

Hybrid Plan Adoption Agreement Addendum



1134 Municipal Way Lansing, MI 48917 | 800.767.MERS (6377) | Fax 517.703.9711 www.mersofmich.com

The employer, a participating municipality or court within the state of Michigan, hereby agrees to adopt and administer the MERS Hybrid Plan provided by the Municipal Employees' Retirement System of Michigan, as authorized by 1996 PA 220, in accordance with MERS Plan Document, as both may be amended, subject to the terms and conditions herein.

I. Effective Date

The effective date shall be the first day of **January, 2021**.

II. Employer name _____

Municipality number _____

This is an amendment of the existing Adoption Agreement for the MERS Hybrid Plan. Any changes to plan provisions apply to employees in the division on the effective date, as well as to new hires ongoing. Definitions will apply for all service accrued after the effective date. Unless otherwise noted, sections refer to both the Defined Benefit and Defined Contribution portions of Hybrid.

Division number _____

Division name on file with MERS _____

III. Plan Eligibility

Only those employees eligible for MERS membership may participate in the MERS Hybrid Plan. If an employee classification is **included** in the plan, then employees that meet this definition will receive service credit if they work the required number of hours to meet the service credit qualification defined below. All eligible employees must be reported to MERS.

Using your Division Name above, expand on the employee classifications that are eligible to participate in MERS. For example, if Division is "General," please insert specific classifications that are eligible for MERS such as "Clerical Staff," "Elected Officials," "Library Director," etc.:

Employee classification contains **public safety employees:** Yes No

Public safety employees include: law enforcement, parole and probation officers, employees responsible for emergency response (911 dispatch, fire service, paramedics, etc.), public works, and other skilled support personnel (equipment operators, etc.).

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If you elect to include a special classification (chart below), then the employee will be required to meet the Service Credit Qualification under the Defined Benefit portion of Hybrid as defined under section IV (Provisions) in order to earn a month of service. Excluded classifications will require additional information below. For Defined Contribution portion of Hybrid, vesting is determined according to elapsed time (or hours reported, if applicable).

To further define eligibility (select all that apply):

Employee Classification	Included	Excluded	Not Employed
Temporary Employees: Those who will work for the municipality fewer than ____ months in total.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Part-Time Employees: Those who regularly work fewer than ____ per ____.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Seasonal Employees: Those who will work for the municipality from ____ to ____ only.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Voter-Elected Officials	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Appointed Officials: An official appointed to a voter-elected office.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Contract Employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Probationary Periods (select one):

- Service will begin after the probationary period has been satisfied. Probationary periods are allowed in one-month increments, no longer than 12 months. During this probationary period, the employer will not report or provide service.

The probationary period will be ____ month(s).

Comments:

- Service will begin with the employee's date of hire (no Probationary Period). Effective with the date of hire, wages paid and any associated contributions must be submitted to MERS.

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IV. Provisions

1. Service Credit Qualification (for Defined Benefit portion of Hybrid)

To clarify how eligible employees earn service credit, please indicate how many hours per month an eligible employee needs to work. For example, if you require 10 eight-hour days, this would be 80 hours per month. If an 'hour per day' has been defined (like ten 7-hour days), electing 70 hours will be required. Employees must meet the definition of Plan Eligibility and service credit qualification in order to earn service credit under the plan.

To receive one month of service credit, an employee shall work (or be paid for as if working) _____ hours in a month.

Note: For purposes of Defined Contribution, vesting is determined by elapsed time or hours reported.

2. Leaves of Absence (for Defined Benefit portion of Hybrid)

Indicate in the chart below, whether the potential for service credit will be allowed if an eligible employee is on one of the following types of leave, regardless of meeting the service credit qualification criteria.

Regardless whether an eligible employee is awarded service credit while on the selected type(s) of leave:

- MERS will skip over these months when determining the FAC amount for benefit calculations.
- Third-party wages **are not** reported for leaves of absence.
- Employers **are not** required to remit employer contributions based on leaves of absence when no wages are paid by the employer. However, an employer may submit additional voluntary contributions for the period of the leave in an amount determined by the employer.
- For **contributory divisions**, employee contributions are required for service credit to be retained. Employee contributions will be collected based on the Service Credit Qualification. Employers will calculate employee contributions due using the employee's current hourly rate (prior to leave). For example, if 120 hours is required for service credit, then employee contributions shall be equal to 120 hours times the employee's hourly rate. Employees have three times the length of leave, to a maximum of five years, to pay required employee contributions. Leaves of absence are required to be reported to MERS, including the employee's start and end date per month, along with the employee's hourly rate.

Note: For the Defined Contribution portion of Hybrid service is not "granted" or "excluded" as elapsed time (or accumulated hours) are used to determine vesting. Contributions will be due only for months where wages are paid.

Type of Leave	Service Credit Granted	Service Credit Excluded
Short- and Long-Term Disability	<input type="checkbox"/>	<input type="checkbox"/>
Workers' Compensation	<input type="checkbox"/>	<input type="checkbox"/>
Unpaid Family Medical Leave Act (FMLA)	<input type="checkbox"/>	<input type="checkbox"/>
Other: _____ For example, sick and accident, administrative, educational, sabbatical, etc.	<input type="checkbox"/>	<input type="checkbox"/>
Other 2: _____ Additional leave types as above	<input type="checkbox"/>	<input type="checkbox"/>

Leaves of absence due to military service are governed by the Federal *Uniformed Services Employment and Reemployment Rights Act* of 1994 (USERRA), IRC 414(u), effective 1/1/07, IRC 401(a)(37). Military reporting requires historical wage and contribution reporting under both Defined Benefit and Defined Contribution portions.

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3. Definition of Compensation

To streamline your Hybrid administration, MERS encourages you to use the same Definition of Compensation for both the Defined Benefit and Defined Contribution components. Contributions are calculated using the elected definition and must be reported to MERS separately for Defined Benefit and Defined Contribution.

My Defined Contribution portion uses a different definition. Fill out the below for your Defined Benefit portion and contact MERS at DataCollectionProject@mersofmich.com for instructions.

Select your definition here. If you choose to customize your definition, skip this table and go to page 5.	<input type="checkbox"/> Base Wages	<input type="checkbox"/> Box 1 Wages	<input type="checkbox"/> Gross Wages
Types of Compensation			
Regular Wages Salary or hourly wage X hours PTO used (sick, vacation, personal, bereavement, holiday leave, or unclassified) On-call pay	All Regular Wages included	All Regular Wages included	All Regular Wages included
Other Wages Shift differentials Overtime Severance issued over time (weekly/bi-weekly)	Excluded	All Other Wages included	All Other Wages included
Lump Sum Payments PTO cash-out Longevity Bonuses Merit pay Job certifications Educational degrees Moving expenses Sick payouts Severance (if issued as lump sum)	Excluded	All Lump Sum Payments included	All Lump Sum Payments included
Taxable Payments Travel through a non-accountable plan (i.e. mileage not tracked for reimbursement) Prizes, gift cards Personal use of a company car Car allowance	Excluded	All Taxable Payments included	All Taxable Payments included
Reimbursement of Nontaxable Expenses (as defined by the IRS) Gun, tools, equipment, uniform Phone Fitness Mileage reimbursement Travel through an accountable plan (i.e. tracking mileage for reimbursement)	Excluded	Excluded	Excluded
Types of Deferrals			
Elective Deferrals of Employee Premiums/Contributions 457 employee and employer contributions 125 cafeteria plan, FSAs and HSAs IRA contributions	All Elective Deferrals included	Excluded	All Elective Deferrals included
Types of Benefits			
Nontaxable Fringe Benefits of Employees Health plan, dental, vision benefits Workers compensation premiums Short- or Long-term disability premiums Group term or whole life insurance < \$50,000	All Nontaxable Fringe Benefits included	Excluded	All Nontaxable Fringe Benefits included
Mandatory Contributions Hybrid Plan employee contributions MERS Health Care Savings Program employee contributions	All Mandatory Contributions included	Excluded	All Mandatory Contributions included
Taxable Fringe Benefits Clothing reimbursement Stipends for health insurance opt out payments Group term life insurance > \$50,000	Excluded	Excluded	All Taxable Fringe Benefits included
Other Benefits / Lump Sum Payments Workers compensation settlement payments	Excluded	Excluded	All Other Lump Sum Benefits included

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SKIP THIS TABLE if you selected one of the standard definitions of compensation on page 4.

CUSTOM: If you choose this option, you must select boxes in each section you would like to include in your Definition of Compensation. You will be responsible for additional reporting details to track custom definitions. Wages are reported based on definition selected and the percentage of contributions should be determined using that wage.

Types of Compensation

Regular Wages

- | | |
|---|---------------------------------------|
| <input type="checkbox"/> Salary or hourly wage X hours | <input type="checkbox"/> On-call pay |
| <input type="checkbox"/> PTO used (sick, vacation, personal, bereavement, holiday leave, or unclassified) | <input type="checkbox"/> Other: _____ |

Other Wages apply: YES NO

- | | |
|--|--|
| <input type="checkbox"/> Shift differentials | <input type="checkbox"/> Severance issued over time (weekly/bi-weekly) |
| <input type="checkbox"/> Overtime | <input type="checkbox"/> Other: _____ |

Lump Sum Payments apply: YES NO

- | | |
|---|--|
| <input type="checkbox"/> PTO cash-out | <input type="checkbox"/> Educational degrees |
| <input type="checkbox"/> Longevity | <input type="checkbox"/> Moving expenses |
| <input type="checkbox"/> Bonuses | <input type="checkbox"/> Sick payouts |
| <input type="checkbox"/> Merit pay | <input type="checkbox"/> Severance (if issued as lump sum) |
| <input type="checkbox"/> Job certifications | <input type="checkbox"/> Other: _____ |

Taxable Payments apply: YES NO

- | | |
|---|--|
| <input type="checkbox"/> Travel through a non-accountable plan (i.e. mileage not tracked for reimbursement) | <input type="checkbox"/> Car allowance |
| <input type="checkbox"/> Prizes, gift cards | <input type="checkbox"/> Other: _____ |
| <input type="checkbox"/> Personal use of a company car | |

Reimbursement of Nontaxable Expenses (as defined by the IRS) apply: YES NO

- | | |
|---|---|
| <input type="checkbox"/> Gun, tools, equipment, uniform | <input type="checkbox"/> Mileage reimbursement |
| <input type="checkbox"/> Phone | <input type="checkbox"/> Travel through an accountable plan (i.e. tracking mileage for reimbursement) |
| <input type="checkbox"/> Fitness | <input type="checkbox"/> Other: _____ |

Types of Deferrals

Elective Deferrals of Employee Premiums/Contributions apply: YES NO

- | | |
|--|--|
| <input type="checkbox"/> 457 employee and employer contributions | <input type="checkbox"/> IRA contributions |
| <input type="checkbox"/> 125 cafeteria plan, FSAs and HSAs | <input type="checkbox"/> Other: _____ |

Types of Benefits

Nontaxable Fringe Benefits of Employees apply: YES NO

- | | |
|--|--|
| <input type="checkbox"/> Health plan, dental, vision benefits | <input type="checkbox"/> Group term or whole life insurance < \$50,000 |
| <input type="checkbox"/> Workers compensation premiums | <input type="checkbox"/> Other: _____ |
| <input type="checkbox"/> Short- or Long-term disability premiums | |

Mandatory Contributions apply: YES NO

- | | |
|--|---------------------------------------|
| <input type="checkbox"/> Hybrid Plan employee contributions | <input type="checkbox"/> Other: _____ |
| <input type="checkbox"/> MERS Health Care Savings Program employee contributions | |

Taxable Fringe Benefits apply: YES NO

- | | |
|---|---|
| <input type="checkbox"/> Clothing reimbursement | <input type="checkbox"/> Group term life insurance > \$50,000 |
| <input type="checkbox"/> Stipends for health insurance opt out payments | <input type="checkbox"/> Other: _____ |

Other Benefits / Lump Sum Payments apply: YES NO

- | | |
|---|---------------------------------------|
| <input type="checkbox"/> Workers compensation settlement payments | <input type="checkbox"/> Other: _____ |
|---|---------------------------------------|

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4. Forfeiture (for Defined Contribution portion of Hybrid)

A forfeiture occurs when a participant separates from employment prior to meeting the associated elapsed time (or hours reported) to receive vesting. The percentage of his/her employer contribution account balance that has not vested as of the date of termination will forfeit after 12 consecutive months following the termination date reported by the employer, or earlier, if the System distributes the participant's vested portion. MERS will utilize an available forfeiture balance as an automatic funding source applied to reported employer contributions at the time of reporting.

V. Execution:

Authorized Designee of Governing Body of Municipality or Chief Judge of Court

This foregoing Addendum is hereby approved by

at a Board Meeting which took place on: _____
(mm/dd/yyyy)

Authorized Signature: _____

Printed Name: _____

Title: _____

Date: _____

FOR REVIEW