

REPORTING AND CONTRIBUTION ENFORCEMENT POLICY OF THE MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN

As amended by the Retirement Board effective June 15 2023

I. Introduction

To maintain the integrity, security and Internal Revenue Code qualified status of the MERS' benefit programs and trust, employers must comply with MERS' Plan Document (the "Plan Document") and timely and accurately submit all required reports and contributions. This Policy sets forth the remedies MERS may impose for employer failure to comply with the requirements of the Plan Document, including but not limited to the submission of timely and accurate reports and contributions. This Policy also applies, where applicable, to MERS' 457(b) Deferred Compensation Plan, Retiree Health Funding Vehicle, Health Care Savings Program, and any other plans or programs which MERS may establish, and the applicable plan documents for those plans and programs.

II. Reporting Requirements; Assessments; Termination

Employers participating in MERS' Defined Benefit and/or Hybrid Plan are required to complete and remit Wage and Service Reports for the defined benefit plan or defined benefit portion of the hybrid plan on or before the 10th day of the calendar month following the month in which work was performed.

Employers participating in any MERS' Plans other than the Defined Benefit and/or Hybrid Plan shall elect a reporting schedule in its Adoption Agreement. Such employers are required to complete and remit the required reports within 5 business days of the designated reporting cycle end date.

If a post-employment audit of an employee's record reflects that additional employee contributions are due, or discloses that the former employee's service or wage reporting requires revision, any additional liability for these shall be included in the employer's overall liability in the next annual actuarial valuation.

If a complete report is not received by its due date for the Defined Benefit or defined benefit component of the Hybrid Plan, MERS may impose a Late Reporting Assessment on the employer for each month that such Report is received late. The Late Reporting Assessment amount will be set by the MERS Finance Department. If an employer for any plan within MERS persistently fails to timely or accurately remit reports, MERS' Retirement Board, in its sole and exclusive discretion, may terminate the employer's participation in MERS, pursuant to Section 79 of the MERS Plan Document and Section VI of this Policy or take any and all such action permitted by law.

III. Contribution Requirements; Assessments; Disclosure; Benefit Payment Suspension; Termination

Employers participating in MERS' Defined Benefit and/or Hybrid Plan are required to remit all employer and employee contributions for the Defined Benefit plan or the defined benefit component of the Hybrid Plan to MERS on or before the 20th day of the calendar month next following the month in which the work was performed.

Employers participating in the Defined Contribution Plan, the Hybrid Plan (defined contribution component), the Health Care Savings Program and/or the 457(b) Supplemental Retirement Program are required to remit all employer and employee contributions within 15 days following the employer's reporting deadline. Late contributions may result in the employer being responsible for lost gains in accordance with MERS' correction procedures.

If an employer remits contributions due on or after the applicable due date for the Defined Benefit or defined benefit component of the Hybrid Plan, MERS may impose a Late Payment Assessment for each month the contribution is late. The Late Payment Assessment amount will be set by the MERS Finance Department.

In addition to other notifications as determined by MERS, MERS will advise the governing body of the employer in writing of invoices that are 60 or more days delinquent. Pursuant to the Local Financial Stability And Choice Act, Section 4(1)(d) of 2012 PA 436; Section 141.1544(1)(d) (the "Act"), MERS may notify the State Treasurer of such delinquency in accordance the Act unless all invoices and applicable assessments are paid within 30 days of receipt of the written notice to the governing body.

At the sole and exclusive discretion of the MERS Board, MERS may suspend benefits payments to retirees and beneficiaries of a delinquent employer until it receives the delinquent payment amount pursuant to Plan Document Section 79.

If an employer is in excess of 180 days late in remitting the foregoing contributions, MERS' Retirement Board may, in its sole and exclusive discretion, terminate the participation of such employer, pursuant to MERS Plan Document Section 79 and Section VI of this Policy, or take such other action as permitted by law.

With respect to contributions required under the terms of the MERS Qualified Excess Benefit Plan and Trust ("QEBA"), MERS shall determine the amount necessary to pay the Excess Benefit, as defined under the QEBA, for each Plan Year for each employer, and submit an invoice to each employer from which contributions are due. Employer contributions to the QEBA shall be due no later than the 20th day of the month prior to the month in which the annual benefit due to the retirants or beneficiary exceeds the applicable Internal Revenue Code Section 415 limit, as determined by MERS.

If an employer does not remit a QEBA contribution as and when due, MERS may take such action permitted by law, which may include delay or non-payment of the Excess Benefit to the retirants or beneficiaries of such employer.

IV. Non-Compliance with MERS Plan Document, Policies or Procedures

As a condition of MERS' tax qualification, compliance with all provisions of each of the MERS plan documents and MERS' policies is mandatory. Employer noncompliance with any plan document provision may result in the assessment of fees, termination of participation under the procedures in Section VI of this Policy or other legal action.

V. Collection of Assessments

MERS may assess fees for late or inaccurate reporting or payments pursuant to procedures adopted by the Finance Department. Such Assessments for Defined Benefit and the defined benefit component of Hybrid Plan will be automatically deducted from the employer's designated Reserve for Employer Contributions and Benefit Payments. The deduction for such Assessments will be allocated among the divisions in the reporting unit for which reporting or contributions were delinquent or inaccurate.

VI. Termination Procedures

Upon termination of an employer's participation in MERS under Section 79 of the Plan Document, all members shall be vested in all accrued benefits, notwithstanding plan vesting requirements, pursuant to MERS Plan Document Section 87(9). The employer shall remain liable for all funding obligations pursuant to MERS' Actuarial Policy unless the Board, in its sole and exclusive discretion, either: (i) directs the transfer of all assets and liabilities to a successor plan meeting the requirements of Section 401(a) of the Internal Revenue Code, under procedures set forth in Plan Document Sections 11 and 12, as applicable, or (ii) if the employer is terminating the plan without designating a successor plan, directs the distribution of the present value of accrued benefits to all members, retirees and beneficiaries pursuant to Section 79 of the MERS Plan Document. If applicable, the employer will be responsible for meeting all legal requirements for termination of its plan required by law. MERS may, in its sole and exclusive discretion, require that the employer indemnify MERS as a prerequisite for authorizing a transfer or distribution as set forth in (i) and (ii) above.

Termination of participation in MERS' 457(b) Deferred Compensation Plan, MERS' Health Care Savings Program or MERS' Retiree Healthcare Funding Vehicle will be implemented as set forth in the applicable plan document.

VII. Audits

Participation in MERS requires employers to maintain accurate and adequate records and to accurately report wage and service information. In order to ensure accurate employer reporting, MERS may perform payroll audits of the books and records of employers pursuant to procedures adopted by MERS. Failure to cooperate with MERS' request for an audit may result in termination of participation under the procedures in Section VI of this Policy and the applicable plan document(s). Delinquent contributions or inaccurate or late reports revealed by any such audit are addressed as set forth in this Policy.

VIII. Miscellaneous

MERS may develop procedures and rules to implement this Policy. MERS' Chief Executive Officer, in his or her sole discretion, may waive the provisions of this Policy based on justifying circumstances. Nothing in this Policy waives or otherwise limits MERS' remedies under law, MERS' contracts with employers, or any plan document.

This Policy shall have immediate effect, and amends the Amended Enforcement Procedure for Prompt Reporting and Payment initially adopted March 10, 1999, as revised November 12, 2003, March 11, 2009 and November 12, 2015, December 3, 2020, June 24, 2021 and June 15, 2023.