

January 11, 2023

Address 1  
Address 2  
Address 3  
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## New Rules for Transferred and Rehired Participants

Dear <<Employer Name>>,

As the fiduciary of your retirement plan, MERS employs an in-house legal team to ensure our plans comply with state and federal laws. A recent Internal Revenue Service (IRS) ruling regarding employee transfers between retirement plans triggered a compliance review, which resulted in a change to our policy on employee transfers between divisions. You are receiving this notice because our records indicate that your municipality previously adopted the Resolution Establishing Uniform Transfer Provision with an alternative transfer method.

### Employees can no longer make individual elections when transferring plans

MERS' *standard transfer policy* is that an employee transferring from one division to another will be automatically enrolled in the *open plan* of the division they are being transferred into. When this occurs, an employees' accrued service transfers with them to the new plan and is subject to the provisions of the new division.

Your municipality adopted an *alternate transfer provision* that allowed individual employees to choose to enroll in *either* the open plan or the closed plan of the division they were being transferred into. In the recent ruling, the IRS provided clarification that allowing individual employees that choice is not permitted. Therefore, the MERS Retirement Board amended the Plan Document to remove the alternate plan transfer option, effective January 1, 2023.

### New plan transfer rules will apply to your transferred and rehired employees

To continue to provide flexibility to employers who want an alternative to MERS' standard transfer policy, the Board also approved a new *plan continuation policy*, which replaces the alternate transfer provision that your municipality adopted. Under this policy, all transferred employees will be enrolled in the same plan type (if one exists) as the division they are being transferred from or were previously enrolled in, regardless of whether the plan is closed or open. If none exists, they will be enrolled in the open plan for that division. This new rule will also apply to rehired employees.

*No action is required to implement the plan continuation policy; it will automatically be applied for employers who have previously adopted the alternate transfer provision.*

*Employers who **do not** wish to use new the plan continuation policy transfer/rehire rules must adopt the standard plan transfer/rehire rules instead via governing body approval.*

The enclosed *Participant Transfer and Rehire Rules Brochure* explains both the standard transfer rules and the plan continuation policy in further detail. Please share this policy change with all reporting contacts to ensure smooth implementation.

**We are here to help**

If you have questions, please contact your Benefit Plan Coordinator at 800.767.6377.

Sincerely,

A handwritten signature in black ink that reads "Kristin Bellar". The signature is written in a cursive, flowing style.

Kristin Bellar  
MERS General Counsel

Enclosure