



Understanding Your Defined Benefit Plan

*Presented by: Andrew Smith
MERS Benefit Education Specialist
September 2020*



Agenda

- Defined Benefit Plan Formula
- Beneficiary Information
- Retirement Overview
- MERS Resources

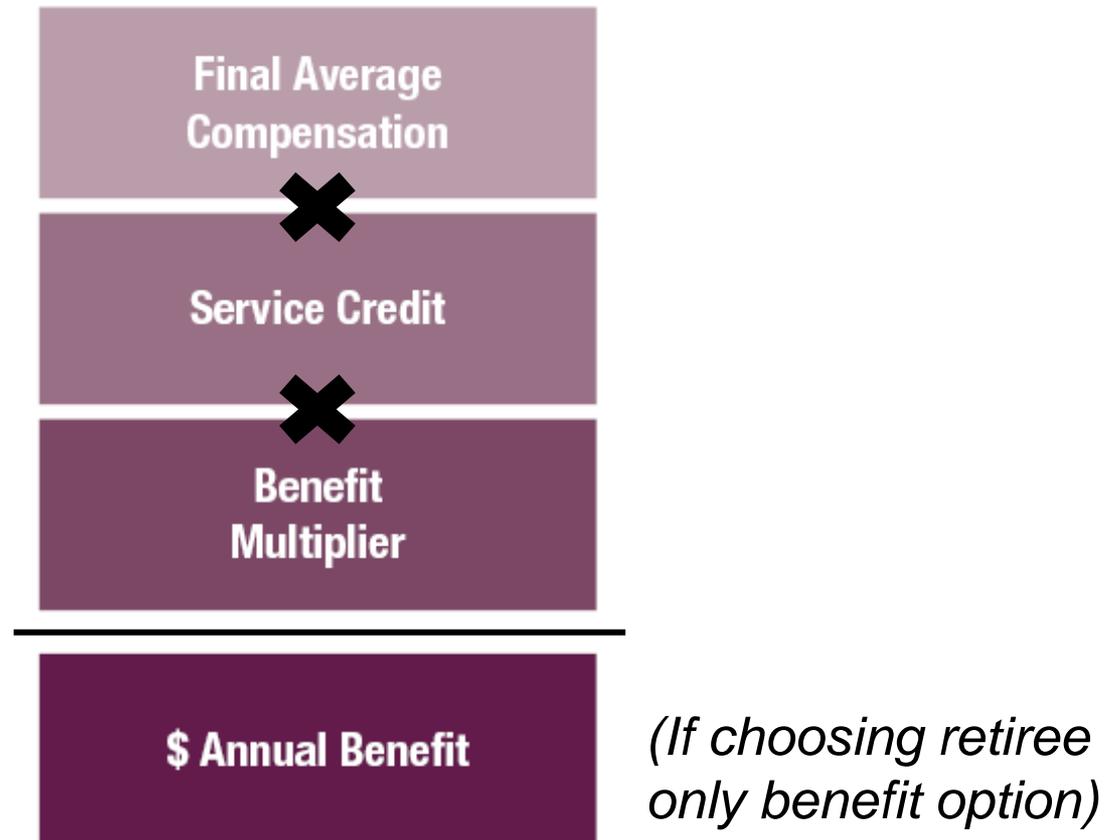


DB Plan Formula

MERS Defined Benefit Plan

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

MERS Defined Benefit Plan



INDIVIDUAL SEARCH

ACCOUNT DETAIL

CALCULATOR

INBOX

FILE UPLOAD

STATEMENTS

1099 RECORDS

GLOSSARY

FORMS

PUBLICATIONS

CONTACT US

ADMIN

I Want To...

CALCULATE MY BENEFIT

Status: Active

Account Detail - Summary

Retirement Benefit

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

[Details](#)

[Calculate My Benefit](#)

[Apply for Retirement](#)

Benefit Provisions

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

[View Reported Wages](#)

Service Credit

<u>Vesting Requirement</u>	10 Year Vesting
<u>Your Service Credit</u>	9 Years 8 Months

[Details](#)

Employee Contributions

<u>Post-Tax</u>	\$0.00
<u>Pre-Tax</u>	\$12,964.79
<u>Interest</u>	\$695.88
<u>Total</u>	\$13,660.67

[Request a Refund](#)

Beneficiaries

<u>Monthly Pension Beneficiary</u>	Joseph J. Smith
<u>Primary Refund Beneficiary</u>	Joseph J. Smith
<u>Contingent Refund Beneficiary</u>	John L. Smith

[Details](#)



Beneficiaries

Naming Your Beneficiary

VESTED:
Lifetime benefit



Monthly Pension

Any one individual,
automatically the spouse

NON-VESTED:
Refund of
member
contributions
plus interest



Primary Refund

Can name one or more
(equally share a lump sum)
& can be a trust, estate,
charity, automatically the
spouse



Contingent Refund

Can name one or more
(equally share a lump sum)
& can be a trust, estate,
charity

Changing Your Beneficiary in myMERS

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](#)

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](#)

Employee Contributions

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

[Request a Refund](#)

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	

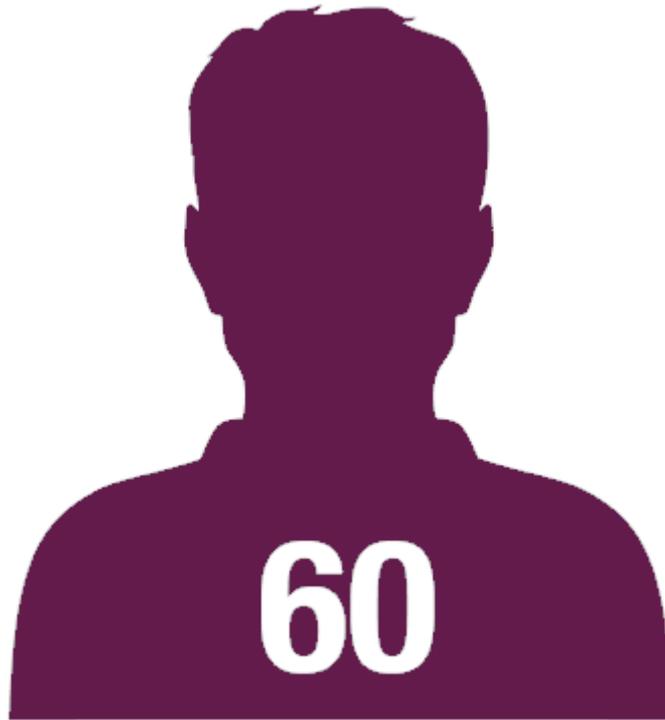
[Manage Beneficiaries](#)



Retirement

- Eligibility
- Pension Payment Options
- Application Process
- Living in Retirement

Retirement Eligibility



Others Ways to Vest

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



Pension Payment Options

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

Straight Life Formula $\$45,000 \times 25 \times 2.25\% = \$25,312.50 \div 12 = \$2,109.38$ 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

1

Submit Defined Benefit Retirement Application



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	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	

Example:

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

December

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
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**

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
	Edit

Tax Elections

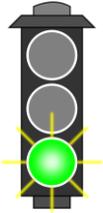
Federal
Married - Filed Single, 0 exemptions

[Edit Federal Tax](#)

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

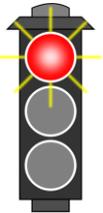
[Edit State Tax](#)

Working In Retirement



Any other employer:

No restrictions or impact to your MERS benefit

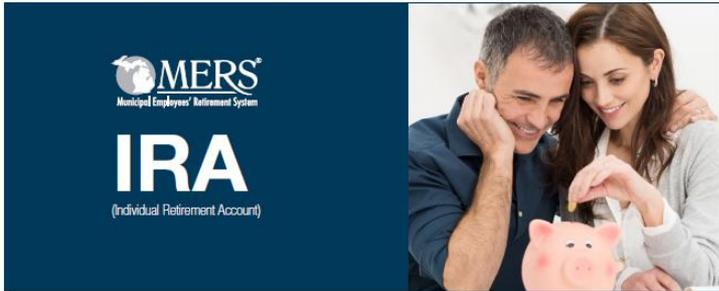


MERS employer you're retiring from:

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

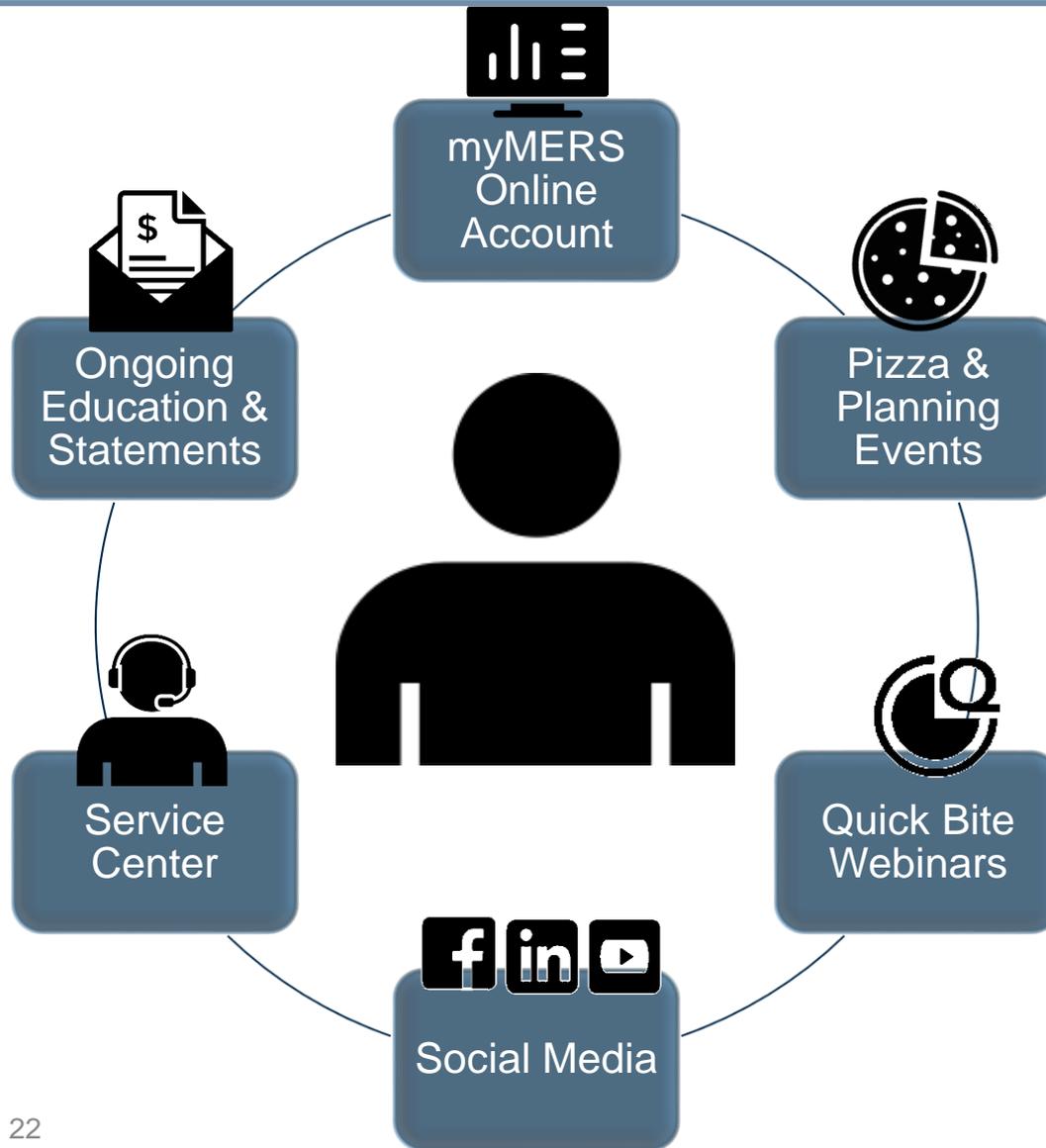
Who is MERS?

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.



MERS Resources

Your Resources



MERS Website

www.mersofmich.com



The MERS Video Library



Calculators



Publications and forms



Upcoming events live and online

Contacting MERS of Michigan

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

1134 Municipal Way
Lansing, MI 48917

800.767.MERS (6377)

www.mersofmich.com

