligibility provision or to increase their pension benefit. Unlike MERS-to-MERS or Act 88 time, purchased service credit generally cannot be used to reach vesting.

This estimate is only valid for two months after September 1, 2024, the effective date of this calculation.

The cost to purchase service credit for each individual is based on many factors. Below is the information that MERS used to prepare this estimate. Please review the following information for accuracy. If any is incorrect, this estimate may not be correct.

Participant Information

Date of Birth: 3/31/1977
 Age: 47 years, 5 months
 FAC as of calculation date: \$60,000.00

Employer Information

Benefit Program

2.25% Multiplier (Capped at 80% of FAC)
 Early Reduced (.5%) at Age 50 with 25 Years or Age 55 with 15 Years
 Benefit FAC-5 (5 Year Final Average Compensation)
 6 Year Vesting
 30 Years & Out
 Normal Retirement Age (DB) - 60

Service Credit

Earned service credit as of calculation date: 6 years, 4 months
 Vesting Only Service:
 Other Governmental Service used for Eligibility (MERS or Act 88):
 Type of Credited Service to be Purchased: Generic
 Amount of additional service requested: 1 year, 0 months

Benefit Impact

	Earliest Eligibility Retirement Date	Retirement Age	Projected FAC	X	Service Credit	X	Benefit Multiplier	=	Annual Benefit
Before Proposed Purchase	4/1/2037	60 years 0 months	\$87,248.12		18 years 11 months		2.25%		\$37,135.08
After Proposed Purchase	4/1/2037	60 years 0 months	\$87,248.12		19 years 11 months		2.25%		\$39,098.16

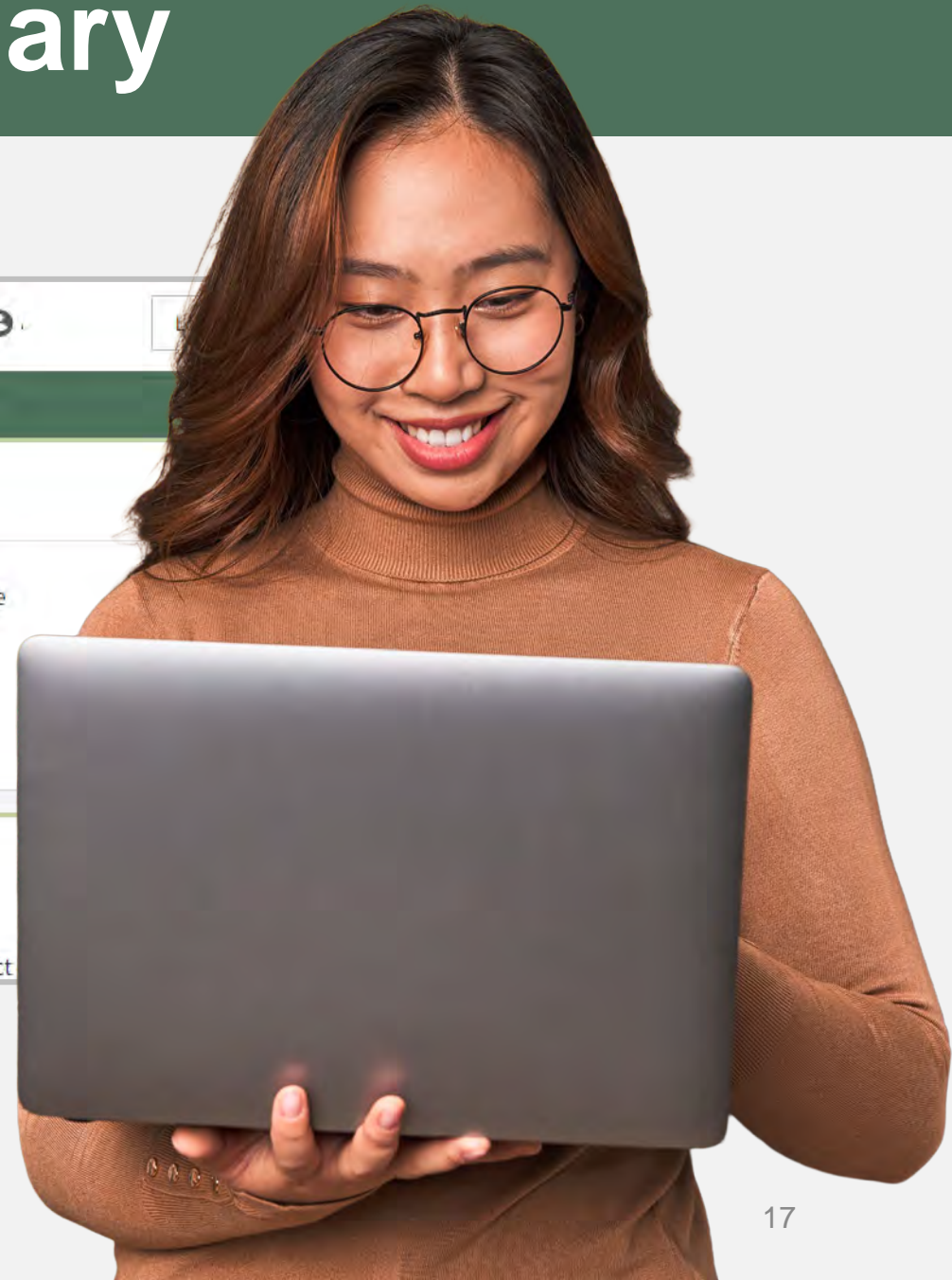
Estimated Cost of This Service Credit Purchase: \$11,432.00

The total cost is due in full at the time of purchase and may be paid by either the participant or employer. You may be eligible to transfer assets from other accounts to make a payment for the purchase, such as: 457 Deferred Compensation Plans; 401 plans; 403(b) plans; and some IRAs (traditional and SIMPLE). To initiate this transfer complete the form *Certification of Qualified Fund Rollover to MERS* (form number F-38). Send signed, approved Application for Additional Service Credit to MERS prior to sending any payment.

Locating Your Plan Summary

The screenshot displays the myMERS financial dashboard. The top navigation bar includes 'Accounts', 'Financial Wellness', 'Budget', and 'My Documents'. The 'ACCOUNTS' section is active, showing a 'Retirement' balance of \$50,000.00. Below this, the 'Defined Benefit' section is highlighted in yellow, with a dropdown menu showing 'Sample City DB Plan'. To the right, the 'FINANCIAL WELLNESS' section features a progress indicator of 39 out of 100, with a message: 'You are doing good. Improve your financial life today by going through the workouts'. The 'MY BUDGET' section is partially visible at the bottom, with a message: 'Smarter spending and saving can make a big impact'.

Category	Value
Retirement	\$50,000.00
Assets	\$100,000.00
Debts	\$10,000.00
Net Worth	\$90,000.00




Locating Your Plan Summary

Sample City DB Plan 

\$2000.00

Monthly Benefit Amount

- > **View Plan Summary** 
- > Edit My Profile
- > Enroll in IRA
- > View 1099 Records
- > Calculate My Benefit



Locating Your Plan Summary

The screenshot displays the 'Account Detail - Summary' page for an active account. The page is organized into several sections:

- ACCOUNT DETAIL** (Left sidebar): Includes links for CALCULATOR, INBOX, FILE UPLOAD, STATEMENTS, 1099 RECORDS, FORMS, PUBLICATIONS, CONTACT US, and 'I Want To...' with options for CALCULATE MY BENEFIT, APPLY FOR RETIREMENT, and REQUEST A REFUND.
- Status:** Active
- Retirement Benefit:** Shows an estimated date of 12/1/2039, retirement age of 65 years, 15 years and 4 months until retirement, and an earned monthly benefit of \$2,000.00. Includes buttons for 'Details', 'Calculate My Benefit', and 'Apply for Retirement'.
- Benefit Provisions:** Shows a 2.0% multiplier (capped at 80% of FAC) and a final average compensation (FAC) of \$60,500.00. Includes a 'View Reported Wages' button.
- Service Credit:** Shows a 10-year vesting requirement and 10 years and 8 months of service credit. Includes a 'You're Vested' message and a 'Details' button.
- Beneficiaries:** Lists Jane Thompson as the monthly pension, primary refund, and contingent refund beneficiary. Includes a 'Details' button.
- Employee Contributions:** Shows \$0.00 post-tax, \$10,000.00 pre-tax, \$695.00 interest, and a total of \$10,695.00. Includes a 'Request a Refund' button.

Locating Your Plan Summary

ACCOUNT DETAIL

STATUS: Active

Account Detail - Summary

Retirement Benefit

Estimated Date	12/1/2039
Retirement Age	65 Years
Years Until Retirement	15 Years, 4 Months
Earned Monthly Benefit	\$2,000.00

[Details](#)

[Calculate My Benefit](#)

[Apply for Retirement](#)

Benefit Provisions

Benefit Multiplier	2.0% Multiplier (Capped at 80% of FAC)
Final Average Compensation (FAC)	Benefit FAC-3 (3 Year Final Average Compensation)
Your FAC	\$60,500.00

[View Reported Wages](#)

Service Credit

Vesting Requirement	10 Year Vesting
Your Service Credit	10 Years 8 Months

[Details](#)

You're Vested
Congratulations! You are vested in this benefit.

Employee Contributions

Post-Tax	\$0.00
Pre-Tax	\$10,000.00
Interest	\$695.00
Total	\$10,695.00

[Request a Refund](#)

Beneficiaries

Monthly Pension Beneficiary	Jane Thompson
Primary Refund Beneficiary	Jane Thompson
Contingent Refund Beneficiary	Terry Thompson

[Details](#)

I Want To...

- [CALCULATE MY BENEFIT](#)
- [APPLY FOR RETIREMENT](#)
- [REQUEST A REFUND](#)

Locating Your Plan Summary

ACCOUNT DETAIL

STATUS: Active

Account Detail - Summary

Retirement Benefit

Estimated Date	12/1/2039
Retirement Age	65 Years
Years Until Retirement	15 Years, 4 Months
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[Details](#)

[Calculate My Benefit](#)

[Apply for Retirement](#)

Benefit Provisions

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Final Average Compensation (FAC)	Benefit FAC-3 (3 Year Final Average Compensation)
Your FAC	\$60,500.00

[View Reported Wages](#)

Service Credit

Vesting Requirement	10 Year Vesting
Your Service Credit	10 Years 8 Months

[Details](#)

Beneficiaries

Monthly Pension Beneficiary	Jane Thompson
Primary Refund Beneficiary	Jane Thompson
Contingent Refund Beneficiary	Terry Thompson

[Details](#)

Employee Contributions

Post-Tax	\$0.00
Pre-Tax	\$10,000.00
Interest	\$695.00
Total	\$10,695.00

[Request a Refund](#)

I Want To...

- [CALCULATE MY BENEFIT](#)
- [APPLY FOR RETIREMENT](#)
- [REQUEST A REFUND](#)

Locating Your Plan Summary

ACCOUNT DETAIL

STATUS: Active

Account Detail - Summary

Retirement Benefit

Estimated Date	12/1/2039
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[Details](#)

[Calculate My Benefit](#)

[Apply for Retirement](#)

Benefit Provisions

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[View Reported Wages](#)

Service Credit

Vesting Requirement	10 Year Vesting
Your Service Credit	10 Years 8 Months

[Details](#)

You're Vested
Congratulations! You are vested in this benefit.

Beneficiaries

Monthly Pension Beneficiary	Jane Thompson
Primary Refund Beneficiary	Jane Thompson
Contingent Refund Beneficiary	Terry Thompson

[Details](#)

Employee Contributions

Post-Tax	\$0.00
Pre-Tax	\$10,000.00
Interest	\$695.00
Total	\$10,695.00

[Request a Refund](#)

I Want To...

- [CALCULATE MY BENEFIT](#)
- [APPLY FOR RETIREMENT](#)
- [REQUEST A REFUND](#)

Naming Your Beneficiaries

01

**Monthly
Pension
Beneficiary**

02

**Primary
Refund
Beneficiary**

03

**Contingent
Refund
Beneficiary**

Monthly Pension Beneficiary

If vested participant dies

Receives a lifetime benefit

One person, automatically spouse (unless waived)



Primary Refund Beneficiary

If non-vested participant dies

Receives a refund of your employee contributions (plus interest)

Automatically spouse (unless waived)

Other options if no living beneficiary



Contingent Refund Beneficiary

If your Refund Beneficiary is deceased

Receives only your employee contributions (plus interest)

Other options if no living beneficiary



Changing Your Beneficiary



Account Detail - Summary

Retirement Benefit

Estimated Date	12/1/2039
Retirement Age	65 Years
Years Until Retirement	15 Years, 4 Months
Earned Monthly Benefit	\$2,000.00

[Details](#)

[Calculate My Benefit](#)

[Apply for Retirement](#)

Benefit Provisions

Benefit Multiplier	2.0% Multiplier (Capped at 80% of FAC)
Final Average Compensation (FAC)	Benefit FAC-3 (3 Year Final Average Compensation)
Your FAC	\$60,500.00

[View Reported Wages](#)

Beneficiaries

Monthly Pension Beneficiary	Jane Thompson
Primary Refund Beneficiary	Jane Thompson
Contingent Refund Beneficiary	Terry Thompson

[Details](#)

Employee Contributions

Post-Tax	\$0.00
Pre-Tax	\$10,000.00
Interest	\$695.00
Total	\$10,695.00

[Request a Refund](#)

Click on “Details” then “Manage Beneficiaries”.

In some situations, a paper form may be required.

Beneficiary Full Name	Beneficiary Type	Relationship Type
Jane Thompson	Monthly Pension Beneficiary	Spouse
Jane Thompson	Primary Refund Beneficiary	Spouse
Terry Thompson	Contingent Refund Beneficiary	Other

[Manage Beneficiaries](#)

Retirement Information



Fast Facts



1,824
Retirement applications in 2024



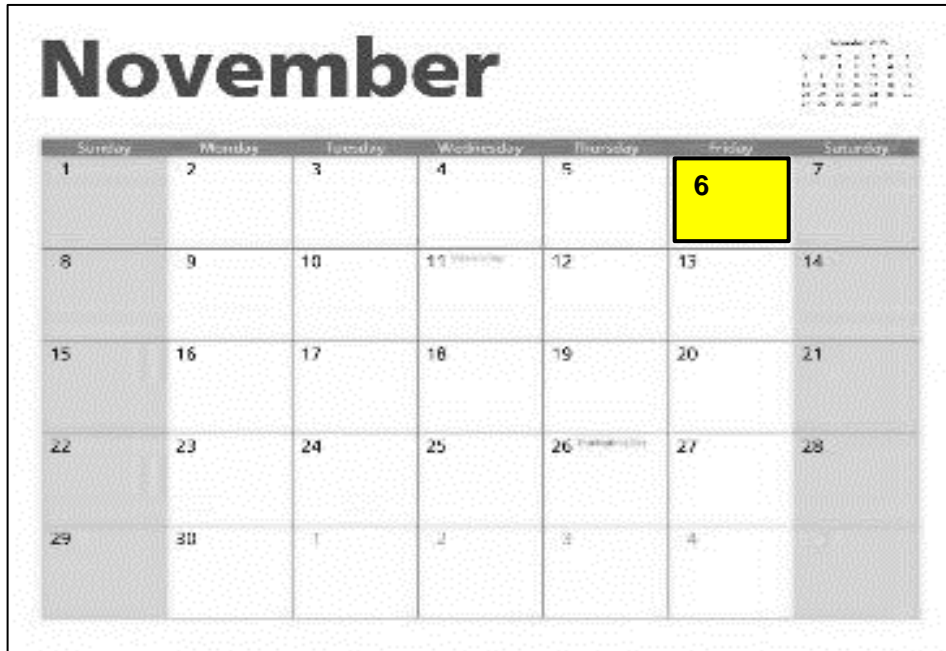
47,631
Monthly pension payments

Retirement Age

When Can I Retire?



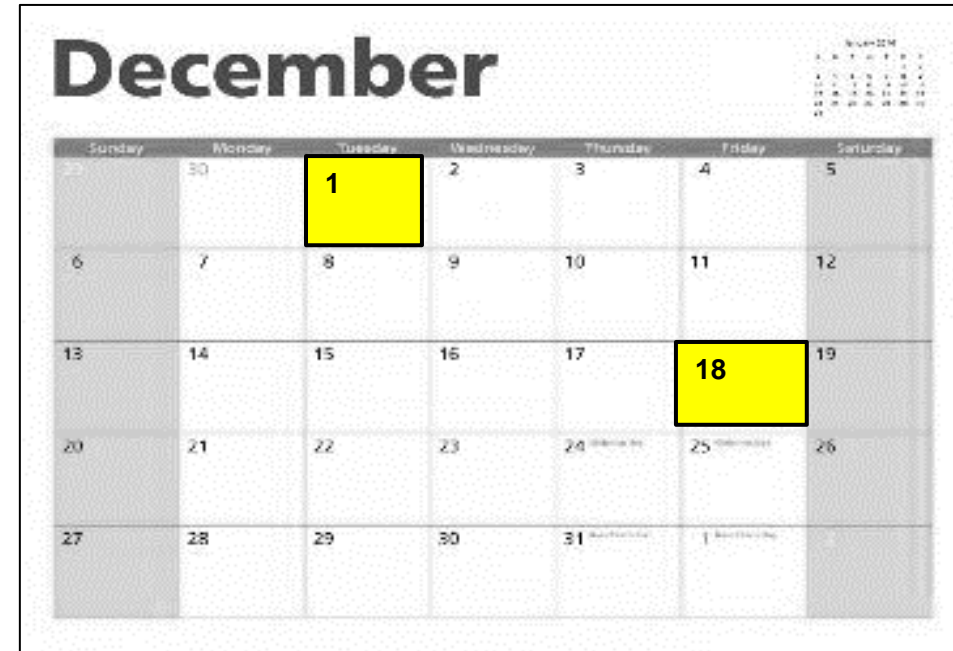
Termination Date & Retirement Date



November

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	1	2	3	4	

If your last day of work is
November 6...



December

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
29	30	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

Your retirement date will be
December 1 and you will receive
your first benefit payment on
December 18.

Retirement Application Steps: Starting 45-90 Days Before Target Retirement Date

1

Submit your application

2

MERS processes
your application

3

MERS sends your preliminary
benefit estimate

Pension Payment Options

01

Straight Life

Pension Payment Options

01

Straight Life

02

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

Pension Payment Options

01

Straight Life

02

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

03

**Life with
5
10
15
or 20 years
Period Certain**

Payment Options

Straight Life Formula

$$\$55,000 \times 25 \times 2.25\% = \$30,937.50 \div 12 = \underline{\$2,578.13}$$

Beneficiary Option Formula: Straight Life Monthly Benefit x Factor = Benefit

Payment Options	Factors	Allowance	Beneficiary Amount
Straight Life	1.00000	\$2,578.13	

Payment Options

Straight Life Formula

$$\$55,000 \times 25 \times 2.25\% = \$30,937.50 \div 12 = \$2,578.13$$

Beneficiary Option Formula: Straight Life Monthly Benefit x Factor = Benefit

Payment Options	Factors	Allowance	Beneficiary Amount
Straight Life	1.00000	\$2,578.13	
Option II 100 percent to survivor	0.88811	\$2,289.66	\$2,289.66
Option IIA 75 percent to survivor	0.91367	\$2,355.56	\$1,766.67
Option III 50 percent to survivor	0.94074	\$2,425.35	\$1,212.68
Option IV 5 years certain	0.99377	\$2,562.07	\$2,562.07
Option IV 10 years certain	0.97718	\$2,519.30	\$2,519.30
Option IV 15 years certain	0.95390	\$2,459.28	\$2,459.28
Option IV 20 years certain	0.92687	\$2,389.60	\$2,389.60

Working In Retirement

Returning to the employer you retired from:

Per IRS guidelines, there **are restrictions** you must be aware of to rehire at this employer

Employment with any other employer:

No restrictions

Living in Retirement

Sample City (1234)
Status: Terminated

Account Detail - Summary

Paycheck		Payment Method		Tax Elections	
Payment Date	9/18/2024	Account Type	Checking	Federal	
Gross	\$1,873.36	Amount	\$500.00	Married - Filed Single, 0 exemptions	
Deductions	\$0.00	Account Type	Savings		
Federal Tax	\$374.67	Amount	Balance		Edit Federal Tax
Total	\$1,498.69		Edit		

Retirement Details

Retirement Date	05/01/2019
Retirement Type	Age and Service
Option Elected	Option II 100 percent to survivor



Michigan Tax Changes

Lowering MI Costs Plan

Changes how retirement and pension income is taxed in Michigan



Michigan Tax Changes

Birth Year Group	2024 Exemption (%)	2025 Exemption (%)	2026+ Exemption (%)
1946-1958	50%	75%	100%
1959-1962	50%	75%	100%
1963-1966	0	75%	100%
1967 and later	0	0	100%

Fast Facts

Which two months are the most popular months to retire?

Fast Facts



JANUARY



JULY

Cost of Living Adjustment (COLA)

A cost-of-living adjustment (COLA) is an annual increase that is either a part of a benefit package or is given to retirees from the employer on January 1st. This only applies to plans who have elected to provide a COLA.

COLA Examples	Traditional 2%	2.5% Non-Compounding
	Compounded 2% increase per year back to date of last adoption or retirement	Future increases are calculated on the original benefit and are not compounded over the previous year
Monthly Base Pension	\$2000.00	\$2000.00
COLA Amount	\$40.00	\$50.00
1 st Year Monthly Pension	\$2040.00	\$2050.00
COLA Amount	\$40.80	\$50.00
2 nd Year Monthly Pension	\$2080.80	\$2100.00
COLA Amount	\$41.62	\$50.00
3 rd Year Monthly Pension	\$2122.42	\$2150.00

How Much Money Will I Need To Retire?



How much will you need in retirement?

A general rule of thumb
is to save

80%

of your pre-retirement income

For example:

If your working annual
salary is

\$75,000

you need

\$60,000

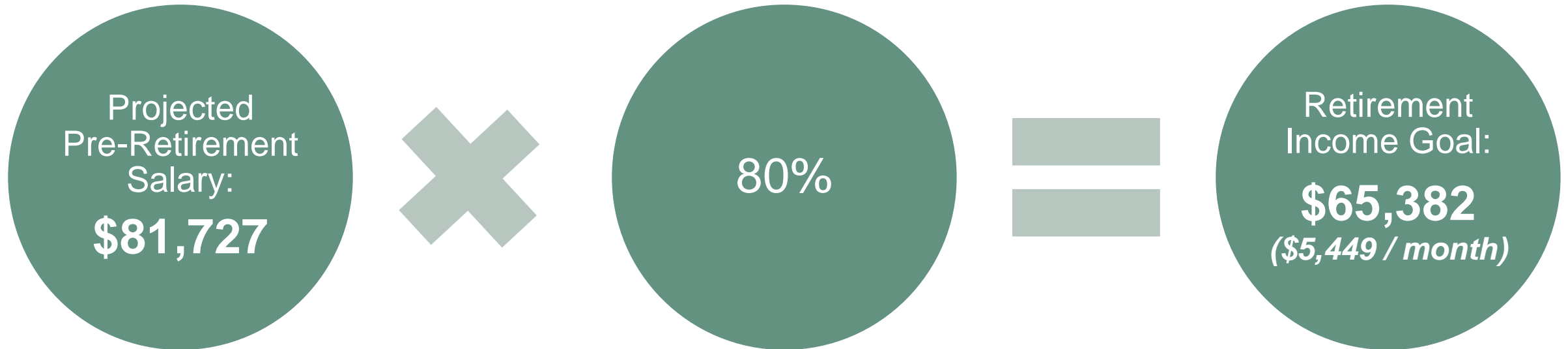
for each year of retirement

Example – Meet Erica

- **Age:** 45 years old
- **Current annual salary:** \$55,000
- **Projected salary at retirement**
(age 65): \$81,727*



Erica's Monthly Income Goal in Retirement



Erica's Income Sources in Retirement

Projected Monthly Retirement Income

Defined Benefit Plan: \$2,578¹

Social Security: \$2,466²

Total Projected Income: \$5,044

Goal: \$5,449

Projected Income Gap: \$405/month

To meet her monthly income goal, Erica will have to save an additional **\$121,500³**.

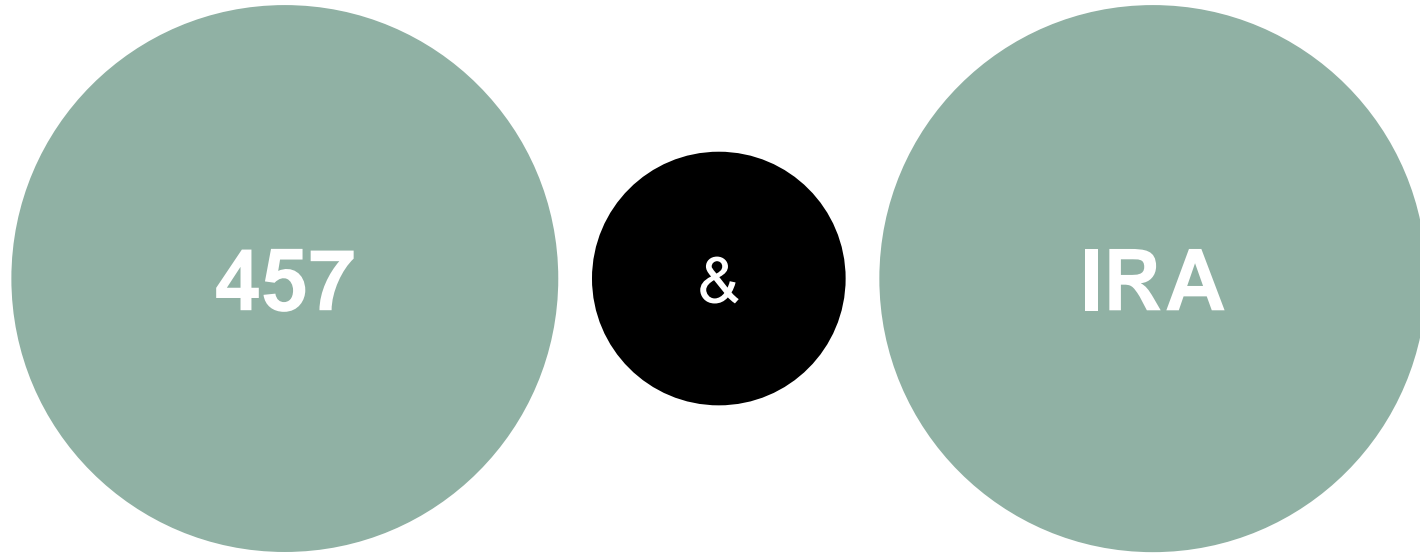


¹ Assumes 25 years of service, a 2.25% multiplier and a straight life benefit payment.

² Assumes a 2% salary increase until age 65 with an expected inflation rate of approximately 3%.

³ Assumes living 25 years in retirement.

Supplemental Savings Options



Helping Erica Meet Her Goal



Home | MERS | Resources | Calculators

Calculators

[MERS Defined Benefit Plan](#) | [Loan Calculators](#) | [Credit Cards and Debt Management Calculators](#) | [Retirement Savings and Planning](#) | [Savings Calculators](#)

MERS Defined Benefit Pension Calculator

Pension Benefit Calculator Use this calculator to help you estimate your pension benefits. Login or create an account to continue.

Loan Calculators

[Enhanced Loan Calculator](#) Use the slider controls to instantly calculate the monthly payment amount, interest rate or term.

Credit Cards and Debt Management Calculators

[Accelerated Debt Payoff](#) Consolidating your debt is only half the battle. Use this calculator to get your debt paid in full. This calculator will help you accelerate your debt payoff.

Investment Calculators

[Asset Allocation Calculator](#) Your age, ability to tolerate risk and investment goals can help you calculate a desirable mix of stocks and bonds.

Calculate **View Report**

Your total is \$122,143.80 after 20 years. *indicates required.

457 Employee Savings Plan:

Percent to contribute:* 0% 33% 67% 100%

Annual salary:* \$0 \$10k \$100k \$1m

Annual salary increase:* 0% 4% 8% 12%

Current age:* 15 40 65

Age at retirement:* 10 37 63

Current 457 balance:* \$0 \$100k \$1m \$10m

Annual rate of return:* 0% 4% 8% 12%

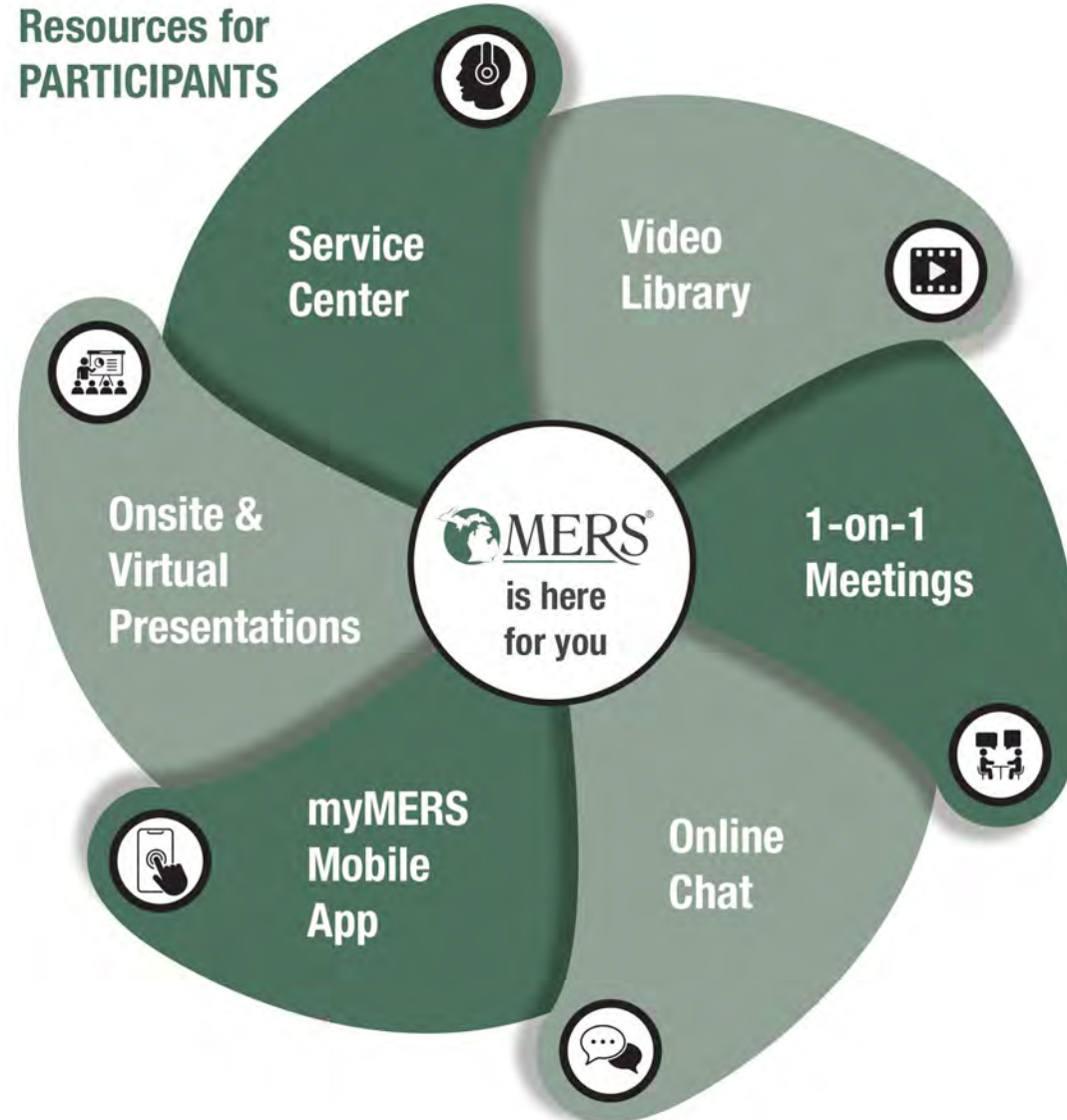
Total employee contributions: \$66,817.76

Key Resources and Actions To Take Today



Resources

Resources for PARTICIPANTS



Actions To Take Today



- ✓ Create your **myMERS** account
- ✓ Attend **educational events**
- ✓ Create your **retirement** plan on **myMERS**
- ✓ Consider a **457** or an **IRA**
- ✓ **Save, save, save!**

MERS of Michigan

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This publication contains a summary description of MERS' benefits, policies or procedures. MERS has endeavored 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.

