



MERS 457 SUPPLEMENTAL RETIREMENT PROGRAM

Employer Guide

mersofmich.com

This guide is a summary of the procedures and rules governing your MERS 457 Supplemental Retirement Program. The actual legal requirements are contained in the most recent versions of the Internal Revenue Code, Michigan State Law, and the MERS 457 Plan Document. If there are any conflicts between what is written in this guide and what is contained in the law or MERS 457 Plan Document, then the applicable law or MERS 457 Plan Document will govern.

This guide and the forms described within are updated frequently. It is best practice to print the forms as needed. The online version is the current version and supersedes all printed versions.

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Welcome

Congratulations on selecting the MERS 457 Supplemental Retirement Program — a program designed to help your employees prepare for the future!

As an employer, your employees rely on you to provide benefit information. This guide is part of your MERS 457 employer resources and is designed to help you answer their questions quickly and accurately.

Your employer resources include:

- MERS 457 Employer Guide
 - [MERS 457 Employee Enrollment Kit](#)
 - [MERS Regional Team Guide](#) – Your Regional Team provides answers to administrative questions, gives board presentations, holds employee education presentations and one-on-one consultations
 - [MERS 457 Supplemental Retirement Program Participant Handbook](#) — a detailed reference guide automatically sent to newly enrolled employees
 - [Wage and Contribution Guide](#)
-

MERS Overview

Who is MERS?

The Municipal Employees' Retirement System (MERS) of Michigan is an independent professional retirement services company that was created to administer the retirement plans for Michigan municipalities on a not-for-profit basis.

Today MERS proudly counts more than 140,000 participants all across the state, many of them your friends and family, neighbors and coworkers. MERS members are police officers and pipe fitters, lawyers, librarians and more, located everywhere from Marquette to Marshall, and plenty in between.

MERS Retirement Board

MERS is administered by a nine-member Retirement Board, made up of representatives from municipalities at the employer, employee, and retiree level, and the general public. It has the fiduciary responsibility for the investment of assets and oversees the system.

The Board appoints the Chief Executive Officer, who manages and administers MERS under the supervision and direction of the Board. The Board also oversees the MERS 457 Plan Document, which governs the benefit provisions of the program. The MERS Retirement Board, together with the MERS Office of Investments, selects the menu of investment options for the MERS programs.

Benefits of Partnering with MERS

Putting Our Members First

- MERS operates on a not-for-profit basis and is committed to providing you and your employees with affordable retirement programs.
- We continually seek innovative products and services that will benefit both current and future employees.
- We have a non-commissioned staff dedicated to serving our customers.

Strategic Investment Lineup

- We leverage our financial strength, our experience and investment management to lower costs and provide employees with unique investment options not found elsewhere.
- Employees may choose from a comprehensive yet streamlined investment menu, making for simple and strategic investing.

Customer Service and Education

- MERS Regional Teams are dedicated to providing you with excellent service and information on all of your MERS programs.
 - We are available for on-site group presentations or one-on-one consultations with your employees.
 - You and your employees have access to information online anytime. [Click here](#) for more information.
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How It Works

1. Employer adopts MERS 457 Program, either exclusively or in conjunction with other 457 plans.
2. Employees elect to participate, and determine how much to contribute to an invested account they manage.
3. Upon separation of employment, the account becomes available for withdrawals.

What options are offered with the MERS 457?

- Employer determines eligible employee definition (which may include contract and part-time employees).
- Auto-enrollment provision — allows you to default employees into the program at a specified contribution amount. Employees may opt out of the program by completing the [MERS 457 Opt-Out Refund Form \(MD-415\)](#).
- Employee Roth contributions are accepted.
- Employer contributions may be made to the program.
 - Matching contributions of a flat dollar amount or a percentage of employee's contributions.
 - Non-matching contributions of a flat dollar amount, percentage of payroll, or a one-time annual contribution.

Why should my employees contribute to MERS 457?

- It is a self-directed account; employees decide how much to contribute and how to invest it.
 - No early distribution penalties; payout may begin after termination of employment, which may help them fill the gap between an early retirement and pension distribution.
 - The account belongs to the employee so they may roll other qualified assets into it, and it's portable.
 - Pre-tax contributions reduce employee's annual taxable income.
 - Access to 457 Roth option
 - After-tax contributions.
 - Roth-to-Roth rollovers are available.
 - Contributions and earnings can be paid out **tax-free** as a "[qualified distribution](#)", — a distribution made after age 59½ (or after death or disability) and after having a designated Roth account in the MERS 457 Program for at least 5 years.
 - Roth 457 contribution limits are higher than Roth IRAs.
 - Everyone is eligible to make Roth 457 contributions regardless of income level.
 - More options in retirement — can offer a tax-free distribution .
 - There is no minimum investment requirement.
 - Participants have access to MERS Investment Menu.
 - Participation is voluntary.
-

Getting Started

Whether you are new to MERS or new to the MERS 457 Program, this guide will lead you through the administrative process. If you have any questions, please feel free to contact your [MERS Regional Team](#).

Designating Employer Contacts

To designate your contacts for the first time or update the current contacts, please complete the [MERS Contact Form \(Number 85\)](#) to designate Primary, Finance, and Human Resources contacts:

- Primary Contact — receives all information from MERS regarding general updates, including the *Employer Bulletin*, as well as product-specific information
- Finance Contact — receives all billing information and notifications, quarterly statements, automatic administrative access to the MERS Employer Portal as well as Primary Contact information
- Human Resources Contact — receives information regarding members

You can also designate other individuals who need access to the MERS Employer Portal. MERS will email them directly with a username and password. Please contact the Service Center at 800.767.MERS (6377) if you have questions.

Employee Enrollment Kit

New employees to the MERS 457 Program need to complete an [Employee Enrollment Kit](#), which contains the 457 Quick Enrollment Form, a one-page form they complete and return to you for your records. Do not return this form to MERS.

Once completed, please include the new employee's required information on the upload file during the next contribution cycle in the Employer Portal. New employees will receive their Personal Identification Number (PIN) to set up their myMERS account in a separate mailing. Additionally, each new employee will receive information on the MERS 457 Program either by email (if you included an email address when enrolling the new employee) or by mail.

Your municipality can also adopt an [Automatic Enrollment](#) provision. By adopting this provision, eligible employees will be defaulted to MERS 457 Program unless they opt-out using the [MERS 457 Opt-Out Refund Form \(MD-415\)](#).

See the [Enrolling a New Employee](#) section for the steps to report new employees to MERS.

Did you know? Up-to-date forms are available at [mersofmich.com](#) and the MERS Employer Portal.

Administering the MERS 457 Program

The MERS 457 Supplemental Retirement Program is designed to be an easy-to-use, flexible and affordable benefit for municipalities and their employees. This section outlines how you set-up and administer the program online with the MERS Employer Portal.

MERS Employer Portal

The MERS Employer Portal is designed to provide you with quick and easy access to all of your MERS programs:

- View current news and important publications
- Download forms
- View quarterly performance data and statements, provisions and program information, and details of individual employee accounts from the **Manage Participants** section
- Access current fund sheets and return information on MERS Investment Funds from the **Investment** section
- View contact information in the **Contact Us** section and email us directly with your questions
- Submit forms and participant information through the secure file upload feature



Logging Into the Employer Portal

When you're ready to report, or need forms or other information, logging into the MERS Employer Portal is easy:

1. Visit mersofmich.com.
2. Enter your UserID and temporary password which you received from Alerus by email. If you have misplaced your temporary password, contact Alerus at 800.433.1685.
3. If you are an existing user but have forgotten your password, contact Alerus at 800.433.1685.

Enroll a New Employee In the Program

Enrolling new employees is as simple as including them in the file upload spreadsheet. Once you have validated the information submitted on the file, the system will create the employee's record and generate a personal identification number (PIN) for the employee to access his or her myMERS account. The PIN will be mailed directly to the employee's home address within two business days of their record being created.

1. Have your employee complete and return to you the information in the [MERS 457 Enrollment Kit](#).
2. Keep the form on file for your records.
3. Log in to the [MERS Employer Portal](#).
4. Choose **Contribution Gateway**, then click on the MERS 457 Plan ID to begin reporting.

Changing Participant Information

Making changes to participant division, status and personal information can be done within participant record. The steps are as follows.

Transfer Participants Between Divisions

- Participant transfers between divisions will now be done via the portal and not via the contribution file. To start the process you will need to select the plan that you are transferring from by selecting the green Plan ID.

Plan Browse

Find Plan Name: or Plan ID: **GO** **Clear**

Count Low: Count High: Assets Low: Assets High:

Plan Status: Service:

Search Results

PlanID	Div Code	Plan	City	Plan Status	Count	Assets	Service
000015		SAMPLE PLAN 15	Anytown	Active	60	\$0	Full
000016	119999	MERS DB Enter Eligible EEs here		Active	0	\$0	Full
500000		INVESTMENT SERV POOL GLOBAL		Active	0	\$0	Full
533333		INVESTMENT SERV POOL TEMPLATE PROGRAM		Active	0	\$0	Full

- Select **Transfer Participants** located under **Manage My Participants**

Manage My Participants

Plan Balances **Plan Features** **Go to Participant** **Activity summary**

Plan Balance : \$885,268 **GO** **Investment Change**

Number of Investments : 23 **Click here for name search**

Plan Outstanding Loan Balance : \$5,954.65

Contribution Deposit **Contribution details**

Here are the most recent contributions received (looking back 1 year).

- Under Participant ID, enter the name in Find Name or SSN of the person you want to transfer (note you can only transfer participants who are active) and select **Go**. For a full list of participants simply select **Go**.

Transfer Participants Browse

Find Name: or Participant ID : Options : **GO** **Clear**

Status: Location: **GO** **Clear**

Search Results

PartID	Name	Date of Birth	Date of Hire	Date of Term	Status
Transfer 111000015	111000015, Test	01/01/1960	02/01/2013		Active
Transfer 666666015	666666015, Test	01/01/1960	01/01/2012		Active
Transfer 666666603	Johnson, Sally	09/13/1964	01/01/1990		Active
Transfer 666666604	Larson, Dawn	10/30/1968	09/10/1998		Active
Transfer 666666605	Smith, Jill	04/30/1967	09/10/1998		Active
Transfer 666666606	Jameson, Bob	04/29/1967	09/22/1998		Active

- Select **Transfer** located to the left of the SSN – select **Destination Plan** – select **Transfer**. Note – you can only transfer to the same product type. If you want to transfer between product types you will need to contact the MERS Service Center. Any transfer requests received in good order will be processed within 1-2 business days.

Transfer Participants Select

1 Select **Confirm** **Transaction**

Selected Participant

Plan ID : 000015

Name : 111000015, Test

Part ID : 111000015

Date of Birth : 01/01/1960

Date of Hire : 02/01/2013

Date of Term :

Status : Active

Comments :

Cancel

Select Destination Plan

Select Plan :

No available destination plans.

Transfer

Participant Status and Personal Information

- To start the process you will need to select your plan that you are editing from by selecting the green **Plan ID**.

Plan Browse

Find Plan Name: or Plan ID: GO Clear

Count Low: Count High: Assets Low: Assets High:

Plan Status: Service:

Search Results

PlanID	Div Code	Plan	City	Plan Status	Count	Assets	Service
000015		SAMPLE PLAN 15	Anytown	Active	60	\$0	Full
000016	119999	MERS DB Enter Eligible EEs here		Active	0	\$0	Full
500000		INVESTMENT SERV POOL GLOBAL		Active	0	\$0	Full
533333		INVESTMENT SERV POOL TEMPLATE PROGRAM		Active	0	\$0	Full

- Select **Select Participant** located under **Manage My Participants**

Investment Performance

Manage Loans

Check Disbursements

Manage My Participants

Select Participant

Plan Balances

Plan Balance: \$355,200

Number of Investments: 23

Plan Outstanding Loan Balance: \$5,954.05

Go to Participant

Enter PartID: GO

Contribution Deposit

Here are the most recent contributions received (looking back 1 year)

- Type in all or a portion of the participant's name or SSN or scroll through all names. Upon finding the applicable participant, click on **Edit**, which is located on the left-hand side of the participant's record. You can also search for all employees with a specific status type (Active, Not Eligible, Terminated, Enrolling, Installments).

Select Participant

Find Name: or Participant ID: Options: GO Clear

Status: Location: GO Clear

Search Results

PartID	Name	Date of Birth	Date of Hire	Date of Term	Status
Edit 000000001	Bair, Anthony D.	02/24/1964	07/07/1997		Not Eligible
Edit 111000015	111000015, Test	01/01/1960	02/01/2013		Active
Edit 444455555	Doe, John	07/07/1977	11/02/1998	06/01/2014	Terminated
Edit 666000015	666000015, Test	01/01/1960	01/01/2012		Active
Edit 666666601	Doe, Diane	08/09/1972	01/01/1990		Enrolling
Edit 666666602	Matthews, Mary	02/26/1963	01/01/1990	02/25/2013	Terminated

- You can update the participant's mailing address, date of birth, date of hire, date of termination and/or rehire date. Once all information has been entered – select **Save**. Note – if you change any of this information and the participant is included with your payroll report you will need to update the information there as well to make sure the information is not overridden.

Participant Information

You may review and update the participant information below

Profile Summary

Name: Doe, John

Address1: 123 MAIN STREET

Address2:

City, State, Zip: ANYWHERE MI 11111

Email:

Age: 35.07

Status

Status: Active

Date of Birth: 01/01/1960

Date of Hire: 11/02/1998

Date of Termination:

Rehire: 01/01/2000

Employer Information

SAMPLE CORPORATION

5350 8th Street NW

Henry Jones

Anytown MN 55874

Save

- Once you have entered and Saved the information you will see “Successfully Saved”.

Participant Information

You may review and update the participant information below

Profile Summary

Name: Doe, John

Address1: 123 MAIN STREET

Address2:

City, State, Zip: ANYWHERE MI 11111

Email:

Age: 35.07

Employer Information

SAMPLE CORPORATION

5350 8th Street NW

Henry Jones

Anytown MN 55874

Successfully saved Save

Employment Status — Notifying MERS

If there is a change in employment status, please notify MERS through the Employer Portal as soon as possible. You can do this at the Participant edit screen, or by uploading the status on the Report. Status options are as follows and are noted by the numeric symbol which corresponds to that applicable status to be used in the file: Active (1), Inactive (2), Terminated (3). You would use this status for the following reasons:

Active

To be used for new hires and existing employees who are actively employed, in situations where someone is rehired, and when a participant is restarting contributions.

Rehired

Employees who are rehired by the same municipality are eligible for participation in the MERS 457 Program, if the position they are rehiring into also participates in the program.

- Employees returning to work will restart their service from the new date of hire. Enter them as a new employee by simply adding them to an Upload report, or editing their participant profile with a rehire date.
- Return from Leave/Layoff: Employees who have returned from a leave (medical or military) or layoff.

Transfers

If an employee changes jobs within the municipality. The employee's MERS 457 Program assets will transfer to the current division's MERS 457 Program provisions. The MERS 457 Program account will be accessible to the employee upon separation of employment.

When an employee transfers divisions, please update the employee's information in the [MERS Employer Portal](#).

Moving into a division that does not offer the MERS 457 Program:

- The employee's status will need to be reported "Inactive" through the Employer Portal.
 - MERS 457 Program account is only accessible to the employee upon separation of employment (either termination or retirement).
 - There is no refund or payout allowance for the MERS 457 Program.

Inactive

To be used when a participant is on military leave, when they have opted out of participation but have not left employment, when they are on leave for medical reasons, or if a participant's employment status has changed that makes them no longer eligible to participate

Terminated

To be used when the participant is no longer actively employed, if they are on disability and do not expect to return, or if you are notified of death (if the status reflects terminated, a date of termination must be on file)

MERS 457 Key Program Provisions

When your municipality adopted the MERS 457 Program there were a variety of options that may have been chosen. You may view your employer's provisions by reviewing the MERS Employer Portal, your adoption paperwork, or by calling us. This section outlines each option and describes the provisions of the program.

Employee Participation

There are two ways employees can participate with the program: through voluntary participation, or through auto enrollment. Once MERS receives contributions for an employee, they will be sent a 457 Welcome Kit. This kit contains the *457 Supplemental Retirement Program Participant Handbook*, and instructions to log into myMERS.

Voluntary Employee Participation

By offering the MERS 457 Program you are offering your eligible employees the option to join the program by completing the [MERS Employee Enrollment Kit](#). The requirements for your employees to be considered eligible were defined by your municipality on the *MERS 457 Supplemental Retirement Program Participation Agreement*.

Auto-Enrollment Provision

Employers may use the auto-enrollment provision to increase employee participation in the MERS 457 Supplemental Retirement Program. By adopting this provision, eligible employees will be defaulted to the MERS 457 Program unless they opt-out using the [MERS 457 Opt-Out Refund Form \(MD-415\)](#).

Employees will contribute a default contribution amount, as specified in the *Eligible Automatic Contribution Arrangement Addendum*. The assets will be invested in the default, MERS Retirement Strategies.

Employees who did not opt-out initially, may wish to request a withdrawal within 90 days of the initial contribution. The distribution will be considered compensation, and the employee will receive Form 1099-R from MERS. Employees who wish to begin contributing may do so by completing the [457 Investment Election Form \(MD-402\)](#). These

employees should then be changed to Active status in the Employer Portal and included in the contribution report.

Required Participant Notification

If your municipality has the Auto-Enrollment provision, you are responsible for notifying all auto-enrollment participants of the contribution/election period. Employees **must be notified between 30-90 days** before the beginning of the new plan year. For example, if the new plan year begins on January 1, employees would be required to be notified no earlier than October 1, and no later than December 1.

The notice is required to disclose:

- Default contribution amount
- Default investment option
- Option to "opt-out"
- Employee's option to contribute a different amount
- Employee's right to and process for the withdrawal of defaulted contributions

Employee Contributions

Employees have a variety of ways to contribute to the MERS 457 Program, using a [457 Investment Election Form \(MD-402\)](#):

Pre-Tax Contributions

The employee selects a percentage or flat dollar amount of payroll to be contributed to their account. The contribution is deducted prior to calculating the tax liability thereby reducing the amount of taxes paid. Therefore, federal and (in most cases) state income taxes are also deferred. These assets are invested in the funds elected by the participant.

No tax is applied to the investment earnings while they remain in the 457 account.

Social Security Taxes

If your municipality participates in Social Security, contributions to the MERS 457 Program are subject to Social Security tax at the time they are deferred from the employee's pay. For employers who do not participate in Social Security, employees hired after April 1, 1986, will be subject to the Medicare-only portion of FICA on both employer and employee plan contributions.

Roth After-Tax Contributions

If Roth contributions are allowed, the employee will select a percentage or flat dollar amount of payroll to be deducted, after calculating the tax liability, and deposit it into the MERS 457 Roth account. The withdrawal of the assets is tax-free if:

- A period of 5 years has passed since January 1 of the year they first made a Roth contribution, and they are at least 59½.
- The participant is disabled (see the [Disability](#) section)

If these requirements are not met, there is a 10% early withdrawal penalty.

Accumulated Pay Contributions

If selected by your municipality, the employee has the option to defer accumulated sick, vacation, and/or back pay into the program as long as the [457 Investment Election Form \(MD-402\)](#) is completed the month prior to payout.

Rollover Contributions

The MERS 457 Program encourages employees to consolidate their retirement savings under one plan. The employee will complete a [457 Incoming Direct Rollover Form \(MD-404\)](#) which indicates the qualified plan the assets will be coming from.

Contribution Changes

Employees may make changes to their pre-tax contribution deferrals at any time and in coordination with each employer's payroll processes. To ensure your employees are aware of this process, you may want to consider providing this information in an employee handbook, on your organization's intranet or in an other easily accessible location.

Divorce

In the event of divorce, an employee's retirement account is generally considered marital property and their spouse may be entitled to a portion of the account. In certain instances, this may apply to the MERS 457 Program.

Rollover To:

Rollover From:			MERS 457		Other Governmental 457(b)		MERS Defined Contribution 401(a)	Other Employer Provided Plans		Individual Retirement Accounts (IRA)			
			Pre-tax	Roth	Pre-tax	Roth		Qualified Pre-tax Plans ²	Designated Roth Accounts	Tradi- tional	Roth	Simple	SEP
	MERS 457	Pre-tax	Yes	Yes ³	Yes	Yes ³	Yes	Yes	Yes ³	Yes	Yes ⁴	No	Yes
		Roth	No	Yes ⁵	No	Yes ⁵	No	No	Yes ⁵	No	Yes	No	No
	Other Governmental 457(b)	Pre-tax	Yes	Yes ³	Yes	Yes ³	Yes	Yes	Yes ³	Yes	Yes ⁴	No	Yes
		Roth	No	Yes ⁵	No	Yes ⁵	No	No	Yes ⁵	No	Yes	No	No
	MERS Defined Contribution 401(a)		Yes ⁶	Yes ³	Yes ⁶	Yes ³	Yes	Yes	Yes ³	Yes	Yes ⁴	No	Yes
	Other Employer Provided Plans	Qualified Pre-tax Plans ²	Yes ⁶	Yes ³	Yes ⁶	Yes ³	Yes	Yes	Yes ³	Yes	Yes ⁴	No	Yes
		Designated Roth Accounts	No	Yes ⁵	No	Yes ⁵	No	No	Yes ⁵	No	Yes	No	No
	Individual Retirement Accounts (IRA)	Traditional	Yes ⁶	No	Yes ⁶	No	Yes	Yes	No	Yes	Yes ⁴	No	Yes
Roth		No	No	No	No	No	No	No	No	Yes	No	No	
Simple		Yes	No	Yes	No	Yes	Yes	No	Yes	Yes	Yes	Yes	
SEP		Yes	No	Yes	No	Yes	Yes	No	Yes	Yes ⁴	No	Yes	

¹ Rollovers from SIMPLE IRAs only allowed after 2 years of participation

² Qualified Plans include 401(k), money purchase, profit-sharing, and defined benefit plans

³ Must include in taxable income and be an in-plan rollover

⁴ Must be included in taxable income

⁵ Must be a direct trustee-to-trustee transfer

⁶ Must have separate accounts

Employer Contributions

All employer contributions are made to the program on a pre-tax basis. There are two types of contributions you may adopt. In most cases, all employer contributions to 457 accounts are subject to Social Security tax at the time they are deferred from the employee's pay. For employers who do not participate in Social Security, employees hired after April 1, 1986, will be subject to the Medicare-only portion of FICA on both employer and employee plan contributions.

Non-Matching Contributions

Non-matching contributions may be made to the program annually or at every pay period. The employer may also define the contribution as a percentage of compensation or flat dollar amount.

Matching Contributions

Matching contributions encourages employees to participate. The match may be a percentage of the employee's payroll or a flat dollar amount per payroll period. Your municipality may adopt limits on the matching contributions as a flat dollar amount or a percentage of total compensation.

IRS Maximum Contribution Limits

This annual limit is the total of all contributions made by the employee and/or the employer to a 457 account. It's your municipality's responsibility to administer the limitation rules and contributions must be discontinued once the employee's annual limit has been reached. If your municipality has multiple 457 programs, you are responsible for calculating the employee's total annual contribution across all 457 programs.

An employee participating in a 457 program may defer each year the lesser of:

- a. 100% of their gross income after subtracting any Section 414(h) "picked up" contributions (mandatory employee contributions to 401 qualified retirement plans made with pre-tax dollars); or

- b. The dollar limit in effect that year. Please see our [Retirement Plan Contribution Limits and Reporting Data](#) chart for the most current information.

Contributions to Section 401(a), 401(k) or 403(b) plans generally have no impact on the amount of contributions permitted under a 457 program and vice versa (except for purposes of determining an employee's unused deferral limit prior to 2002 in connection with pre-retirement catch-up). Employees may contribute the maximum amount under a 457 program, regardless of the amount contributed to a 401(a), 401(k) or 403(b) plan.

Excess Contributions

If the annual contributions for an employee exceed the maximum contribution limit, the excess must be distributed to the employee. The employer must identify excess contributions and notify MERS, requesting a disbursement to the employee using the [457 Distribution Form \(MD-405\)](#). The employee will receive Form 1099-R from MERS at the end of the calendar year.

Catch-Up Contributions

The complete instructions for the catch-up provisions can be found in the [457 Pre-Retirement Contribution Catch-Up Form \(MD-414\)](#).

"Regular" Catch-Up Contributions

The "regular" or "pre-retirement" 457 catch-up provision allows employees to make up for contributions not made in prior years. Employees may catch-up for any year(s) since Jan. 1, 1979, if they were eligible to contribute to their 457 program, but did not contribute the maximum allowed under the Internal Revenue Code for that year.

Employees may only use the catch-up provision during the three-year period

immediately before the year of their declared normal retirement age (see [page 16](#)). The amount they can contribute is determined by subtracting the actual amount they contributed to their plan during the previous year from the maximum contribution allowed by law.

The maximum regular 457 catch-up contribution limit, which is double the normal contribution limit, is \$36,000 for 2015. After 2007, the normal maximum contribution limit may be increased based on inflation in \$500 increments, resulting in \$1,000 increases to the catch-up limit.

During the three years before the employee's regular retirement age, the employee may contribute either (1) the normal catch-up provision or (2) the "age 50" catch-up provision (see next section below), whichever is greater.

Normal Retirement Age

Under the MERS 457 Plan Document, "normal retirement age" is designated as 60 unless the participant has elected an alternate normal retirement age in [writing](#) (to be provided to MERS before severance). It's important to note that the alternate normal retirement age must be the earliest age that the participant will become eligible to retire and receive unreduced retirement benefits under the employer's retirement plan. This may not be later than the date the participant will attain age 70½.

For example, if the participant is a member of the MERS Defined Benefit Plan (and the employer has no early retirement provisions) the participant's normal retirement age must be age 60. If a participant continues employment after attaining age 70½, but has not previously elected an alternate normal retirement age, the participant's alternate normal retirement age cannot be later than the mandatory retirement age established by the employer, or the age the participant leaves service if the employer has no mandatory retirement age. If the participant

will not become eligible to receive benefits under a basic retirement plan maintained by the employer, the participant's alternate normal retirement age may not be earlier than age 65, and may not be later than age 70½.

"Age 50" Catch-Up Contributions

The "Age 50" Catch-Up Provision allows participants reaching age 50 or older during the calendar year to contribute an additional amount. This additional annual contribution is not dependent on any prior year's deferrals to a 457 program.

Participants may make additional contributions above the normal maximum contribution limit in effect for that year, not to exceed the additional age 50 catch-up dollar limit in effect. The "Age 50" catch-up limit is \$6,000 for 2015. Since 2007, the limits may be increased based on inflation in \$500 increments.

Participants may use the age 50 catch-up provision every year from age 50 through the year they no longer participate in your 457 program. It cannot be used in the same year(s) they take advantage of the "normal" 457 catch-up as described above.

MERS Investments

The MERS Retirement Board selects the menu of investment options for the MERS 457 Program. Investment options are reviewed periodically and are subject to change. If a fund is removed from the program, MERS will notify employees at least 30 days before the change. Additionally, the Retirement Board will choose the default investment to be used in the event an employee fails to elect an investment fund(s). For an up-to-date listing of the funds available in the 457 Program, please visit www.mersofmich.com/investments.

Financial Reporting of Contributions

	Defined Benefit	Defined Contribution	Health Care Savings Program	457
Plan Type	401(a)	401(a)	115 Trust	457(b)
Fed Tax Exemption	Exempt	Exempt	Exempt	Exempt
State Tax Exemption	Exempt	Exempt	Exempt	Exempt
Social Security & Medicare*	Non-Exempt Box 14	Non-Exempt Box 12	Exempt	Non-Exempt Box 12
Box & Code	Code 414(h)(2)	Code D	No reporting required, treated as employer contributions	Code G
Box 13 Checked	Yes	Yes		No

*Not including municipalities opting out of Social Security.

Fees

Operating and investment fees are based on the type of investments chosen. Additional information can be found in the MERS Investment Menu Summary, or online at www.mersofmich.com/investments.

One of the greatest benefits provided by MERS is our ability to “pool” assets. Pooling creates tremendous buying power and helps reduce the fees. In addition, MERS doesn’t charge many common investment-related fees, including:

- No employer fees
- No consulting fees
- No up-front asset charges

Method of Payment

Select Funding option — MERS offers the Automatic Clearing House withdrawal — the most efficient and quickest way to apply payment to your report. If you have not set this up as a payment option, and are interested in doing so, please contact MERS Service Center. MERS accepts payment by check or ACH wire transfer sent to the applicable address below:

Check:
Alerus Retirement and Benefits
PO Box 64535
St. Paul, MN 55164

ACH/wire transfer:
Alerus Financial
2300 S. Columbia Rd.
Grand Forks, ND 58201

ABA #: 091300159

Acct: 50129785

Acct Name: MERS Contributions

Plan Name: (Employer/Municipality Name)

Plan Number: (Six-digit Division Number)

Country: United States of America

Once you have saved and verified your contribution, click Finish. You can save a copy of your contribution to PDF using the Print icon in the upper right corner.

Divorce

In the event a divorce decree or court order awards all or a portion of a participant's benefit to an "alternate payee," certain procedures must be followed in order to maintain plan compliance.

Distributions may be made to an "alternate payee" (the spouse, ex-spouse, child, or other dependent as prescribed by the Qualified Domestic Relations Order) before the time the participant is entitled to a distribution. The alternate payee (not the participant) is responsible for tax withholding and reporting on the distribution.

The participant is required to provide all documentation to MERS for proper handling of the account. Some processing fees may also apply.

Since the assets in the program are legally under the beneficial ownership of the program level trust, the court must order the program, not the employee, to pay or set aside the assets in question. The employer must provide a copy of this order to MERS for the division of assets to be affected.

Where necessary to comply with a court order, MERS will set up a separate account for the alternate payee named by the court order. The alternate payee, as holder of the new account, will be permitted to select the investment funds. If no election occurs, the alternate payee's account will be defaulted to the appropriate MERS Retirement Strategy.

Disability Benefits

Disability, whether duty or non-duty related, is defined as a physical or mental impairment rendering the employee permanently incapable of performing gainful activity for which they are suited. To request a distribution, the employee must complete and submit the

[457 Distribution Form \(MD-405\)](#), along with evidence of the disability, for review and approval. MERS will, upon employer approval, process the request accordingly.

The same procedure is required for a Roth distribution.

Qualified Military Service

If employment is interrupted by qualified military service (Section 414 (u)(4) of the IRS Code), an employee may elect to make additional contributions upon resuming employment. The additional contributions may not exceed the amount that would have been contributed during the leave period.

Beneficiary Designations

Employees may name their spouse, non-spouse, a trust, and/or charity as a beneficiary of the assets online by logging into their myMERS account.

Primary beneficiaries receive the benefits of the account if the employee dies. The participant may name multiple primary beneficiaries indicating the percentage of payout (must total 100%).

Contingent beneficiaries receive the benefits if there are no living primary beneficiaries. The participant may name multiple contingent beneficiaries indicating the percentage of payout (must total 100%).

From the Participant view, you or the participant can view their designated beneficiary through their myMERS account.

Death Benefits

MERS will send an informational packet to the designated beneficiaries explaining their benefits and options under the MERS 457 Supplemental Retirement Program.

Beneficiaries are eligible to receive distributions from the deceased employee's MERS 457 Program, and may generally choose any of the payment options available. Beneficiaries also retain the same investment privileges as the employee, and may elect to invest in any of the various funds offered in the program.

MERS will create a separate account for each beneficiary and account balance of the deceased employee will be transferred to

those accounts. If the deceased employee does not have a designated beneficiary, distribution will be directed to the employee's estate.

The rules regarding distributions to beneficiaries vary greatly based on certain conditions. For example, not all of the rollover options available to the spouse are available to non-spouse beneficiaries. Timing requirements may also be affected by the age of the deceased employee, and whether or not they began receiving minimum required distributions. Under current IRS rules, employees are required to begin receiving distributions from the program by April 1 of the calendar year following the year in which they attain age 70 ½ or retire, whichever is later.

	Spouse	Non-Spouse	No Designated Beneficiary
Death before Required Beginning Date	<ol style="list-style-type: none"> 1. Installment payments <ul style="list-style-type: none"> • Over a term no longer than the beneficiary's life expectancy (recalculated) 2. Must begin by 12/31 of calendar year following year of death, or 12/31 of year the participant would have reached 70 ½ 3. Lump sum 4. Rollover to another eligible retirement plan or IRA 	<ol style="list-style-type: none"> 1. Installment payments <ul style="list-style-type: none"> • Over a term no longer than the beneficiary's life expectancy (non-recalculated) 2. Must begin by 12/31 of calendar year following year of death 3. Lump sum 4. Rollover to an inherited IRA 	Lump sum payment is made to the estate of participant
Death on or after participant's Required Beginning Date	<ol style="list-style-type: none"> 1. Installment payments over a term not exceeding the longer of: <ul style="list-style-type: none"> • Participant's remaining life expectancy, or • Spouse's remaining life expectancy (recalculated) 2. Must begin by 12/31 of calendar year of death 3. Lump sum 4. Rollover to another eligible retirement plan or Traditional IRA 	<ol style="list-style-type: none"> 1. Installment payments over a term not exceeding the longer of: <ul style="list-style-type: none"> • Participant's remaining life expectancy, or • Beneficiary's remaining life expectancy (non-recalculated) 2. Must begin by 12/31 of calendar year following year of death 3. Lump sum 4. Rollover to an inherited IRA 	Lump sum payment is made to the estate of participant

Using the Account

The MERS 457 Supplemental Retirement Program is designed to help your employees prepare for their retirement with an invested account they manage. This section details the many ways they can access their account.

Voluntary In-Service Distributions

There are a variety of reasons employees may wish to take distributions from their account while they are still working, including:

- Rolling funds out of MERS 457 Program
- Low account balance distribution
- Age 70½ and over
- Service credit purchase

To be eligible for these distributions, employees must complete the [Voluntary In-Service Distribution Form \(MD-408\)](#).

Unforeseeable Emergency Distributions

The Internal Revenue Code provision in the 457 Program allows withdrawals in the event of an unforeseeable emergency. An unforeseeable emergency is defined as a severe financial hardship created by: sudden and unexpected illness or accident to a participant, their dependents or primary beneficiary; loss of, or damage to the participant's or primary beneficiary's property due to an accident, disaster, destruction or theft; or other similar, equally severe and unforeseeable circumstances beyond control.

Participants submit these forms directly to Alerus for processing and will self-certify their situation meets the allowed circumstances for taking an emergency withdrawal. Please refer to the [457 Unforeseeable Emergency Withdrawal Request Form \(MD-412\)](#) for more information.

Employee Loans

Employers may elect to allow employees to receive loans from the pre-tax portion of their account. This election is made in the Adoption Agreement, Section XII. If you do allow loans, the following applies:

- There is a \$150 administration fee for each loan.
- Loans can be initiated once per calendar year.
- Only two outstanding loans are permitted at one time.
- The minimum loan amount is \$1,000.
- The maximum loan is 50% of an employee's vested account balance, up to \$50,000. The \$50,000 maximum is based on all 457 account balances combined.
- Loans may be issued for a period of up to five years.
- Loan repayments will begin immediately using after-tax dollars.
- Employees must repay their loan using payroll deduction.
- Loan repayments will be applied based on current employee investment elections.
- An employer cannot stop repayment deductions for the employee during the course of the loan.
- Loans are not considered taxable unless the employee defaults on the loan. A default can be avoided if any missed payments are made current prior to the end of the quarter following the calendar quarter in which the payment was due.
- If an employee terminates employment, the entire loan must be repaid within 90 days of the termination date.

For example:

An employee's payment is due March 1, which is in the first calendar quarter. The last date for the repayment is June 30, which is the end of the following calendar quarter to avoid a taxable event.

IRS Loan Regulations

A loan typically becomes "deemed a distribution" when scheduled payments are not made within the "cure period" — the repayment grace period. If the total amount of all delinquent payments is not received by the end of the "cure period" (the end of the calendar quarter following the calendar quarter in which the payment was due), the loan is deemed a distribution. MERS will send Form 1099-R and it is treated like a taxable distribution to the employee.

- The loan is outstanding until it is repaid or taxed and a Form 1099-R is sent to the participant.
- MERS requires employees to repay any outstanding "deemed distributed" loans before they can become eligible for a new loan. The "deemed distributed" loan and any interest accrued since the date it became a taxable event is taken into account when determining the maximum amount available for a new loan.
- When a participant defaults on a loan they cannot apply for a new loan.

Service Credit Purchase

Participants may use their pre-tax account funds to purchase service credit in a qualified plan, such as the MERS Defined Benefit Plan. Roth contributions may not be used for this purpose.

Requesting a Distribution

An employee may request a distribution at any time after they terminate employment. The IRS rules require an employee to begin receiving minimum required distributions by April 1 of the calendar year following the year in which the employee reaches age 70 ½, or retires, whichever is later. See the Required Minimum Distribution section [here](#).

Distributions of pre-tax 457 contributions are subject to 20% federal tax withholding and any applicable state taxes. Distributions of Roth contributions and associated earnings are tax-free, if the requirements for a "qualified" distribution are met. The 457 Program assets are not subject to the 10% early withdrawal penalty that is commonly found in other types of plans. However, assets transferred into a 457 account from another plan (401, 403(b), or Traditional IRA) may be subject to the penalty if the participant takes a withdrawal of those assets before age 59½.

Employees wishing to receive a distribution can do so by submitting a request through their myMERS account, or by completing and submitting the [457 Distribution Form \(MD-405\)](#). Separate forms must be completed for beneficiary withdrawals: [457 Spousal Beneficiary Distribution Request Form \(MD-406\)](#), and [457 Non-Spousal Beneficiary Distribution Request Form \(MD-407\)](#). To ensure distribution payments are processed within a reasonable time frame, all forms must be complete and accurate. It is recommended that employees notify MERS at least two weeks prior to their desired distribution date.

Qualified Disaster Recovery Distributions

Employees can utilize funds in their MERS 457 Program to cover up to \$22,000 in expenses incurred from qualified disasters (as determined by the IRS).

This type of distribution:

- Is not subject to 10% early penalty
- May be repaid over a three-year period
- Is not eligible as a rollover

Additionally, the participant requesting the distribution must have lived in a federally recognized disaster area at any time on or after 1/26/2021.

Please note: All participant enrolled in the 457 program who meet the criteria above have access to this type of distribution; the employer does not have to adopt it.

Low Balance Fee

MERS will assess an annual fee of \$15 to terminated employees with account balances of less than \$1000. Employees may choose to roll over the assets by completing and returning the [457 Distribution Form \(MD-405\)](#) to MERS. Participants will be notified of fee prior to it being assessed on individuals' accounts.

Required Minimum Distributions

Terminated employees who have reached age 72 must begin taking minimum required distributions annually from their MERS 457 Supplemental Retirement account. The initial required minimum distribution can be deferred until April 1 of the year following the year in which the employee attained age 72; however, subsequent distributions must be withdrawn by December 31 of each year.

Every year, MERS reviews the accounts of terminated employees who have reached age 72 or will reach it during the year. If the employee has already received a distribution during the year, it will be reviewed to ensure that it satisfies the IRS required minimum amount. If the employee has not received any distributions for the year or received distributions of less

than the amount necessary to satisfy the IRS required minimum amount, a subsequent distribution necessary to satisfy the minimum requirements will be processed. We will send an informative letter to the employee with the distribution.

It is important for MERS to have timely and accurate data to calculate the minimum required distributions. Employers must ensure that date of birth and date of termination for each employee is reported using the MERS Employer Portal. MERS will calculate the required minimum distribution based on the value of the employee's account at the end of the previous year, an IRS-designated life expectancy factor based on the employee's age, and a standard assumed beneficiary who is 10 years younger than the employee. The actual age of the beneficiary does not matter unless the beneficiary is the spouse of the employee, and is more than 10 years younger than the employee. If this situation occurs, the employee should complete and return the [457 Required Minimum Distribution Request Form \(MD-409\)](#) to MERS. MERS will then calculate the minimum required distributions using the joint life expectancy table.

Privacy Policy

The Municipal Employees' Retirement System of Michigan (MERS) is committed to respecting and protecting the privacy of its members, retirees, beneficiaries and participating employers. MERS uses all the administrative, procedural, physical and electronic safeguards required to keep your valuable information safe from foreseeable threats and unauthorized use. MERS is constantly working to update and improve these safeguards to better serve you and provide you with security, now and in the future.

MERS collects only the information necessary to administer the Plan and is dedicated to protecting this personal information from unauthorized use. Every reasonable precaution is taken to safeguard such information.

The Kind of Information MERS Collects

MERS collects only the information necessary to administer the system and its benefits for the exclusive benefit of its members, retirees, beneficiaries and participating employers. Some of the information required is personal. For example, to administer the defined benefit plan, MERS requires your name, address, phone number, marital status, social security number, and employer-reported service and wages. MERS is dedicated to protecting personal information from unauthorized use and takes every reasonable precaution to safeguard such information.

Most of the information collected by MERS is provided in writing, on standard forms and reports. MERS allows customers to make Benefit Estimate and Service Credit Purchase requests online. To process these requests, MERS requires your name, mailing address, e-mail address, estimated termination date, and the last four digits of your social security number (to confirm that you are the person making the request). The online requests are processed and then stored in your personal file. MERS considers your information confidential and will not release it, except as may be required under the law.

When visiting the website, information about your browser type, operating system, IP address and the domain from which you came are automatically collected. This information is used in aggregate to determine how MERS can improve its online services. The site collects only the personally identifiable information you submit yourself, and the information is only used to process your requests. Your requests are processed, added to your file and securely stored by MERS.

Disclosure of Public Records

MERS is a public body corporate, subject to the Michigan Freedom of Information Act, 1976 PA 442, MCL 15.231, et seq. MERS considers the information that it collects confidential, and holds itself to the highest standards of trust and fiduciary duty in its safekeeping and use. MERS shares information only to the extent necessary to conduct business, or where disclosure is required under the law. MERS may share your information with your current or former employer to the extent the information relates to your employee wages or benefits, or administration of your retiree or beneficiary benefits, provided by your employer.

Other Resources

Employer Portal

The Employer Portal provides several resources at your disposal! From your Plan Summary page, click on the Request Reports link for a list of options available — reports are generated every five minutes and can be found under the Retrieve Files link.

This also includes managing any online automation features that you have to assist in managing your plan administration most effectively:

- **Online Loans:** For municipalities that allow for loans, employers can elect to allow employees to submit online loan requests through their myMERS account.
- **Online Enrollment:** Employers can elect to allow employees to enroll online through their myMERS account.
- **Online Deferral Rate Changes:** Employers can elect to allow employees to change to their 457 contributions online through their myMERS account.

If you have opted to add any of the above to your plan, from the Request Files section of the Employer Portal, at the Plan level summary page. A new report will generate every Sunday and should be reviewed on Monday to adjust your payroll where applicable. If you do not have this function turned on, contact your benefit plan coordinator for additional information.

Regional Teams to Serve You

We pride ourselves in offering excellent customer service. We have teams of specialists dedicated to specific regions in Michigan. We also work with employers to hold meetings at the work site, at times that work best for employees. Our trained staff can offer guidance and one-on-one consultations.

Service Center

MERS Service Center offers friendly, knowledgeable, over-the-phone assistance for a wide variety of benefit questions and issues. The Service Center staff is available weekdays at 800.767.6377.

myMERS Online Account Access

myMERS offers participants online access to their retirement account 24 hours a day, seven days a week. In order to create an account, new participants will receive a Personal Identification Number (PIN) in the mail when their initial contribution is made. myMERS offers account information, online calculators and other tools to help stay up-to-date:

- View the full menu of investment choices.
- Track current fund performance.
- Change investment selections or contact information.
- Download current forms.
- Access other useful retirement planning information and calculators.
- Find seminar information.

Participant Quarterly Statements

We will mail quarterly statements to employees using the address on file.

Participants may opt-out of paper statements and confirmations by electing to do so in the Manage Account link in their myMERS account.

Employer Quarterly Statements

Employers will electronically receive a quarterly statement summarizing financial activity of the program at a division level. Additional information is available at the plan level summary link titled, "My Statements" in the Employer Portal.

Glossary of Terms

Adoption Date	Effective date of the MERS 457 Supplemental Retirement Program, which is usually different than signed date.
Annual Addition	The sum of all employer and employee contributions made to the program on behalf of each employee, including contributions to any other 457 programs maintained by the same employer.
Calendar Year	A year beginning January 1 and ending December 31.
Compensation	Generally defined as Medicare taxable wages as reported by the employer on the employee's W-2. See Plan Document Section 2A(6). Post-employment compensation may be included in compensation for the purposes of computing contributions as long as paid not later than 2 ½ months after severance.
Employer Portal	An online portal that gives employers the ability to view and report administrative information and financial data for the program and its employees, as well as submit contributions to MERS.
Participation Agreement	The section of the MERS 457 Program that allows the employer to choose the optional provisions that will apply to its employees.
Pre-Tax Contribution Account	A participant account that reflects: any employer contributions, participant contributions and withdrawals, market adjustments and fees.
Roll-Over Account	A participant account that reflects any: interest made, participant contributions and withdrawals, market adjustment and fees. The account's purpose is to track the origin of the funds which is an important tax consideration at distribution.
Roth Account	A participant account that reflects any participant contributions and withdrawals, market adjustment and fees. The account's purpose is to track the original date the Roth is established.



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This publication 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. If this publication conflicts with the relevant provisions of the Plan Document, the Plan Document controls. MERS, as a governmental plan, is exempted by state and federal law from registration with the SEC. However, it employs registered investment advisors to manage the trust fund in compliance with Michigan Public Employee Retirement System Investment Act. Past performance is not a guarantee of future returns. Please make independent investment decisions carefully and seek the assistance of independent experts when appropriate.