



# Understanding Your Hybrid Plan

*Presented by: Candice Skinner  
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September 2020*

# Agenda

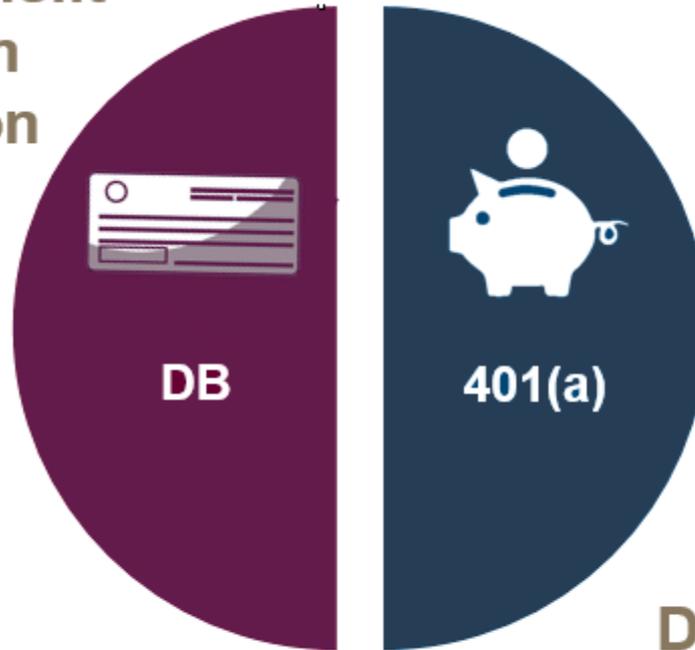
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- MERS Hybrid Plan Formula
  - Part I - Defined Benefit
  - Part II - Defined Contribution
- MERS Investment Menu
- Understanding Your Investment Expenses
- MERS Resources

# Hybrid Plan = DB + DC

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**Defined Benefit  
(DB) Plan  
or Pension**



**Defined Contribution  
(DC) Plan or 401(a)**

# Hybrid Plan = DB + DC

The screenshot shows the myMERS website interface. On the left, there is a green sidebar with the myMERS logo and a 'Resources' section containing links for 'Edit Profile' and 'CentsAbility Blog'. The main content area has a dark header with 'Hello', followed by 'myMERS: Home'. Below this is a 'Select Plan' section with a dropdown menu. The dropdown is open, showing three options: 'Please select a Plan', 'Sample City Defined Benefit (12345)', and 'Sample City Defined Contribution (67890)'. A red circle highlights the dropdown menu. To the right of the dropdown is a green 'GO' button. Further right is an 'Alerts' section with a bell icon and a table with columns 'Date', 'Plan Id', and 'Mes'. Below the table, it says 'There are no alerts at this time.'



# Hybrid Part I – Defined Benefit

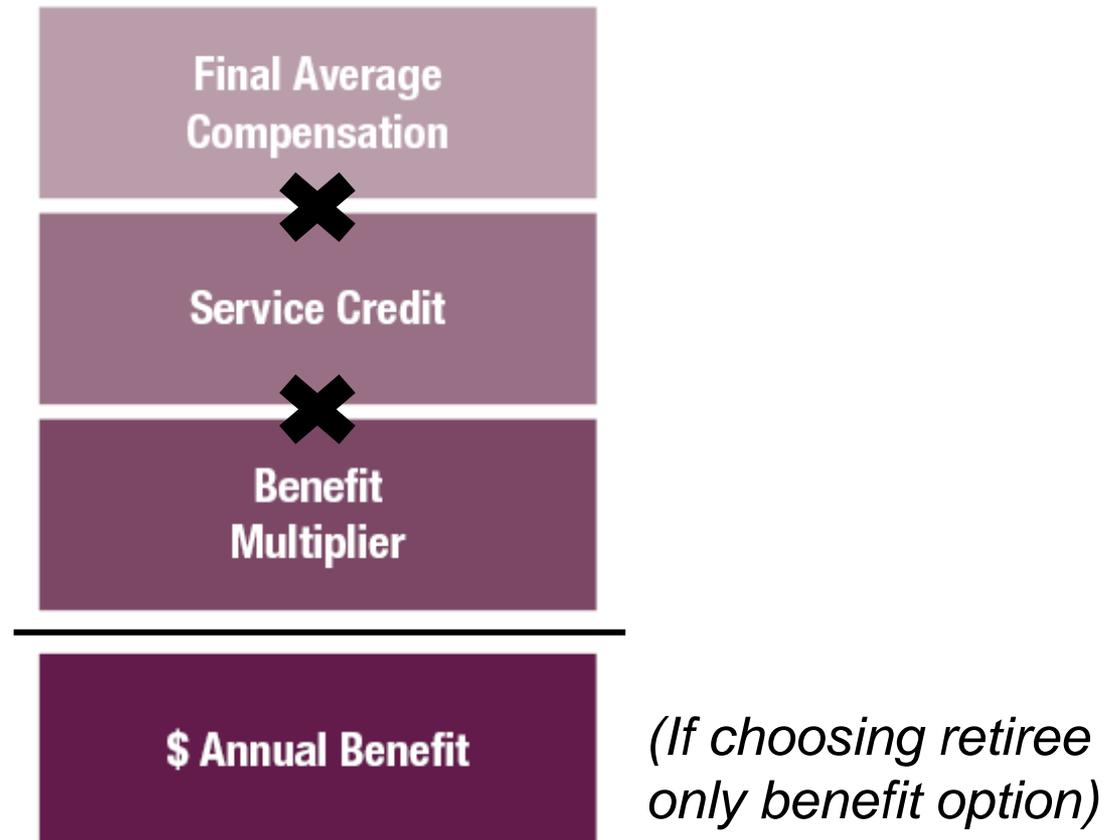
# MERS Defined Benefit Plan

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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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# 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

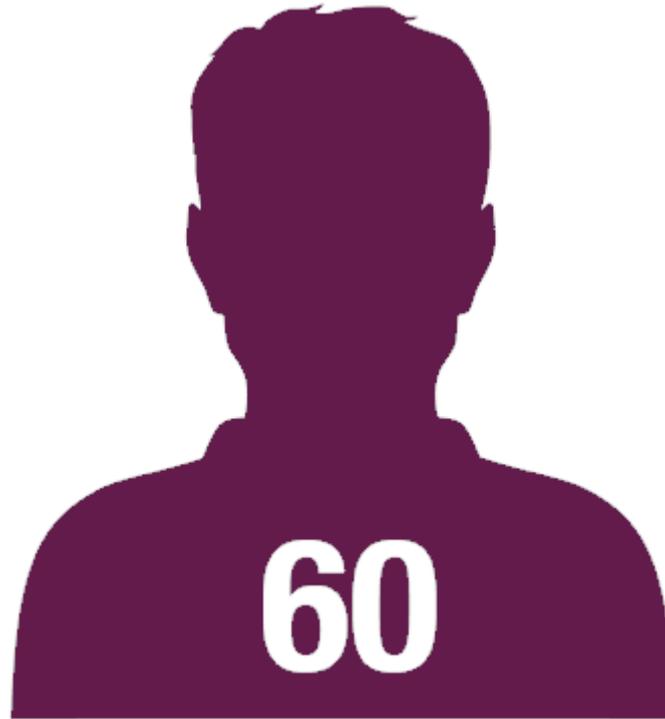


Contingent Refund

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

# DB Retirement Eligibility

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# DB Pension Payment Options

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**Straight Life**

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

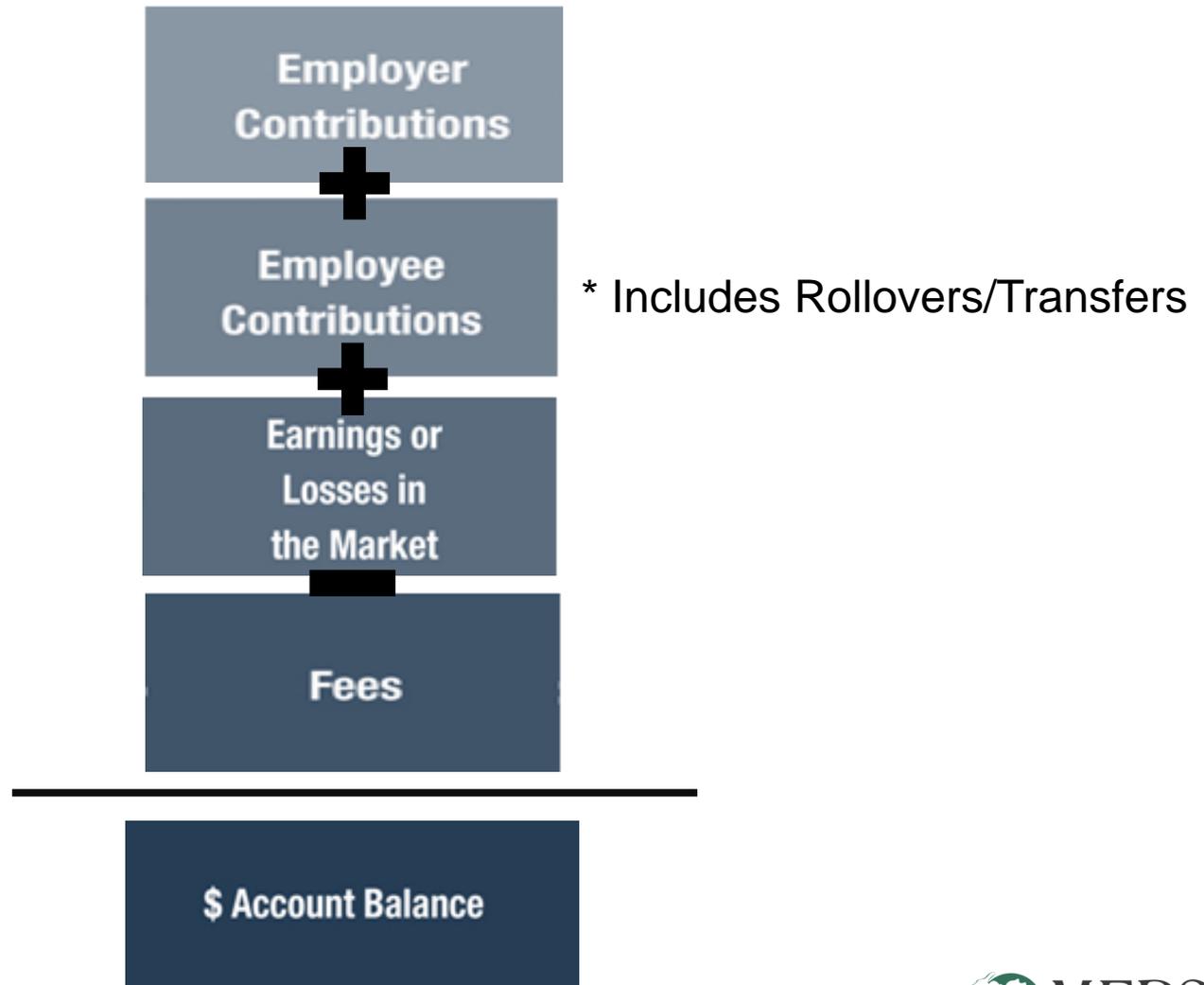
**Life with 5, 10, 15 or 20 years**



## Hybrid Part II – Defined Contribution

# MERS Defined Contribution Plan

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# Rollover/Transfer Contributions



**ROLLING OVER**  
isn't just a fun trick to teach your dog...

it's also a smart way  
to consolidate your  
retirement plans into one  
manageable account.

# DC Vesting

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There are two ways to become entitled to the contributions your employer has deposited into your account:

- 1. Vesting by Years of Service**
- 2. Automatic Vesting Age**

# Naming Your DC Beneficiary

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## Primary Beneficiary

Entitled to your remaining account balance in the event of your death (*always spouse unless they waive their rights in writing*)



## Contingent Beneficiary

Entitled to receive the remaining account balance in the event of your death and your Primary Beneficiary's death. You can name multiple beneficiaries.



# MERS Investment Menu

# Streamlined Investment Menu

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1

## *“Do it for me”*

Fully diversified target date funds that automatically adjust over time

2

## *“Help me do it”*

Prebuilt portfolios that are monitored and rebalanced quarterly

3

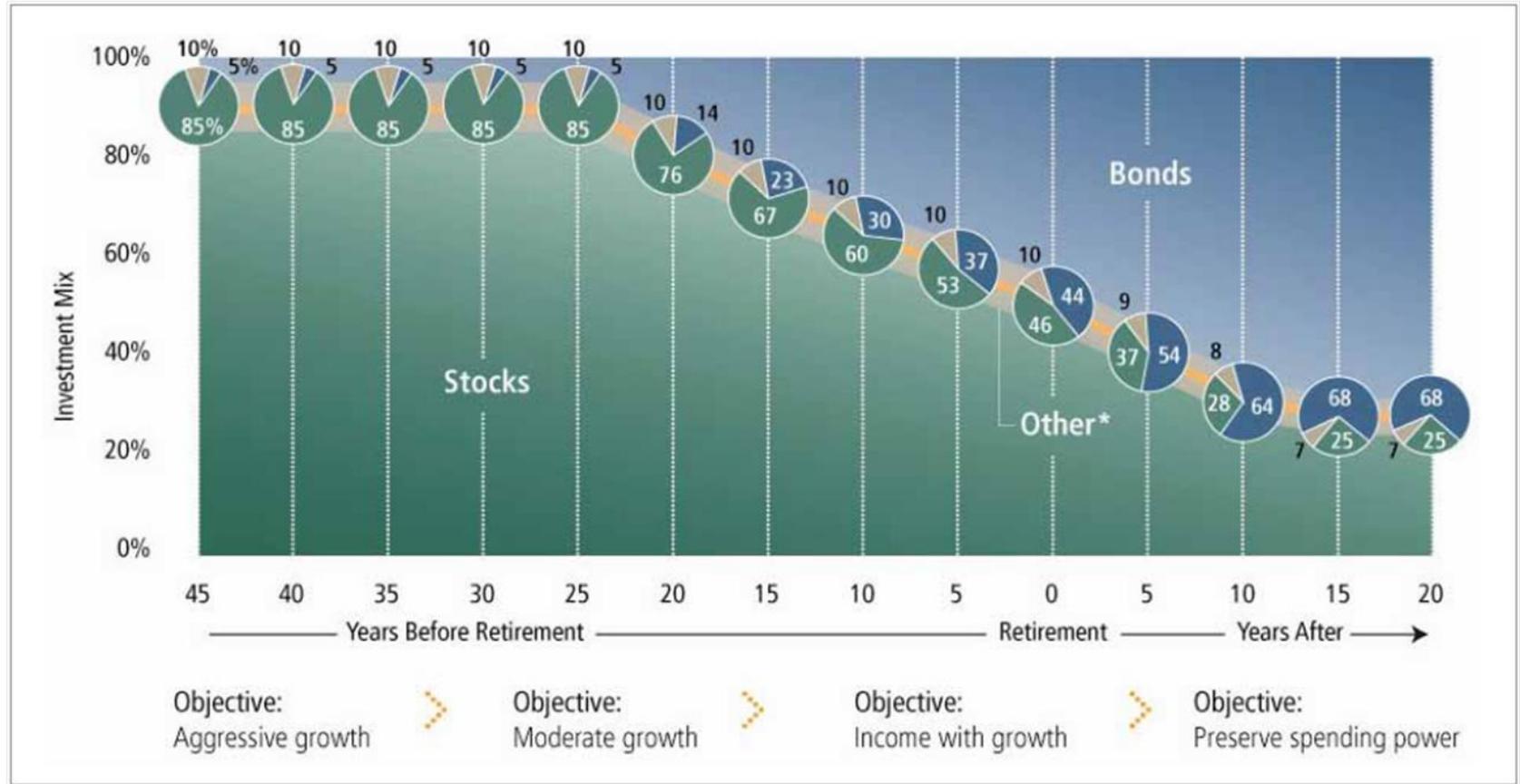
## *“I’ll do it myself”*

Self-Directed Brokerage Account to access funds outside of MERS

# 1

## “Do it for me”

Funds that transition automatically over your lifetime

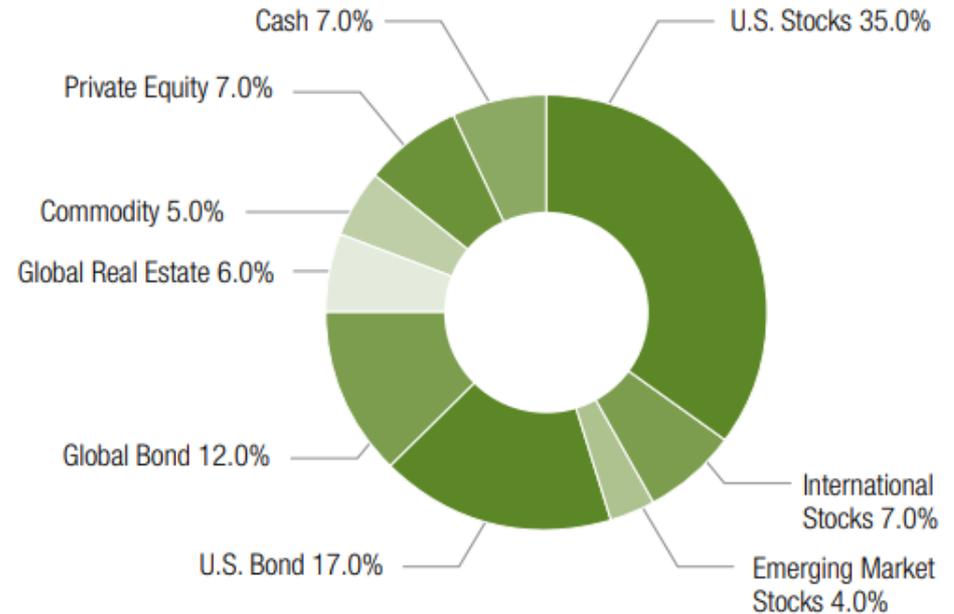


\*Other includes Global Real Estate Investment Trusts (REITs) and Commodities

# 2 “Help me do it”

## Pre-Built Portfolios and Pre-Selected Funds to Build Your Own Portfolio

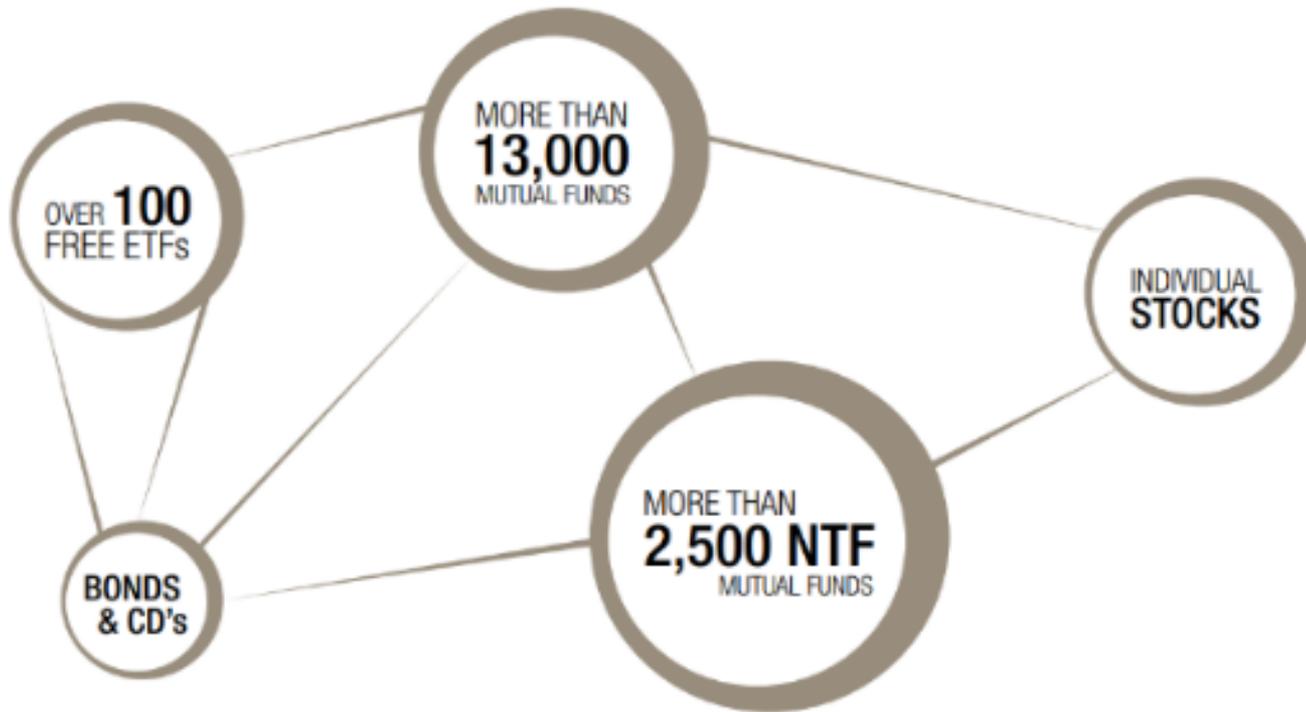
### 1) Pre-built portfolios



### 1) Build your own portfolio

# 3 “I’ll do it myself”

*Self-directed brokerage account through TD Ameritrade*





# Understanding Your Investment Expenses

# What Are My Plan Fees?

**3Q**  
9/30/19

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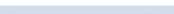
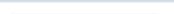
**Investment Menu Summary**

1134 Municipal Way Lansing, MI 48917 | 800.767.MERS (6377) | www.mersofmich.com



**MERS**  
Municipal Employees' Retirement System

**Performance & Fees –**  
 Defined Contribution Plan, Hybrid Plan (Part II), Health Care Savings Program, 457 Program, and IRA

Fund Name	Proportion of Stocks 	Returns						Total Annual Operating Expense	
		Quarter-to-date	Year-to-date	1 yr.	3 yr.	5 yr.	10 yr.	As a %	Per \$1,000
<b>1 Retirement Strategies: "Do it for me"</b>									
2005 Retirement Strategy		0.93%	8.87%	5.06%	4.18%	3.40%	-	0.38%	\$3.80
2010 Retirement Strategy		0.88%	9.58%	4.79%	4.82%	3.88%	-	0.39%	\$3.90
2015 Retirement Strategy		0.77%	10.86%	4.27%	5.61%	4.46%	-	0.39%	\$3.90
2020 Retirement Strategy		0.74%	12.00%	3.77%	6.30%	4.91%	-	0.40%	\$4.00
2025 Retirement Strategy		0.60%	12.58%	3.19%	6.79%	5.29%	-	0.40%	\$4.00
2030 Retirement Strategy		0.58%	13.51%	2.95%	7.46%	5.73%	-	0.40%	\$4.00
2035 Retirement Strategy		0.50%	14.26%	2.44%	8.08%	6.10%	-	0.40%	\$4.00
2040 Retirement Strategy		0.32%	14.85%	1.54%	8.56%	6.40%	-	0.40%	\$4.00
2045 Retirement Strategy		0.16%	15.15%	0.97%	8.72%	6.50%	-	0.40%	\$4.00
2050 Retirement Strategy		0.16%	15.15%	0.98%	8.72%	6.48%	-	0.40%	\$4.00
2055 Retirement Strategy		0.16%	15.20%	1.05%	8.72%	6.51%	-	0.40%	\$4.00
2060 Retirement Strategy		0.15%	15.18%	0.99%	8.73%	-	-	0.40%	\$4.00

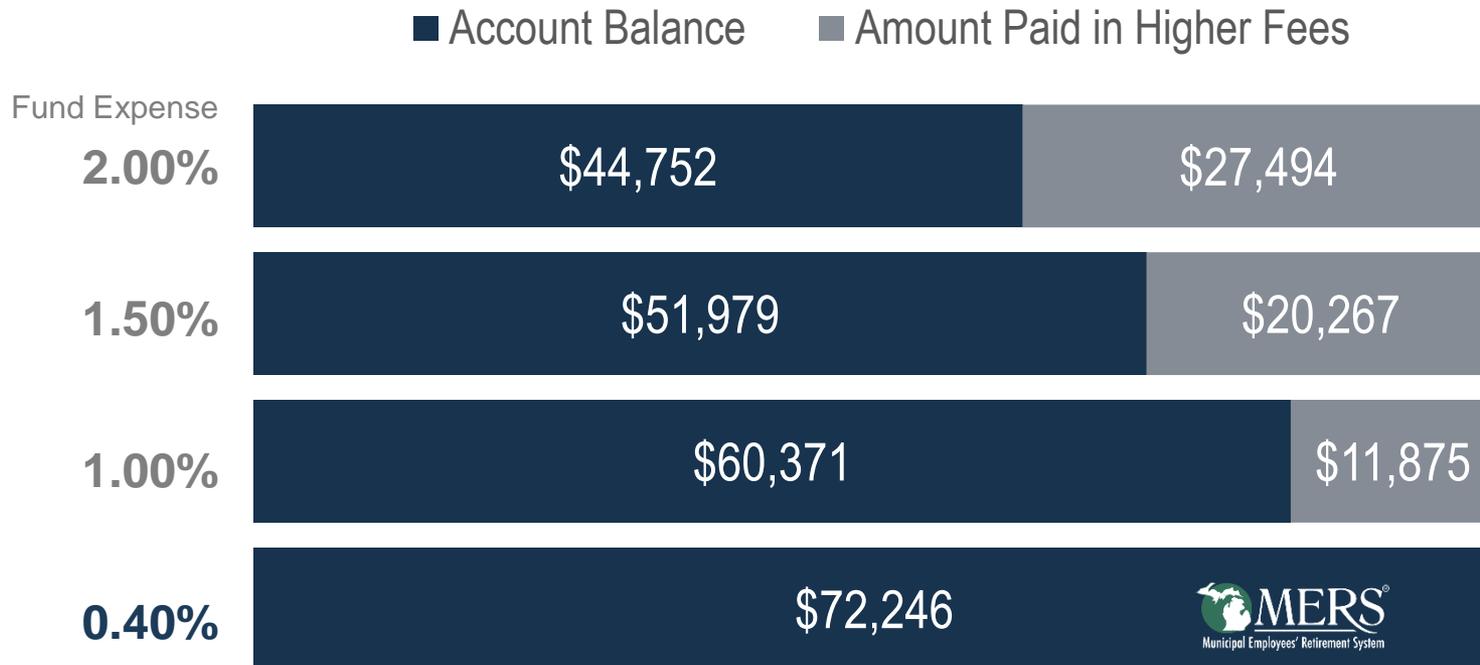
**Funds to Build Your Own Portfolio**

Fund Name	QTD	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Expense %	Expense \$/k
Large Cap Stock Index	1.65%	20.42%	4.12%	13.05%	10.41%	12.97%	0.33%	\$3.30
Mid Cap Stock Index	0.05%	17.66%	-2.61%	9.17%	8.66%	12.47%	0.33%	\$3.30
Small Cap Stock Index	0.04%	13.70%	-8.95%	9.35%	9.72%	-	0.33%	\$3.30
International Stock Index	-1.81%	11.43%	-2.64%	5.92%	2.85%	-	0.36%	\$3.60
Emerging Market Stock	-4.00%	4.19%	-4.42%	2.68%	-0.07%	-	0.57%	\$5.70
Real Estate Stock	7.88%	22.72%	15.61%	6.84%	9.90%	-	0.71%	\$7.10
Bond Index	2.35%	8.45%	9.99%	2.40%	2.85%	-	0.43%	\$4.30
High Yield Bond	1.22%	11.84%	6.98%	5.38%	5.00%	-	0.87%	\$8.70
Short-Term Income	0.66%	2.71%	3.80%	1.48%	1.02%	0.91%	0.33%	\$3.30
Stable Value (not available for HCSP or IRA)	0.55%	1.64%	2.16%	1.98%	1.92%	-	0.58%	\$5.80

Note: Amounts withdrawn may not be transferred to the MERS Short-Term Managed Income Fund for 90 days.

# Impact of Fees on Account Balance

*Growth of \$10,000 over 30 years (after fund expenses)*



*This hypothetical example illustrates the effect fees can have on \$10,000 growing for 30 years, at an **annual return of 7%**, before the different investment costs are considered.*

# Leaving Employment

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- 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 age 59½ 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*

# Summary

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## Defined Benefit

- Stable stream of income pays a lifetime monthly benefit
- Amount determined by a formula
- Eligibility - age 60 when vested
- Monthly Pension Beneficiary



## Defined Contribution

- Employer and employee contributions are deposited
- You chose how to invest \$\$
- Eligibility – age 55 or 59 ½, depends on when leave employment
- Distribution flexibility
- Primary and contingent beneficiary



# MERS IRA

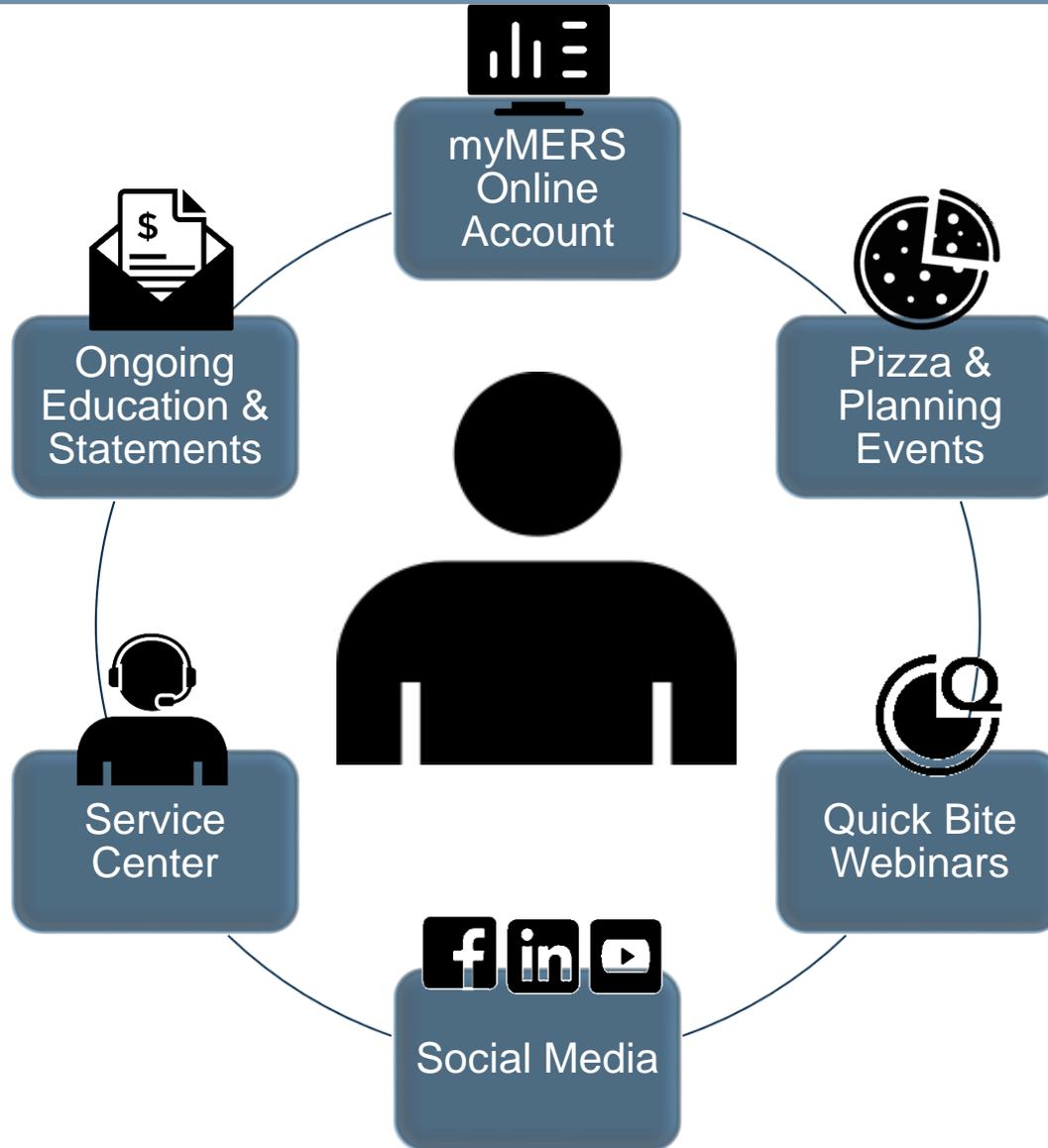


The graphic is a tilted rectangular frame containing a brochure. The top left of the brochure has a dark blue background with the MERS logo (a globe icon) and the text "MERS Municipal Employees' Retirement System" above the large word "IRA" and "(Individual Retirement Account)" in smaller text. To the right of this is a photograph of a man and a woman smiling and looking at a pink piggy bank. Below the photo, the text "Flexible saving options for you and your spouse" is written in a large, bold, sans-serif font. Underneath that, a sub-header reads "Saving with a MERS IRA can help you reach a variety of financial goals:", followed by a bulleted list of four items: "Benefit from tax-free growth or tax-deductible contributions", "Generate income in retirement", "Pay for your children's (or grandchildren's) college education", and "Make a down payment on your first home". Below the list is another sub-header "A Smart Financial Decision" next to a piggy bank icon. The text following this sub-header explains the benefits of a MERS IRA, including tax advantages and investment flexibility. At the bottom of the brochure, the website "www.mersofmich.com" is listed.



# MERS 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.*