

The MERS 457 Program is a deferred compensation program for public sector employees, helping you save for the future above and beyond other retirement plans from your employer. The program offers you a self-directed account in which a portion of your salary is deposited into an invested account that you manage. You choose to participate, the level of contributions and how to invest assets to meet your goals and personal risk tolerance. When you leave employment, your benefit is based on the total amount of money in your account.

CONTRIBUTION TYPES

Employee Pre-Tax Contributions:

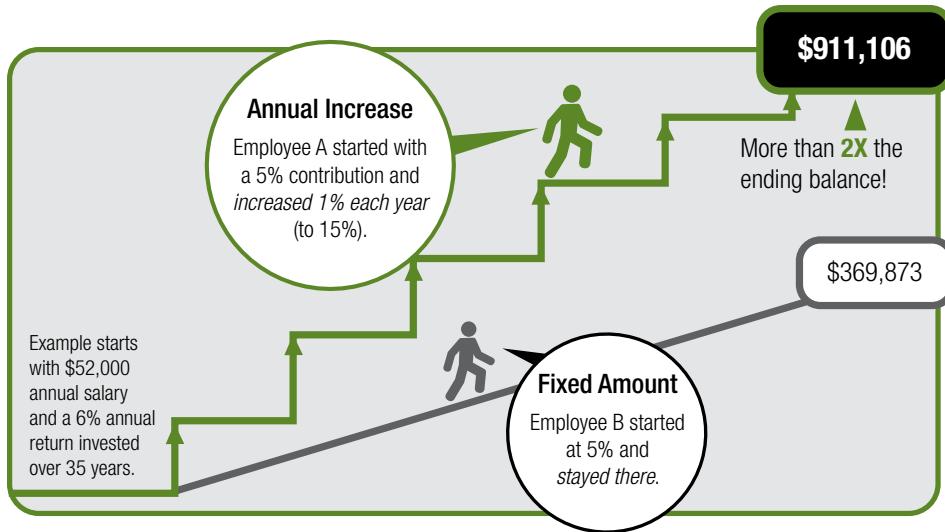
- May be a set dollar amount or percentage of pay
- Contribution is deducted prior to calculating taxes, thereby reducing the amount of taxes paid (contributions are subject to Social Security and Medicare taxes)
- No taxes are due until the money is withdrawn
- Can increase, decrease, start or stop contributions at any time, without any fees or penalties

Employee Roth Contributions:

- A tax advantaged option (if adopted by the employer)
- May be a set dollar amount or percentage of pay
- The contribution is after-tax and will not reduce the employee's income taxes for the year (unlike pre-tax contributions)
- Roth contributions and associated earnings can be withdrawn tax-free if the IRS requirements for a qualified distribution are met

Employee "Catch-Up" Contributions:

- "Age 50" Catch-Up Contributions - Eligible participants age 50 or older can also contribute an additional amount (per IRS contribution limit) - but not in addition to special catch-up contributions.
- Special Catch-Up Contributions - Eligible participants who are within three years of retirement age can contribute an additional amount for years that they didn't contribute the maximum. The maximum catch-up contribution is the lesser of the normal contribution limit + previously unused deferrals OR two times the normal contribution limit.



BENEFICIARIES

MERS 457 allows you to name one or a combination of the following as primary or contingent beneficiaries: spouse, child(ren), non-spouse, trust, estate, charity or any legal entity.

- Primary beneficiary is entitled to the remaining account balance in the event of your death
- Contingent beneficiary is entitled to receive the remaining account balance in the event of your death and primary beneficiary's death
- If you name multiple primary or contingent beneficiaries, you must indicate the percentage of payout (must total 100%)

Make updates online!

Beneficiaries can be added, removed or updated at any time through your myMERS account at www.mersofmich.com.



MERS INVESTMENT MENU

The MERS Retirement Board and Office of Investments select and monitor the investment choices that are available to you. They actively review the fund lineup, investment managers and index funds available and make changes as needed based on strict criteria.

The MERS Investment Menu is simplified into three categories to help you find the investment mix that best meets your investment style.

Change investments online!

Investments can be changed at any time through your myMERS account at www.mersofmich.com.

"Do it for me"

1

The **LifePath** target date funds are a simplified way to invest.

- Once enrolled in the program, you are defaulted into this option based on your age
- Funds are invested in a portfolio that includes a mix of global and U.S.-based stocks and bonds to help capture potential market growth throughout your career and into retirement
- As you get to and through retirement, the fund gradually adjusts to a more conservative investment mix that focuses on protecting your money while still generating income

Year you expect to retire



"Help me do it"

2

Portfolios Built for Participants

- Each portfolio has a target asset allocation that is rebalanced on a quarterly basis
- MERS Office of Investments uses multiple external institutional managers to build these portfolios

Funds for Participants to Build Their Own Portfolios

- Pre-selected options give you a variety of available funds to choose from
- Funds can be used alongside either LifePath target date funds or pre-built portfolios, giving you the ability to further diversify your investment portfolio and fine-tune your strategy

"I'll do it myself"

3

The **Self-Directed Brokerage Account (SDBA)** gives you access to funds outside of the MERS Investment Menu.

- The available investments under this window have not been reviewed by MERS
- You are solely responsible for determining the suitability of the investment options

ROLLOVERS

Consolidate Your Accounts

You may be able to roll over your money from qualified retirement plans. Benefits of rolling over outside accounts include:

- **Convenience** – Easier to track your investments and manage your account
- **Account Growth** – Our low-cost investments keep more of your money invested for retirement
- **Investment Options** – Access to select investment funds not available to the public
- **Tax Deferred** – Keeping your money invested means it will grow tax-deferred until you withdraw it
- **Access** – Funds transferred to your MERS account remain available according to the terms of your original plan

To roll in an outside account:

- Visit www.mersofmich.com/rollover for more information, eligible accounts and related forms.
- Contact your current provider to see if any paperwork is required to roll funds out of your account into MERS. If required, complete and submit those forms to your provider.
- Complete and submit the *MD-404 Incoming Transfer Form* to roll funds into your MERS account.

USING THE ACCOUNT

Once your employer has reported your final contributions and enters your termination date, you have the flexibility to choose when to receive payments (check IRS requirements to determine when you are required to begin taking distributions). All payments from pre-tax contributions or rollovers are taxable in the calendar year you receive the money.

- For Pre-Tax Contributions or Rollovers, withdrawals are subject to a 20% federal income tax withholding and any applicable state taxes
- For Roth Contributions or Rollovers, withdrawals AND associated earnings are tax-free, as long as the requirements for a “qualified distribution” are met:
 - A period of 5 years has passed since January 1 of the year you first made a Roth contribution, and you are at least age 59 1/2
 - If the requirements for a qualified distribution are not met, then the earnings portion of the distribution will be taxed and subject to a 10% penalty

Types of Distributions

- **Periodic Payments** can be made monthly, quarterly, semi-annually, or annually
- **Amount Certain Payments** are usually an equal amount of your choosing until the account is exhausted
- **Periodic Certain Payments** are usually an equal amount estimated to exhaust over a specific time period of choice
- **Lump Sum** amounts, either all or a portion of the account balance

Bridging the Gap

Having a MERS 457 can help you close the income gap if you decide to leave employment prior to the required age for your retirement plan. It could also be an income source prior to or when delaying collecting Social Security benefits.

RESOURCES

Welcome to the myMERS app

- View account balance
- Access statements and tax forms
- Update beneficiaries
- Edit banking details
- Review contributions
- Calculate estimates
- And more



Scan Me

MERS keeps you connected:

There are a variety of ways to connect with MERS and get the information you want:

- www.mersofmich.com
- [myMERS](#) online account access
- Service Center **800.767.6377**
- Quarterly Statements
- Follow [MERS of Michigan on Facebook](#) 
- [Webinar events](#)
- A gallery of [video education](#)
- [1-on-1 Scheduler](#) to speak directly with a MERS retirement expert

You may receive information from *Alerus Financial*, which has partnered with MERS to provide trading and custodial services for several of our plans, as well as banking services.

MERS IRA

Interested in additional savings options for you and/or your spouse? The MERS IRA is a great way to build retirement security through tax-advantaged saving, with flexible withdrawals that can help you reach your other financial goals at the same time. For more information and an IRA application, visit www.mersofmich.com/ira.

NOTES
