



# Ready to Retire: An Overview of the MERS Defined Benefit Retirement Process

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MERS Benefit Plan Advisor/Benefit Education Specialist  
September 2020*



# Agenda

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- Understanding the Defined Benefit Plan
- Beneficiary Information
- Retirement Information
- MERS Resources



# Understanding Your Defined Benefit Plan

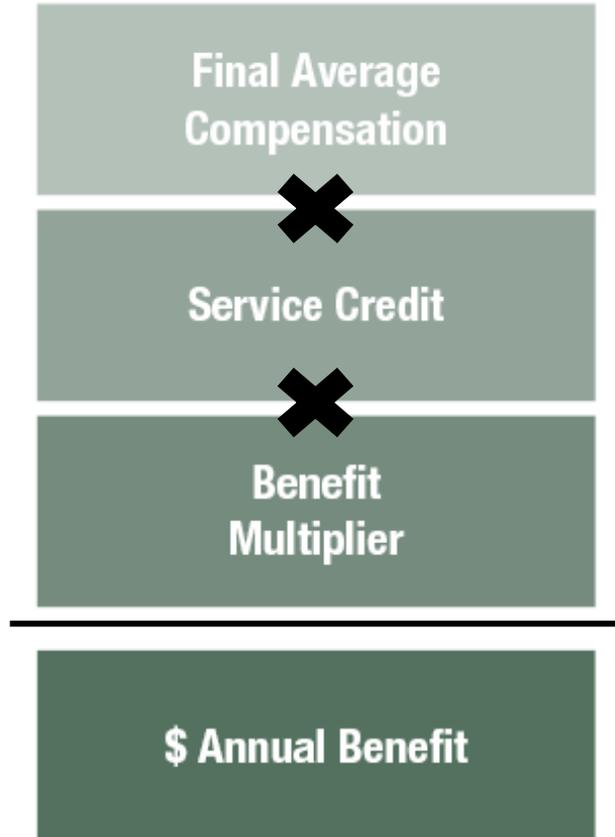
# MERS Defined Benefit Plan

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- A lifetime pension benefit provided to vested participants in retirement
- Benefit does not fluctuate due to investment gains or losses

# MERS Defined Benefit Plan

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*(If choosing retiree  
only benefit option)*

## Account Detail - Summary

### Retirement Benefit

|                        |                    |
|------------------------|--------------------|
| Estimated Date         | 12/1/2039          |
| Retirement Age         | 55 Years           |
| Years Until Retirement | 19 Years 10 Months |
| Earned Monthly Benefit | \$1,044.99         |

[Details](#)

[Calculate My Benefit](#)

[Apply for Retirement](#)

### Employee Contributions

|          |             |
|----------|-------------|
| Post-Tax | \$0.00      |
| Pre-Tax  | \$12,964.79 |
| Interest | \$695.88    |
| Total    | \$13,660.67 |

[Request a Refund](#)

### Benefit Provisions

|                                  |   |
|----------------------------------|---|
| Benefit Multiplier               | Benefit B-4 (80% max)                             |
| Final Average Compensation (FAC) | Benefit FAC-5 (5 Year Final Average Compensation) |
| Your FAC                         | \$51,889.20                                       |

[View Reported Wages](#)

### Beneficiaries

|                               |                 |
|-------------------------------|-----------------|
| Monthly Pension Beneficiary   | Joseph J. Smith |
| Primary Refund Beneficiary    | Joseph J. Smith |
| Contingent Refund Beneficiary | John L. Smith   |

[Details](#)

### Service Credit

|                     |                  |
|---------------------|------------------|
| Vesting Requirement | 10 Year Vesting  |
| Your Service Credit | 9 Years 8 Months |

[Details](#)

# Eligibility

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## ***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  
*(Full list available on [mersofmich.com](http://mersofmich.com))*





# Beneficiaries

# Naming Your Beneficiaries

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- **Monthly Pension Beneficiary** is one person who would receive a lifetime benefit **if you are vested and die before you begin collecting your retirement benefits**
- If married, you must name your spouse as your **Monthly Pension Beneficiary** unless they waive this right in writing



- **Refund Beneficiary** is a person(s), trust, estate or charity that receives a refund of your employee contributions (plus interest) **if you die before you are vested**
- If married, you must name your spouse as your **Primary Refund Beneficiary** unless they waive this right in writing
- You'll also be asked to provide a **Contingent Refund Beneficiary** in the case that your *Primary Beneficiary* is deceased

# Changing Your Beneficiary in myMERS

## Account Detail - Summary

### Retirement Benefit

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Retirement Age 55 Years  
Years Until Retirement 19 Years 10 Months  
Earned Monthly Benefit \$1,044.99

Details

Calculate My Benefit

Apply for Retirement

### Employee Contributions

Post-Tax \$0.00  
Pre-Tax \$12,964.79  
Interest \$695.88  
Total \$13,660.67

Request a Refund

### Benefit Provisions

Benefit Multiplier Benefit B-4 (80% max)  
Final Average Compensation (FAC)  
Benefit FAC-5 (5 Year Final Average Compensation)  
Your FAC \$51,889.20

View Reported Wages

### Beneficiaries

Monthly Pension Beneficiary Joseph J. Smith  
Primary Refund Beneficiary Joseph J. Smith  
Contingent Refund Beneficiary John L. Smith

Details

Click on “Details”, then “Manage Beneficiaries”

In some situations, a paper form may be required

| Beneficiary Full Name | Gender | Beneficiary Type              | Relationship Type |
|-----------------------|--------|-------------------------------|-------------------|
| Joseph J. Smith       | Male   | Monthly Pension Beneficiary   | Spouse            |
| Joseph J. Smith       | Male   | Primary Refund Beneficiary    | Spouse            |
| John L. Smith         | Male   | Contingent Refund Beneficiary |                   |

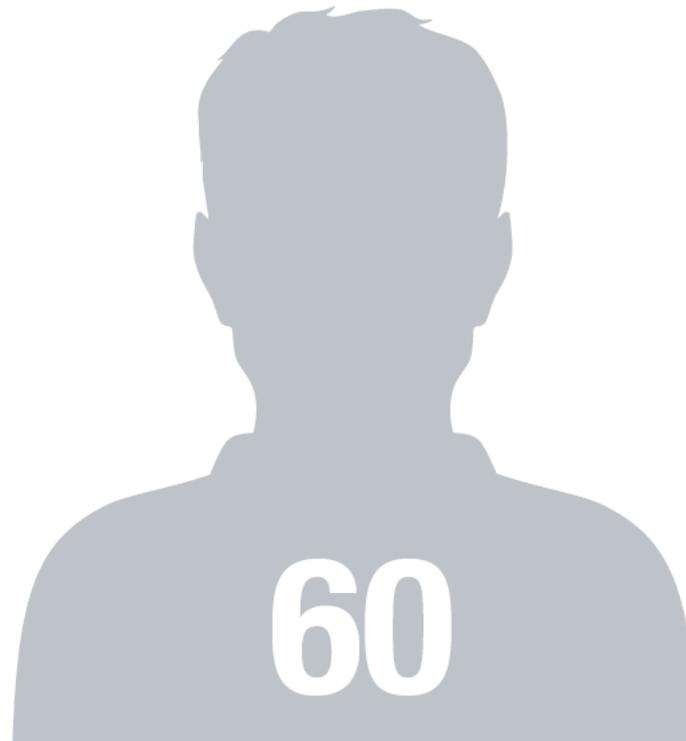
Manage Beneficiaries



# Retirement Information

# Retirement Eligibility

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# Pension Payment Options

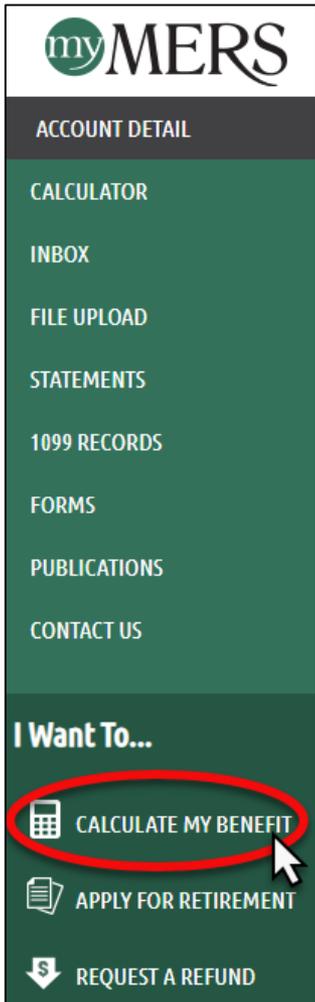
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**Straight Life**

**Life with 100%, 75% or 50% to survivor**

**Life with 5, 10, 15 or 20 years**

# Payment Option Example: Jane



Jane is married and has one child

- FAC- \$45,000
- Service Credit – 25
- Benefit multiplier 2.25%

# Jane's Payment Options

| <b>Straight Life Formula</b><br>$\$45,000 \times 25 \times 2.25\% = \$25,312.50 \div 12 = \$2,109.38$<br>Beneficiary Option Formula: Straight Life Monthly Benefit x Factor = Benefit |         |                                  |
|---|---------|----------------------------------|
| Payment Options   | Factors | At 8/1/2022 (60 years, 0 months) |
| Straight Life   | 1.00000 | \$2,109.38                       |
| Option II 100 percent to survivor   | 0.88811 | \$1,873.36                       |
| Beneficiary Benefit   |         | \$1,873.36                       |
| Option IIA 75 percent to survivor   | 0.91367 | \$1,927.28                       |
| Beneficiary Benefit   |         | \$1,445.46                       |
| Option III 50 percent to survivor   | 0.94074 | \$1,984.38                       |
| Beneficiary Benefit   |         | \$992.19                         |
| Option IV 5 years certain   | 0.99377 | \$2,096.24                       |
| Option IV 10 years certain  | 0.97718 | \$2,061.24                       |
| Option IV 15 years certain  | 0.95390 | \$2,012.14                       |
| Option IV 20 years certain  | 0.92687 | \$1,955.12                       |

# Retirement Application Steps

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**1**

Submit Application for Defined Benefit Retirement  
*You can do this online in your myMERS account!*



**2**

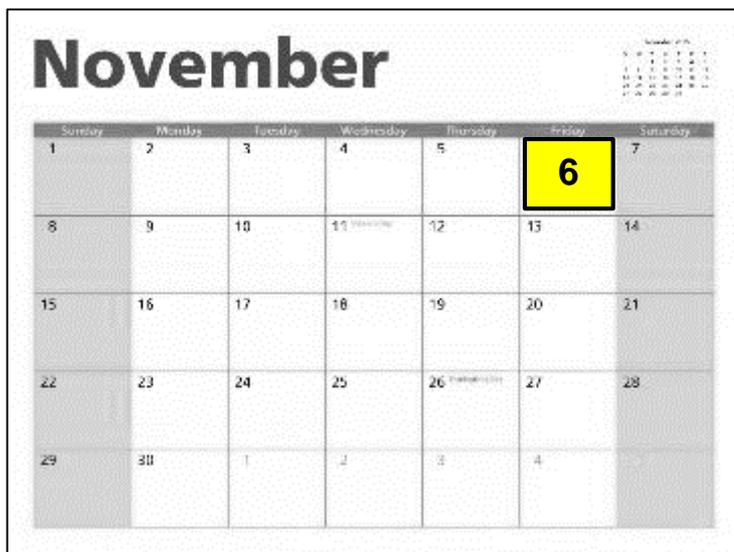
MERS Processes Your Application

**3**

MERS sends your preliminary benefit estimate

# Termination Date and Retirement Date

## November



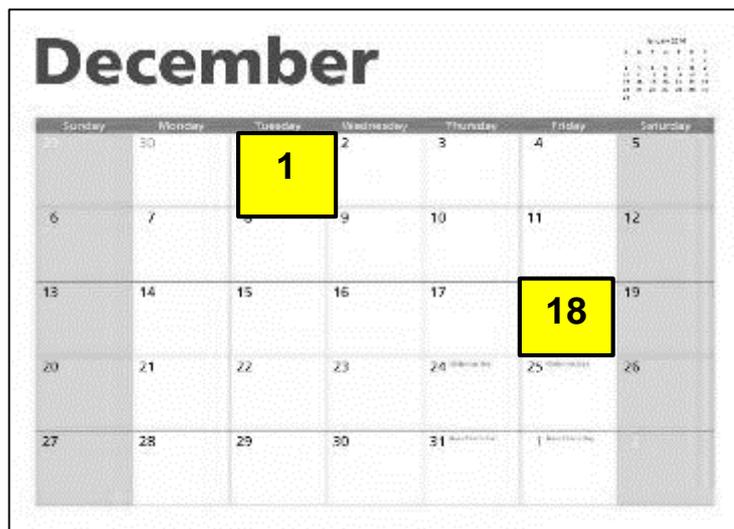
| Sunday | Monday | Tuesday | Wednesday | Thursday | Friday   | Saturday |
|--------|--------|---------|-----------|----------|----------|----------|
| 1      | 2      | 3       | 4         | 5        | <b>6</b> | 7        |
| 8      | 9      | 10      | 11        | 12       | 13       | 14       |
|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

*Example:*

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

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

## December



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

# Living in Retirement

Sample City (1234)

Status: Retired

## Account Detail - Summary

### Paycheck

|              |            |
|--------------|------------|
| Payment Date | 3/18/2020  |
| Gross        | \$1,550.27 |
| Deductions   | \$0.00     |
| Federal Tax  | \$117.18   |
| MI State Tax | 55.69      |
| Total        | \$1,377.40 |

### Retirement Details

|                 |                     |
|-----------------|---------------------|
| Retirement Date | 7/1/2015            |
| Retirement Type | Age and Service     |
| Option Elected  | 100% Joint/Survivor |

### Payment Method

|              |                      |
|--------------|----------------------|
| Account Type | Checking             |
| Amount       | \$500.00             |
| Account Type | Savings              |
| Amount       | Balance              |
|              | <a href="#">Edit</a> |

### Tax Elections

Federal  
Married - Filed Single, 0 exemptions

[Edit Federal Tax](#)

State  
6. Retiree and spouse born after 1952 - fully taxable; Married - Filed Single

[Edit State Tax](#)

# Cost of Living Adjustment (COLA)

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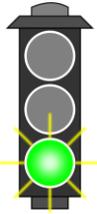
An annual increase in your retirement benefit

For example, E2 2.5% COLA:

- Non compounding (calculated on the original benefit)
- Requires you to be on retirement payroll 6-12 months;
- Automatic on January 1

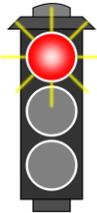
# Working In Retirement

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## **Any other employer:**

No restrictions or impact to your MERS benefit

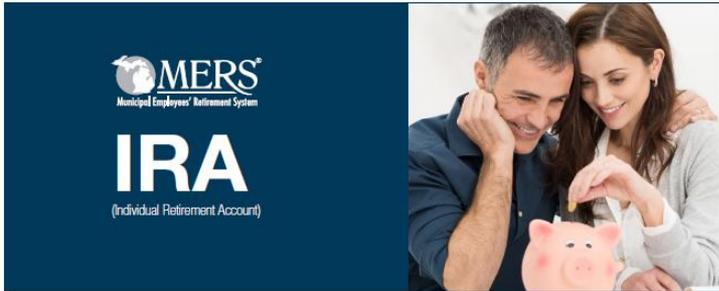


## **MERS employer you're retiring from:**

There are restrictions you must be aware of to rehire at this employer:

- Must have bona fide separation before returning to work (*no formal or informal agreement to return to work prior to retirement*)
- Based on the type of position you are returning to, you will need to be separated from employment for a certain period of time before returning, and the number of hours you are allowed to work annually may be capped

# Additional Savings Options



## Flexible saving options for you and your spouse

Saving with a MERS IRA can help you reach a variety of financial goals:

- Benefit from tax-free growth or tax-deductible contributions
- Generate income in retirement
- Pay for your children's (or grandchildren's) college education
- Make a down payment on your first home
- Leave an inheritance for your loved ones

### A Smart Financial Decision



Opening a MERS IRA is a great way to build retirement security through tax-advantaged saving, with flexible withdrawals that can help you reach your other financial goals at the same time. It is also a smart choice for bringing diversity to your investment portfolio with MERS' professionally-managed, low-cost investment choices.

You can contribute any time through check, automated payment, or rollover.

ENROLL  
TODAY

MERS 457 Supplemental  
Retirement Program



### About the Program

The MERS 457 Supplemental Retirement Program offers you a flexible retirement account you manage. You decide how much to contribute, how to invest the assets, and how to plan for the future. One of the benefits of the program is that you have access to your account when you leave employment, even if that's before age 60.

### Contributions

The MERS 457 Program is flexible because you determine how much you want to contribute, either a flat dollar amount or a percentage of pay, and you can start, stop, increase or decrease your contributions, without fees or penalties. Your contributions can be made pre-tax or Roth (if your employer has adopted this option). So how do you decide? Let's start with the basics.

With a **pre-tax** election you make contributions with pre-tax dollars, so you get a tax break up front, helping to lower your current income tax bill. Your money—both contributions and earnings—grow tax-deferred until you withdraw them. At that time, withdrawals are considered to be ordinary income and taxed at your current tax rate.

With a **Roth** contribution, it's basically the reverse. You make your contributions with after-tax dollars, meaning there's no upfront tax deduction. However, withdrawals of both contributions and earnings are tax-free at age 59½, as long as you've held the account for five years.

So it all comes down to deciding when it's better for you to pay the taxes—now or later. You can access online calculators on the MERS website to help you determine the best option for your goals.

### Why Should You Enroll?

**Help meet your retirement goals** – Experts suggest that you should plan on needing at least 80% of your current income in retirement, so chances are you're going to need to rely on personal savings, over and above your Social Security and other retirement benefits.



**Low cost** – as a nonprofit organization the MERS program is the most cost-effective way of saving – putting more of your money to work for you.

**It's easy!** You contribute through the convenience of automatic payroll deduction.



**One-stop planning** – experienced retirement educators are available to help with any questions you may have.

800+ municipalities enrolled in MERS programs



9 elected board members oversee the system

100,000+ participants

\$9 Billion+ in combined total assets

### Who is MERS?

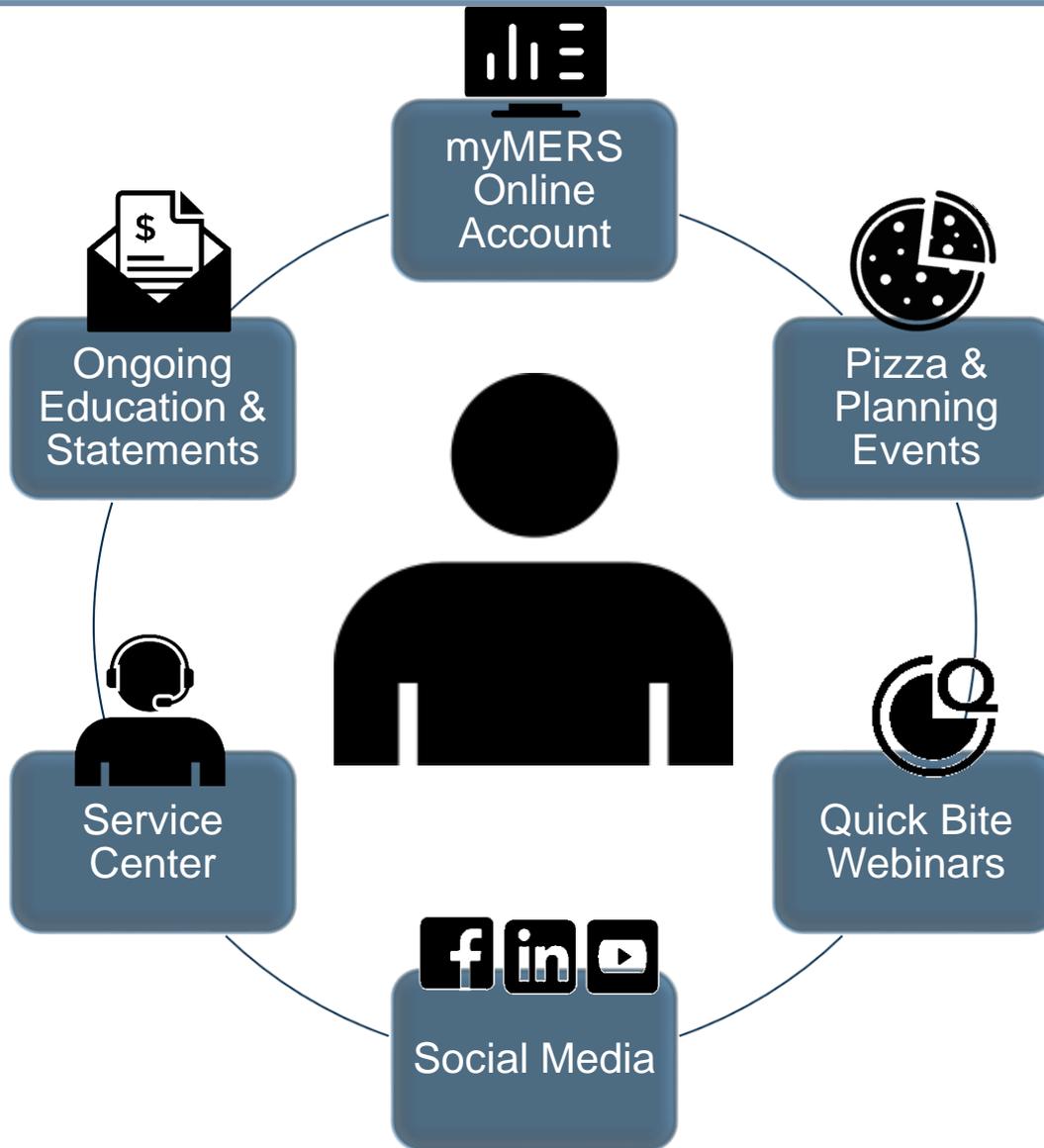
MERS is an independent, professional retirement services company that serves municipal members across the state of Michigan. MERS listens and works in partnership with our members to deliver a superior value that meets our members' needs.





# Resources

# Your Resources



# MERS Website

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*[www.mersofmich.com](http://www.mersofmich.com)*



**The MERS Video Library**



**Calculators**



**Publications and forms**



**Upcoming events live and online**

# Contacting MERS of Michigan

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## MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

1134 Municipal Way  
Lansing, MI 48917

800.767.MERS (6377)

[www.mersofmich.com](http://www.mersofmich.com)



*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.*