



## Application for Defined Benefit *Deferred Retirement Option Program (DROP)*

\* Indicates required field • Please print • Retain a copy for your records

**Instructions:** Section 30 of the MERS Plan Document requires an affirmative election of *Benefit Program DROP* by a participant and signature of the participant's spouse (if applicable). Please note that filing this form does not guarantee DROP participation. All applications will be subject to a determination of eligibility by MERS. MERS will audit your service credit and benefit provisions and you will be notified as to whether you meet DROP eligibility requirements. DROP participants should NOT use the online retirement process. **MERS will not accept this form if it is incomplete.**

- Proof of name change is required for individuals who have changed their name during their employment history.

### 1. Information about you

Last name*	First name*	MI	Social Security Number*
Email address	Retirement date (mm/dd/yyyy)		Phone number (with area code)
Marital status* <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married but previously divorced <input type="checkbox"/> Divorced <input type="checkbox"/> Widowed			
Have you been divorced at any time following your date of employment with this employer? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, you must submit a copy of the judgment of divorce and domestic relations order to MERS before your application can be processed.			

### 2. Employer certification (*must be completed prior to submission*)

Name of employer*	
I certify on behalf of the employer this employee is eligible to enroll in the employer's DROP program. The employer agrees with the employee's DROP participation period listed in Section 3 and understands that after the DROP participation period has elapsed, the employer/employee relationship will be completely severed on that date, in accordance with the MERS Plan Document, Article II, Section 9, and the Internal Revenue Code. The employer further understands employee contributions must continue to be withheld from the employee (based on wages paid) and reported to MERS monthly as an Employer Extra Voluntary Payment.	
Authorized employer representative (first and last name)	Title
Date (mm/dd/yyyy)	Employer's signature

### 3. DROP participation period

**I wish to participate in the DROP program beginning on the first of:** \_\_\_\_\_ (mm/yyyy).

As of this date, I understand I will cease to accrue any additional retirement benefits. My service, final average compensation and benefit provisions will be calculated by MERS as of the day prior to my participation. My benefit will not be adjusted or recalculated upon my termination of my participation in the DROP program. My calculated monthly pension benefit will be placed into my DROP account (accruing interest annually) until I have terminated DROP participation and employment from my employer. I understand, upon entry into the DROP program, I will be responsible to continue my employee contributions, if applicable (based on wages paid to me). My employee contributions, if applicable, will not be a part of my DROP account balance. I also understand that, unless my employer has elected otherwise, my DROP benefit shall not be credited with any cost of living adjustments during the DROP period.

**I will terminate my employment and participation in the DROP program on the last day of:**

\_\_\_\_\_ (mm/yyyy **6 to 60 months, in monthly increments, from DROP participation date**).

I understand I shall receive a one-time lump sum distribution of the amount in my DROP account. My monthly pension benefit will begin the month following my termination from DROP and employment from my employer. I will not receive any prorated retirement benefits for my month of termination from the DROP program. If I voluntarily terminate employment prior to the end of the DROP period, I understand that the DROP benefit I will receive shall be equal to 80% of the amount credited to the DROP account.

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Last name\* (please print clearly)

Social Security Number\*

### 4. DROP Beneficiary designation (for lump sum distribution)

Please designate one individual to receive the distribution of the funds in your DROP account in the event you die prior to your termination date (the "DROP Beneficiary"). This person may be different than the individual named to receive your monthly pension benefit. If you are married, your spouse is automatically your DROP Beneficiary (unless there is a court order that requires designation of a former spouse as a beneficiary). If you wish to name someone other than your spouse, your spouse must sign in the "Spousal consent" box to waive their rights – see Section 10 of this form.

DROP Beneficiary last name	DROP Beneficiary first name	MI	DROP Beneficiary SSN
DROP Beneficiary relationship	DROP Beneficiary date of birth (mm/dd/yyyy)	DROP Beneficiary gender <input type="checkbox"/> Male <input type="checkbox"/> Female	
DROP Beneficiary address			

### 5. Retirement benefit payment option

Your retirement benefit is for your lifetime regardless of the option you elect. You may leave a benefit for a beneficiary by taking a reduction to your pension benefit. Once you have chosen your payment option and receive your first payment, you may not change your election. (Refer to Section 4 of the Guide for details.)

Select one form of payment\*:

- |   |   |   |
|---|---|---|
| <input type="checkbox"/> Regular – Straight Life      | <input type="checkbox"/> Option IIA – 75% to Survivor | <input type="checkbox"/> Option IV – Period Certain Guarantee<br>(Select one below)   |
| <input type="checkbox"/> Option II – 100% to Survivor | <input type="checkbox"/> Option III – 50% to Survivor | <input type="checkbox"/> 5 years <input type="checkbox"/> 10 years<br><input type="checkbox"/> 15 years <input type="checkbox"/> 20 years |

### 6. Retirement beneficiary information

If you are married, your spouse is automatically your beneficiary (please confirm their information below). If the payment option you chose above is anything other than *Option II – 100% to Survivor* and/or if you name someone other than your spouse as your beneficiary, your spouse's signature will be required in Section 10 prior to MERS issuing your first payment. (See Section 6 in the Guide for an explanation of beneficiaries.) If you wish to name a trust as a Refund Beneficiary, please complete the [Certification of Trust \(Form DB-022b\)](#); if you're naming a trust as your Monthly Pension Beneficiary, complete the [Certification of Trust for Monthly Beneficiary \(Form DB-022\)](#), and submit along with this form.

In addition:

- If you have contributed to your retirement and elect the **Regular – Straight Life** option, it is strongly suggested you name a beneficiary(ies) to avoid complications with issuing a refund of remaining contributions (if any) in the case of your death.
- If you have elected a payment option that provides a monthly benefit to a beneficiary (**Option II – 100% to Survivor, Option IIA – 75% to Survivor, or Option III – 50% to Survivor**), you only may name *one person*, or an irrevocable trust that has *one person as the trust's beneficiary*. Your named beneficiary under these options cannot be changed once you have received your first payment.
- If you have elected either **Option IV** or the **Regular – Straight Life** option and want to add more than one beneficiary, please attach a separate list that you have signed and dated.

Beneficiary last name*	Beneficiary first name	MI	Beneficiary Social Security Number
Relationship	Date of birth (mm/dd/yyyy)	Daytime contact phone (area code and number)	
Mailing address	City	State	Zip code

If you have elected Option IV and want to add more beneficiaries, please attach a separate list that you have signed and dated.

\* Required field

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Last name\* (please print clearly)

Social Security Number\*

### 7. Retirement banking information

MERS will deposit your retirement benefit by direct deposit into the designated financial institution specified below the month following your termination from DROP participation.

**Primary account:**

Type of account*	
<input type="checkbox"/> Savings account <input type="checkbox"/> Checking account	
Financial Institution name*	Phone number (with area code)*
ABA routing number (9 digit)*	Account number* (do not include check number)

**Secondary account:** If you chose a partial payment above, the remainder of your pension payment will be directly deposited into a secondary account. Please provide that account information below.

Type of account	
<input type="checkbox"/> Savings account <input type="checkbox"/> Checking account	
Financial Institution name	Phone number (with area code)
ABA routing number (9 digit)	Account number (do not include check number)

MERS reserves the right to recover money electronically deposited in your account in error, either by adjusting the account or withholding from future payments. We will notify you in writing if adjustments are being made. Please notify any joint account holder(s) of the obligations to repay any overpayment to this account if the overpayment is not repaid by the financial institution.

### 8. Retirement Michigan income tax withholding

Marital tax status\*     Single     Married     Married, but withhold at higher "Single" rate

	Select ONE option below that applies to you (or your spouse)	Tax withholding will occur on:
1. <input type="checkbox"/>	Your pension payments are not taxable and you wish to opt out of Michigan state tax withholding <i>(Opting out may result in a balance due on your MI-1040 as well as penalty and/or interest.)</i> See Optional section below for additional voluntary withholding.	None of your pension benefits
2. <input type="checkbox"/>	You (or spouse) were born before 1946	None of your pension benefits
3. <input type="checkbox"/>	You (or spouse if older) were born during the period 1946–1952	Benefits over \$20,000 if single; over \$40,000 if filing jointly
4. <input type="checkbox"/>	You (or spouse if older) were born 1946–1952 and one of you received pension benefits from a government agency not covered by Social Security - OR - You (and spouse) were born after 1952, one of you received a pension from a government agency not covered by Social Security, and one of you were retired from that agency as of January 1, 2013.	Benefits over \$35,000 if single; over \$55,000 if filing jointly
5. <input type="checkbox"/>	You (and spouse) were born after 1952, either of you are now age 62 through 66, and your pension benefits were from a government agency not covered by Social Security	Benefits over \$15,000
6. <input type="checkbox"/>	You (and spouse) were born after 1952	All pension benefits
7. <input type="checkbox"/>	You (and spouse) were born after 1952, either of you have reached age 67. Enter amount from Calculation Worksheet on last page of this form. _____ → \$ _____	

If you reside in Michigan and you do not submit this form, MERS will withhold based on Michigan tax regulations. For additional information, visit [www.michigan.gov/taxes](http://www.michigan.gov/taxes).

**Optional – Select exemptions and additional withholding**

**If you checked 3, 4, 5, or 6 above**, enter number of exemptions, if desired (this will reduce the amount withheld for taxes): \_\_\_\_\_  
**If you checked 3, 4, 5, 6 or 7 above**, enter *additional* percentage or dollar amount, if any, you want withheld from your pension or annuity payment. This amount will be *in addition* to the withholding calculated by your selections above: \_\_\_\_\_% **OR** \$ \_\_\_\_\_

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Last name\* (please print clearly)

Social Security Number\*

## 9. Federal income tax withholding

Detailed instructions for Steps 1-4 of the Federal Tax section can be found on the following pages.

**Step 1. Federal Filing Status:**  **Single** or **Married filing separately**  **Married filing jointly** or **Qualifying surviving spouse**  
 **Head of household** (Check only if you're unmarried and pay more than half the costs of keep up a home for yourself and a qualifying individual.)

**Complete Steps 2-4 ONLY if they apply to you; otherwise, skip to signature in Section 10.** See the pages following the application for more information on each step and how to elect to have no federal income tax withheld (if permitted).

**Step 2:** Complete this step if you (1) have income from a job or more than one pension/annuity, or (2) are married filing jointly and your spouse receives income from a job or a pension/annuity.

**Income From a Job or Multiple Pension Annuities (Including a Spouse's Job or Pension/Annuity)**

Do **only one** of the following:

(a) Reserved for future use.

(b) Complete the items below.

(i) If you (or your spouse) have one or more jobs, enter the total taxable annual pay from all jobs, plus any other income entered on Form W-4, Step 4(a), for the jobs less the deductions entered on Form W-4, Step 4(b). Otherwise, enter "-0-" ..... ▶ \$ \_\_\_\_\_

(ii) If you (or spouse) have another pension/annuity that pays less annually than this pension, enter the total annual taxable payments from all lower-paying pensions/annuities. Otherwise, enter "-0-" ..... ▶ \$ \_\_\_\_\_

(iii) Add the amounts from items (i) and (ii) and enter the **total** here ..... ▶ \$ \_\_\_\_\_

**TIP:** To be accurate, submit an IRS Form W-4P for all other pensions/annuities if you haven't updated your withholding since 2021 or this is a new pension that pays less than the other(s). Submit a new Form W-4 for your job(s) if you have not updated your withholding since 2019. If you have self-employment income, see page 6.

If (b)(i) is blank and this pension/annuity pays the most annually, complete Steps 3-4(b) in this Section. Otherwise, do not complete Steps 3-4(b) in this Section.

**Step 3:** If your total income will be \$200,000 or less (\$400,000 or less if married filing jointly):

**Claim Dependent and Other Credits**

Multiply the number of qualifying children under age 17 by \$2,000 ... ▶ \$ \_\_\_\_\_

Multiply the number of other dependents by \$500 ..... ▶ \$ \_\_\_\_\_

Add other credits, such as foreign tax credit and education tax credits ... ▶ \$ \_\_\_\_\_

Add the amounts for qualifying children, other dependents, and other credits and enter the total here ..... \$ \_\_\_\_\_ **3**

**Step 4 (optional):**

**Other Adjustments**

(a) **Other income (not from jobs or pension/annuity payments).** If you want tax withheld on other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, taxable social security, and dividends ..... \$ \_\_\_\_\_ **4(a)**

(b) **Deductions.** If you expect to claim deductions other than the basic standard deduction and want to reduce your withholding, use the Deductions Worksheet on the bottom of the last page and enter the result here ..... \$ \_\_\_\_\_ **4(b)**

(c) **Extra withholding.** Enter any additional tax you want withheld from **each payment** .... \$ \_\_\_\_\_ **4(c)**

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Last name\* (please print clearly)

Social Security Number\*

## 10. Required signatures

By signing this Application for DROP Retirement, I understand my DROP participation is an irrevocable election and I am voluntarily making this election to enroll in this program. I further understand I cannot make changes to my election after submission of this form to MERS. I agree to terminate my employment with my employer on the last day of my DROP participation date specified above. I understand my DROP participation will end upon: termination of my employment (including retirement); acceptance of a MERS disability benefit; death; or early termination (whether voluntary or involuntary) after my DROP effective date. I cannot receive a distribution from my DROP account until I have terminated participation in the program. Furthermore, I affirm I have read this application carefully and understand the election I have made. Prior to making my benefit elections, I had the opportunity to calculate my benefit online using myMERS and ask questions or obtain additional information from MERS regarding my payment options.

I understand that once the DROP period ends, MERS will transfer the amount credited to the DROP account to which I am entitled according to the bank institution provided here, if the DROP Distribution Form is not returned, or is incomplete. If for some reason, MERS is unable to process according to those instructions, MERS is authorized to establish a Deemed IRA in my name and process the DROP lump sum amount as an eligible rollover distribution (see [disclosures](#)). The lump-sum resulting from the DROP period is subject to all applicable taxes and withholding requirements, subject to its distribution in the form of an eligible rollover distribution.

I understand that certain restrictions exist if I return to work with this employer, including: (1) A minimum separation period of 60 days between my last day of employment and the first day I return to work; (2) A minimum separation period of 2 years for an official returning to the SAME elected/appointed position; (3) If rehired to a non-elected/appointed position, I will be restricted to 1,000 hours in a calendar year, and once my hours exceed this amount, my pension payments will be suspended until subsequently separated; and (4) I will notify MERS when rehired by completing the *Working in Retirement Certification Form (F-29c)*.

Participant signature\*

Date (mm/dd/yyyy)

Unless the member has elected the Joint and 100% Survivor Option above with the spouse as Beneficiary, or the participant is not married, spousal signature is required.

I (spouse of the above participant) understand that my spouse (above participant) wishes to choose a retirement benefit from MERS that does **NOT**:

1. Name me (spouse) as the *Beneficiary* and/or
2. Choose *100% to Survivor* in the *Form of Payment*.

I understand that my spouse's choice of payment option and/or naming of a beneficiary requires my consent. I hereby consent and agree to my spouse's choice, and I waive any right to contest this choice. If another individual is named beneficiary, I understand that I will not be entitled to a lifetime survivor's benefit in the event of my spouse's death. If my spouse has elected any Payment Option other than Option II, I understand I am waiving my right to any survivor or other benefit other than as specifically elected by my spouse.

By my signature, I agree with my spouse's election in this DROP application form and the beneficiary designations listed in both Sections 4 and 6 above. I understand that I am giving up my automatic right as the participant's spouse.

Signature of spouse\*

Spouse's full name (please print clearly)\*

Date (mm/dd/yyyy)\*

Data collected on this form will be used by MERS staff for identification and documentation only.

**You can submit this form online!**



If you already have a myMERS account, you can upload this form online. Look for the **File Upload** feature to easily and securely submit completed forms.

You may also mail completed form to:

**Municipal Employees'  
Retirement System of Michigan**  
1134 Municipal Way  
Lansing, MI 48917  
Fax: 517.703.9706

# Guide to Completing the Application for Defined Benefit *Deferred Retirement Option Program (DROP)*

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## 1. Information about you

Enter your legal name, Social Security Number, contact information, and marital status.

## 2. Employer certification (*this section must be completed by employer prior to submitting application to MERS*)

This section must be completed and signed by your employer. Your employer's signature certifies your eligibility to enroll in this program.

## 3. Your DROP participation

Your DROP participation period is an irrevocable election. Your effective date of DROP participation is the first day of the month indicated in Section 3 of this form. In this section you will also specify the date in which you plan to terminate employment and participation in the DROP program. Once you elect to enroll in the DROP program, your employer will report all final wages and service credit to MERS. Your final average compensation will be calculated using the benefit provisions as of the day prior to your DROP participation. There will be no adjustment or recalculation of your benefit after your termination from the DROP program. Employee contributions, if applicable, will continue (based on wages paid) until your termination from the DROP program.

Upon termination from the DROP program, you will complete MERS form, Defined Benefit DROP Distribution Request form (F-56, found on the MERS website) within 60 days of your termination to specify how you wish to have your lump sum DROP account balance issued.

## 4. DROP beneficiary

This section allows you to designate one individual to receive a one-time lump sum payment of the funds in your DROP account in the event of your death prior to your termination from employment and DROP participation. This person may be different than the individual named in Section 6 for your monthly retirement benefit. If you are married, your spouse must understand and agree with your election. Your spouse's signature is required in Section 10 of this form.

## 5. Retirement benefit payment option

**Regular – Straight Life:** The highest benefit amount you are eligible to receive. Benefits end the month following your death.

If you have contributed to your retirement and elect this option, it is suggested you name a beneficiary(ies). In the event you pass away prior to exhausting your contributions, a refund will be paid to your named beneficiary(ies). You may also name a trust, estate or charity. If you do not name a beneficiary, a refund will go to your estate.

**Option II – 100% ; IIA – 75%; and III – 50% to Survivor:** Upon your death your beneficiary will receive 100%, 75%, or 50% of the amount you were receiving for your lifetime.

Once your first payment is distributed to your DROP account, you may not name a new beneficiary. If your beneficiary predeceases you, your retirement benefit will revert to the Regular – Straight Life amount for the remainder of your life.

**Option IV – Period Certain Guarantee (5, 10, 15, or 20 years):**

This option allows you to provide a beneficiary(ies) with survivor benefits for a temporary period of time. The number of years elected cannot exceed your life expectancy.

This option allows you to name one or more beneficiaries. You may change your beneficiary(ies) at any time by completing the *Option IV Beneficiary Change* (Form 41). If you are married, your spouse must consent to any changes that are made.

The certain period begins with the date of your retirement. If there is time remaining to the option you have elected, upon your death, payments will continue to be made in the same amount to your beneficiary(ies). For example if you elect the 10-year period, and die after 8 years, your beneficiary will receive your monthly benefit for the remaining 2 years. Once the period certain has expired there is no continuing benefit for your beneficiary. If you have named more than one beneficiary, the benefit will be paid equally to each named survivor.

If your employer provides an **RS benefit** and you elect this option, select Regular – Straight Life as your payment option in Section 4. Your spouse at the time of retirement is your beneficiary. An RS is an employer-adopted benefit that allows your spouse to receive a percent (defined by your employer) of your Straight Life benefit upon your death without your benefit having a reduction. To be eligible, you must be married to your spouse for at least one year before you retire, and still be married at the time of your death.

## 6. Beneficiary information

Your retirement benefit is for your lifetime regardless of the option you elect. You may leave a benefit for a beneficiary by taking a reduction to your pension benefit. You must name an individual, not an estate or other entity, when electing a payment option (Option II, IIA, III) that provides a monthly benefit to a beneficiary. The one exception to this requirement is that you may name a valid, irrevocable trust that has one individual as the trust's beneficiary. If you wish to name a trust as a Monthly Pension Beneficiary, please complete the

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[Certification of Trust for Monthly Pension Beneficiary \(Form DB-022\)](#); if you're naming a trust as your Monthly Pension Beneficiary, complete the [Certification of Trust for Monthly Beneficiary \(Form DB-022\)](#) and submit along with this form, and submit it along with this form.

Once you have chosen your option and receive your first payment, you may not change your election. In certain instances, you may change your beneficiary. Please refer to Section 4 in this guide for details.

If you are married, your spouse must understand and agree with the retirement option you have elected, and the named beneficiary if other than your spouse. Their signature is required in Section 10 prior to MERS issuing your first payment.

## 7. Retirement banking information

Please provide routing and account information for the financial institution you would like your pension payments directly deposited to.

See below for a sample check and where to find routing and account numbers.



Routing number                      Account number

If you select a partial payment, the remainder will be directly deposited into a secondary account. Please fill in the **Secondary account** section with the financial institution's information.

## 8. Michigan income tax withholding

In 2012, Michigan's tax treatment of pension and retirement benefits changed and these benefits are subject to income tax for many recipients. For additional information, visit [www.michigan.gov/taxes](http://www.michigan.gov/taxes).

## 9. Federal income tax withholding

### General Instructions – Federal income tax withholding

This section replicates information on *IRS Form W-4P* and

serves as a substitute for that form. It is required by the IRS to be included in its entirety with this form. For additional information, go to [www.irs.gov/FormW4P](http://www.irs.gov/FormW4P).

**Purpose of this section** is to withhold the correct amount of federal income tax from your MERS Defined Benefit pension. Federal income tax withholding applies to the taxable part of these payments. Periodic payments are made in installments at regular intervals (monthly) over a period of more than 1 year. For more information on withholding, see *IRS Pub. 505, Tax Withholding and Estimated Tax*.

**Choosing not to have income tax withheld.** You can choose not to have federal income tax withheld from your payments by writing "No Withholding" in the space below Step 4(c) then submitting this form.

Generally, if you are a U.S. citizen or a resident alien, you are not permitted to elect not to have federal income tax withheld on payments to be delivered outside the United States and its territories.

**Caution:** If you have too little tax withheld, you will generally owe tax when you file your tax return and may owe a penalty unless you make timely payments of estimated tax. If too much tax is withheld, you will generally be due a refund when you file your tax return. If your tax situation changes, or you chose not to have federal income tax withheld and you now want withholding, you should submit a new *IRS Form W-4P*.

**Self-employment.** Generally, you will owe both income and self-employment taxes on any self-employment income you (or you and your spouse) receive. If you do not have a job and want to pay these taxes through withholding from your payments, you should enter the self-employment income in Step 4(a). Then compute your self-employment tax, divide that tax by the number of payments remaining in the year, and include that resulting amount per payment in Step 4(c). You can also add half of the annual amount of self-employment tax to Step 4(b) as a deduction. To calculate self-employment tax, you generally multiply the self-employment income by 14.13% (this rate is a quick way to figure your self-employment tax and equals the sum of the 12.4% social security tax and the 2.9% Medicare tax multiplied by 0.9235). See *IRS Pub. 505* for more information, especially if your self-employment income multiplied by 0.9235 is over \$160,200.

**Payments to nonresident aliens and foreign estates.** Do not use Form W-4P. See Pub. 515, Withholding of Tax on Nonresident Aliens and Foreign Entities, and Pub. 519, U.S. Tax Guide for Aliens, for more information.

**Tax relief for victims of terrorist attacks.** If your disability payments for injuries incurred as a direct result of a terrorist attack are not taxable, write "No Withholding"



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in the space below Step 4(c). See Pub. 3920, Tax Relief for Victims of Terrorist Attacks, for more details.

### Specific Instructions – Federal income tax withholding

**Step 1.** Check your anticipated filing status. This will determine the standard deduction and tax rates used to compute your withholding.

**Step 2.** Use this step if you have at least one of the following: (1) income from a job or more than one pension/annuity, and/or (2) a spouse (filing jointly) that receives income from a job/pension/annuity.

**Example 1.** Bob, a single filer, is completing this form for a MERS pension that pays \$50,000 a year. Bob also has a job that pays \$25,000 a year. Bob has no other pensions or annuities. Bob will use an IRS Form W-4P to enter \$25,000 in Step 2(b)(i) and in Step 2(b)(iii). If Bob also has \$1,000 of interest income, which he entered on IRS Form W-4, Step 4(a), then he will instead enter \$26,000 in Step 2(b)(i) and in Step 2(b)(iii). He will make no entries in Step 4(a) on this form.

**Example 2.** Carol, a single filer, is completing this form for a MERS pension that pays \$50,000 a year. Carol does not have a job, but she also receives another pension for \$25,000 a year (which pays less annually than the \$50,000 pension). Carol will enter \$25,000 in Step 2(b)(ii) and in Step 2(b)(iii). If Carol also has \$1,000 of interest income, then she will enter \$1,000 in Step 4(a) of this form.

**Example 3.** Don, a single filer, is completing this form for a pension that pays \$50,000 a year. Don does not have a job, but he receives another pension for \$75,000 a year (which pays more annually than the \$50,000 pension). Don will not enter any amounts in Step 2.

If Don also has \$1,000 of interest income, he won't enter that amount on this form because he entered the \$1,000 on the IRS Form W-4P for the higher paying \$75,000 pension.

**Example 4.** Ann, a single filer, is completing this form for a pension that pays \$50,000 a year. Ann also has a job that pays \$25,000 a year and another pension that pays \$20,000 a year. Ann will enter \$25,000 in Step 2(b)(i), \$20,000 in Step 2(b)(ii), and \$45,000 in Step 2(b)(iii).

If Ann also has \$1,000 of interest income, which she entered on Form W-4, Step 4(a), she will instead enter \$26,000 in Step 2(b)(i), leave Step 2(b)(ii) unchanged, and enter \$46,000 in Step 2(b)(iii). She will make no entries in Step 4(a) of this form.

If you are married filing jointly, the entries described above do not change if your spouse is the one who has the job

or the other pension/annuity instead of you.

#### CAUTION:

**Multiple sources of pensions/annuities or jobs.** If you (or if married filing jointly, you and/or your spouse) have a job(s), or a different pension/annuity that pays higher than this MERS pension, do NOT complete Steps 3 through 4(b) in this section. Instead, complete Steps 3 through 4(b) on IRS Form W-4P for the job or highest paying pension/annuity.

If you (or if married filing jointly, you and/or your spouse) do not have a job or a higher paying pension/annuity, complete Steps 3 through 4(b) on this form for only this MERS pension.

**Step 3.** This step provides instructions for determining the amount of the child tax credit and the credit for other dependents that you may be able to claim when you file your tax return. To qualify for the child tax credit, the child must be under age 17 as of December 31, must be your dependent who generally lives with you for more than half the year, and must have the required social security number. You may be able to claim a credit for other dependents for whom a child tax credit can't be claimed, such as an older child or a qualifying relative. For additional eligibility requirements for these credits, see *IRS Pub. 501, Dependents, Standard Deduction, and Filing Information*. You can also include **other tax credits** in this step, such as the foreign tax credit and the education tax credits. Including these credits will increase your payments and reduce the amount of any refund you may receive when you file your tax return.

#### Step 4 (optional).

**Step 4(a).** Enter in this step the total of your other estimated income for the year, if any. You shouldn't include amounts from any job(s) or pension/annuity payments. If you complete Step 4(a), you likely won't have to make estimated tax payments for that income. If you prefer to pay estimated tax rather than having tax on other income withheld from your pension, see *IRS Form 1040-ES, Estimated Tax for Individuals*.

**Step 4(b).** Enter in this step the amount from the [Deductions Worksheet](#) (bottom of the last page), line 6, if you expect to claim deductions other than the basic standard deduction on your 2023 tax return and want to reduce your withholding to account for these deductions. This includes itemized deductions, the additional standard deduction for those 65 and over, and other deductions such as for student loan interest and IRAs.

**Step 4(c).** Enter in this step any additional tax you want withheld from **each payment**. Entering an amount here will reduce your payments and will either increase your refund or reduce any amount of tax that you owe.



## Guide to Completing the Application for Defined Benefit *Deferred Retirement Option Program* (DROP)

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**Note:** If you don't provide any information in this Section, then MERS will withhold tax from your payments as if your filing status is single with no adjustments in Steps 2 through 4. For payments that began before 2023, your current withholding election (or your default rate) remains in effect unless you submit a new [IRS Form W-4P](#), including this substitute Form W-4P.

### 10. Required signature(s)

Your signature acknowledges that you have read and agree to the terms of all elections. This voids all prior designations.

#### *Spousal consent*

If you are married, your spouse must understand and agree with your DROP participation, beneficiary designations, and the retirement option you have elected. Their signature is required in Section 10 prior to MERS issuing your first payment.

*Note:* Tax withholding and banking elections can be changed at any time by logging into myMERS or submitting a form.

Requests for changes to direct deposit, federal tax withholding, or state tax withholding must be received by MERS by the 1st of the month you are requesting change to be effective.

## Worksheet to Estimate Michigan State Withholding for Taxpayers Born After 1952 and Reached Age 67

(see section above on Michigan Income Tax Withholding)

Recipients born after 1952 that have reached age 67 may choose to either (1) deduct the personal exemption amount and taxable Social Security benefits, military compensation (including retirement benefits), Michigan National Guard retirement benefits, and railroad retirement benefits included in adjusted gross income, or (2) claim a deduction against all income of \$20,000 if single or married filing separately, or \$40,000 if filing jointly. Benefits in excess of these limits are taxable. Complete ONE of the columns below based on your filing status to determine how much withholding is necessary on taxable benefits. Estimate your income this year based on last year's state and federal income tax returns even if you have not completed them yet.

	Single or Married Filing Separately	Joint
1. <b>Standard Deduction</b> – If you received retirement benefits from SSA exempt employment and were retired before January 1, 2013, the additional \$15,000 to the standard deduction does not apply to line 1.	\$20,000	\$40,000
2. <b>Lines 2a–2d:</b> Enter this year's estimated income by using last year's federal return, even if that return has not been filed yet.		
a. Taxable Social Security from last year's 1040, line 6b		
b. Military compensation (including military retirement benefits)		
c. Michigan National Guard retirement benefits		
d. Taxable railroad retirement benefits		
3. Enter the total of lines 2a through 2d		
4. Michigan exemption amount from last year's MI-1040, line 9a		
5. Subtract lines 3 and 4 from line 1. If lines 3 plus 4 are greater than line 1, enter "0"		
6. a. This year's retirement benefits with No Withholding		
b. Other income not subject to Michigan withholding (Examples: interest, dividends, and other investment income)		
7. Enter the total of lines 6a and 6b		
8. Subtract line 5 from line 7. If line 5 is greater than line 7, enter "0"		
9. Multiply line 8 by 4.25% (0.0425)		
10. Divide line 9 by 12 (since MERS issues 12 pension payments during the tax year). Enter here and on line 7 of Section 3 of this form.		

## Deductions Worksheet

(see Federal Income Tax Withholding section – Step 4(b))

- 1 Enter an estimate of your 2023 itemized deductions (from Schedule A (IRS Form 1040)). Such deductions may include qualifying home mortgage interest, charitable contributions, state and local taxes (up to \$10,000), and medical expenses in excess of 7.5% of your income..... ► \$ \_\_\_\_\_
- 2 Enter: 

<ul style="list-style-type: none"> <li>• \$27,700 if you're married filing jointly or qualifying widow(er)</li> <li>• \$20,800 if you're head of household</li> <li>• \$13,850 if you're single or married filing separately</li> </ul>	]..... ► \$ _____
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- 3 If line 1 is greater than line 2, subtract line 2 from line 1 and enter the result here. If line 2 is greater than line 1, enter "-0-" ..... ► \$ \_\_\_\_\_
- 4 If line 3 equals zero, and you (or your spouse) are 65 or older, enter:
  - \$1,850 if you're single or head of household
  - \$1,500 if you're married filing separately
  - \$1,500 if you're a qualifying widow(er) or you're married and one of you is under age 65
  - \$3,000 if you're married and both of you are age 65 or older
 Otherwise, enter "-0-". See *IRS Pub. 505* for more information ..... ► \$ \_\_\_\_\_
- 5 Enter an estimate of your student loan interest, deductible IRA contributions, and certain other adjustments (from Part II of Schedule 1 (IRS Form 1040)). See *IRS Pub. 505* for more information ..... ► \$ \_\_\_\_\_
- 6 **Add** lines 3 through 5. Enter the result here and in **Step 4(b)** in Section 5 - Federal income tax withholding ► \$ \_\_\_\_\_