



Understanding the
**MERS Defined Benefit
Retirement Process**

Table of Contents

Understanding Your Benefits	4
An Overview of MERS	
Defined Benefit Plan	4
Coordinating Service Time	5
MERS-to-MERS Time	5
Reciprocal Retirement Act (Act 88)	6
 Getting Ready For Retirement	7
Starting the Process	7
Choosing Your Retirement	
Payment Option	9
Receiving Your Benefits	10
 Life in Retirement	11
Working In Retirement	12
Finances in Retirement	13
Health Care in Retirement	14
 Retirement Checklist	16
Other Resources	19

The road to **retirement** is paved with
preparation.
We're here to **help you** prepare.



You've worked hard to get to this point — retirement! You're now joining more than 28,000 MERS retirees all across the state and beyond, public employees just like you, who dedicated their careers to public service.

This guide offers detailed information about the process of retiring with MERS Defined Benefit Plan, and other useful tips.

If you have any questions you can contact our Service Center to find answers, or schedule a meeting with a MERS representative by calling us at 800.767.6377.

CAN YOU AFFORD TO RETIRE?

This is the first and maybe the most important question you need to answer before deciding to retire. Experts predict that you need approximately 80 percent of your working income to maintain your current standard of living in retirement. Your MERS Defined Benefit Plan pension is a part of that, with a monthly lifetime benefit. You may have other MERS programs to help you in retirement, such as the MERS 457 Supplemental Retirement Program or MERS Health Care Savings Program, as well as Social Security and other savings. (Turn to page 13 for more information.)

We have a variety of tools available to help you plan for retirement on our website, where you can access over 40 financial calculators.



UNDERSTANDING YOUR BENEFITS

A successful retirement starts by understanding the benefits you can count on when you retire. A big part of that can be your MERS Defined Benefit Plan pension, which offers you a monthly lifetime benefit that does not fluctuate due to market gains or losses.

On the following page you will find an overview of your MERS Defined Benefit Plan. You can view the details of your personal benefit anytime by logging into your myMERS account at www.mersofmich.com.

AN OVERVIEW OF MERS DEFINED BENEFIT PLAN

Before you can retire and begin collecting benefits, you must first **meet the required age and vesting requirements**. MERS standard retirement is age 60 (unless you are eligible for early retirement options), while vesting is the required amount of service credit you must earn to be eligible for your retirement benefit. Your employer has chosen a specific vesting schedule for you.

To get a better understanding of how your benefits work, let's look at the MERS Defined Benefit Plan formula:

Final Average Compensation	X	Service Credit	X	Benefit Multiplier	=	\$ Annual Benefit
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Final average compensation is the average of your highest consecutive monthly earnings over a period selected by your employer for your division. We review your entire work history and pull the highest consecutive wages, even if they are not the most current ones.

Service credit is the total amount of all your qualified periods of work (this can also include purchases of service credit). You earn service credit for each month of work that meets your employer's requirement.

The benefit multiplier is a specific percentage that your employer adopts.

YOUR BENEFITS

You may view your age and service, along with your municipality's benefits by logging into your account at www.mersofmich.com



COORDINATING SERVICE TIME

If you have been previously employed with another MERS participating employer or another municipality, your service time may be coordinated to meet your employer's requirements.

MERS to MERS Time

Other MERS service is service you may have earned from another participating employer. If you have worked with more than one MERS employer, you may be able to coordinate your service credit to help meet your vesting and early retirement eligibility requirements. The following points are general guidelines to keep in mind:

- If you earn a month of service credit from two employers in the same calendar month, only one of the months of service can be used as coordinated vesting for service.
- You must have a minimum of one year of service credit with a MERS employer in order to coordinate that service with any other MERS employers.

EXAMPLE:

Cassandra earned 5 years of service credit as the human resources technician for the city, which has a 6-year vesting requirement. She then took a similar position with another MERS employer, the county. After earning one year of service at the county, she was able to coordinate that service toward vesting and now has 6 years of service time toward vesting.

Reciprocal Retirement Act (Act 88)

There is another way to coordinate the service credit you have earned with other Michigan governmental retirement plans in order to qualify for a pension: the Reciprocal Retirement Act, also known as Act 88. In general, this Act can help you if you have been enrolled in more than one Michigan governmental retirement plan, but fall short of pension eligibility with any or all of them. You can coordinate your service credit to help meet the vesting requirement (and in some situations, the retirement eligibility requirements).

This provision only applies if your employer(s) has adopted Act 88. Additionally, you must have a minimum of 30 months of service at the employer you wish to receive a benefit from. To find out if you qualify, please contact our Service Center. You may also find a complete listing of participating municipalities listed on our website at www.mersofmich.com.

EXAMPLE:

After earning 3 years of service credit at the county, Cassandra accepted a position at the State of Michigan, where she remained for the next 17 years before retiring. Because the State of Michigan has adopted Act 88, she is able to coordinate that time, giving her a total of 20 years of service credit from her two employers.





Retirement

GETTING READY FOR RETIREMENT

This section outlines the steps of the process, from when to apply for retirement, to how to choose your payment option, and what to expect from the payment process.

STARTING THE PROCESS

It's important that you **begin the process between 45-90 days before you would like to retire**. If you start too early, we can't begin the process, and if you start too late, your first payment may be delayed. That's why 45-90 days is just right. See the retirement checklist starting on page 16 for more information.

Here's a look at the 5-step process:

1 Submit the *MERS Application for Service Retirement* (Form 29a).

You should complete the application 45 – 90 days before your desired retirement date. You can submit your application by fax or mail.

2 We'll begin processing your information.

It can take up to six weeks to review your file and begin processing your information.

3 Your preliminary benefit estimate and forms are sent.

We'll send a personalized benefit calculation for you that will provide estimates of the various payment options you have, helping you compare and determine what payment choice will work best for your retirement. (See next section for more information.)

You'll also receive the necessary forms to complete and submit back to MERS.

4 Return the required forms to us.

If applicable to your situation, you should also include:

- Marriage license
- Birth certificate, both yours and your beneficiary's
- Proof of name change for you and/or your beneficiary, if applicable
- Entire copy of your Judgment of Divorce
- Affidavit of Insurable Interest
- Death Certificate, if claiming benefits as a beneficiary

5 Enjoy your retirement!

Your retirement date will be the first day of the month following your termination date, or the first day of the month following MERS receipt of your completed retirement forms and information, whichever is later.



TERMINATION DATE VS. EFFECTIVE RETIREMENT DATE

Your termination date is the last date you will work with your employer. This may be any day of the month. Your effective retirement date, however, will be the first day of the month following your termination date. For example, if you decide your last day working is May 12, then your retirement date will be June 1, provided we have received your information and forms.



CHOOSING YOUR RETIREMENT PAYMENT OPTION

Deciding how to receive your benefit is an important decision, because once you make your selection, you cannot change your payment option. Also, some of the options will not allow you to change your beneficiary after retirement (for more information about beneficiaries, please visit our website). The benefit calculation we send you will show you what your monthly benefit would be for each option based on the beneficiary we have on file for you. Remember, regardless of how you choose to receive your benefit, your benefit is promised to you for your lifetime.

Here's a look at the 3 types of payment options:

1. Straight Life Benefit

Straight Life provides the highest monthly benefit at retirement, because it applies only to you, the retiree. It does not pass to a beneficiary after your death. Any remaining employee contributions you've made would be paid to a beneficiary or estate. If there are no employee contributions, then there are no contributions to be refunded.

2. Life with 100%, 75%, or 50% to survivor

This is a benefit for you and one beneficiary. The benefit is reduced based on life expectancy of both lives. Once you have designated a beneficiary, you cannot change it. If your beneficiary predeceases you, you will automatically revert to the Straight Life form of payment (following receipt of your information).

3. Life with 20, 15, 10, or 5 Years Certain

Like all other payment options, this option provides a lifetime monthly benefit to you. It also provides a benefit to your beneficiary for a certain period, if you die within that period. The period you select (20, 15, 10 or 5 years) begins with your effective date of retirement. If you die before the period ends, your beneficiary(ies) receives your same payment until the end of that period. You have the option of choosing multiple beneficiaries and may change your beneficiaries after retirement.

REMEMBER:

Once you've made your choice, by completing the *Election of Retirement Allowance Option* (Form 30), you cannot change your payment option.



RECEIVING YOUR BENEFITS

Once we've received all your required documentation and forms, you'll receive your first payment. Your payment will be based on your preliminary calculation that was sent to you and your selected payment option. Your payment will be direct-deposited on the 18th of each month into the bank account you indicate on the *Electronic Funds Transfer – Direct Deposit Authorization* (Form 36). If the 18th falls on a weekend or holiday, your funds will be deposited on the business day prior.

Once your employer has reported your final wage and service information, we will review and recalculate your benefits. Your monthly pension may increase with a one-time retroactive adjustment, based on your final calculation.

Your Pension & Taxes

Federal income tax and, under certain conditions, state tax is required on your MERS pension, with the exception of any post-tax employee contributions that you may have made. You choose how you want your taxes to be withheld by completing the necessary form. You may change your tax choice at any time. Please see the *Pension Recipient's Federal Income Tax Withholding Authorization* (Form 31), available on our website.

Each January, MERS will mail a 1099-R form necessary to file your income tax. It will have your Gross distribution, Taxable amount, Federal (and State, if applicable) income tax withheld, Employee contributions (if you contributed to your pension), and type of benefit being paid (retirement, disability, beneficiary, refund). First-year retirees will have their total amount of post-tax contributions displayed; subsequent year's 1099-Rs will not display this information.

Cost-of-Living Adjustments

Your employer may have adopted a cost-of-living adjustment (COLA). A COLA is an annual increase that is either part of your benefit package or given to retirees. There are several different ways your employer may choose to offer a COLA:

- Compounding or Non-Compounding
- For future or current retirees
- Percentage of pay or flat dollar amount
- Recurring or one-time option

To find out if your benefit package includes a COLA, log into your myMERS account at www.mersofmich.com.



LIFE IN RETIREMENT

This section outlines some important things to consider before you transition into retirement.

WORKING IN RETIREMENT

Things You Need to Know

If you retire and later decide to return to the workplace, there are restrictions that can affect your MERS pension under certain conditions. These restrictions apply only if you rehire at the employer you retired from, and there are also different rules for elected officials than salaried or hourly employees. **There are no restrictions if you are hired anywhere other than the employer you retired from.**

If you rehire at the employer you retired from:

- You must file a *Return to Work Certification Form* with MERS.
- You must have a true retirement before returning to work, per IRS rules.
 - This means there must be at least 30 days between your termination date and rehire date.
- You cannot pre-arrange to return to work with the same employer after you've retired.
- You are allowed to work a maximum of 720 hours in a calendar year before your benefits are suspended.
 - If pension is suspended your payments will not resume until you terminate your employment.
- If you are elected to a new position, you are exempt from the 720 hours rule.
- If you retired from an elected official position and you are re-elected to a position, there must be a two-year lapse of employment from your effective retirement date, otherwise, your pension will be suspended for the duration of your term.

If you have questions about returning to work and how it might affect your pension, please call our Service Center for more information.



FINANCES IN RETIREMENT

While your MERS pension can be an important part of your retirement savings, you may have other income avenues, as well.

Social Security

In addition to your MERS pension, you may be able to collect Social Security benefits. You may want to consider what age to begin collecting your Social Security benefits; generally speaking, the longer you wait, the larger your benefits may be. To see if you are eligible, and to estimate your benefit, visit www.ssa.gov.

When you're ready to begin collecting Social Security, you may apply online, by phone, or by mail.

457 Supplemental Retirement Programs

You may also have a 457(b) plan through your employer, which is designed specifically for public-sector employees to supplement other retirement savings. One of the advantages of a 457(b), like the MERS 457 Program, is that it offers flexibility when you are ready to withdraw on the account. You can begin using your account as soon as you leave employment, or you can continue to keep your assets invested. However, you must start receiving payments no later than April 1 of the calendar year following the year you turn 70 ½ or terminate employment, whichever is later.

MERS Stable Income Annuity

If you're looking for ways to make sure your assets last your lifetime, MERS offers another option. The MERS Stable Income Annuity is a plan that allows you to convert other assets, such as your MERS 457 Program account, into a guaranteed income stream for life — or a period of your choice. There may also be the flexibility of a lump sum payment, depending upon which annuity option you choose.

For more information or to receive an individual estimate, please contact our Service Center at 800.767.MERS (6377) or visit our website.





HEALTH CARE IN RETIREMENT

MERS Premier Advantage

We also offer an affordable retiree health care option, MERS Premier Advantage. Designed exclusively for Medicare-eligible MERS members and their spouses, MERS Premier Advantage is a Medicare Advantage program we offer in partnership with Humana. MERS Premier Advantage covers all your Medicare Part A and Part B benefits, plus many other medical services and prescription drug coverage, all at a lower out-of-pocket cost than Medicare.

Here are a few of the MERS Premier Advantage benefits:

- Flexible and broad network of providers.
- Access to over 60,000 pharmacies, including mail order.

- Statewide and nationwide coverage.
- Preventative coverage.
- Comprehensive prescription drug coverage.
- Additional value-added benefits available to anyone covered under Humana's Group Medicare Advantage products — like Silver Sneakers fitness and wellness programs and *MyHumana.com* personal secure website to access benefit and claims history.

Additionally, MERS Premier Advantage can be extended to your Medicare-eligible dependents. If you are interested in MERS Premier Advantage, visit www.mersofmich.com for more detailed information or call our Service Center.

MERS Health Care Savings Program

If you have a MERS Health Care Savings Program account through your employer, you may begin using it after you terminate employment with your employer. Once MERS has received notification from your employer of your termination, you will receive a notice in the mail, walking you through how to use your Health Care Savings Program account.

Medicare

Unlike Social Security, it's important to apply for Medicare as soon as you are eligible, to avoid incurring a fee. If you are eligible for Medicare, you have many options when it comes to your coverage. You may choose Original Medicare and Prescription Drug Coverage (Part D) or you may choose a Medicare Advantage Plan (Part C). Many times, Medicare Advantage plans also have prescription drug coverage.

If you need more information about Medicare, what is covered, and information in making your decision, please visit www.Medicare.gov. There you can find more detailed information, including helpful publications and forms.



9-12 MONTHS BEFORE RETIREMENT:

- ☐ Use the calculators on our website to assess your financial health, and begin planning your retirement.
- ☐ Request a benefit estimate online. You can get a clearer picture of your payment options available at retirement by logging in to your myMERS account at www.mersofmich.com and clicking “Request a benefit estimate” under the “myDefined Benefit” menu. You can also call us to request a printed copy.
- ☐ Begin to gather the necessary documents needed for your retirement.
 - Birth certificate for yourself.
 - Birth certificate for your beneficiary (may be required depending on the payment option you select).

Note: If your name or your beneficiary's name is different than listed on your birth certificates, please include proof of name change.
 - Marriage license, if applicable.
 - Judgment of divorce, if applicable.
 - Eligible Domestic Relations Order (EDRO), if applicable.
- ☐ Start a list of what you will do with your time after retirement. Consider all of your possibilities: another part-time or full-time career, volunteering, travel, pursuing hobbies, etc. Remember, as a MERS retiree, you cannot have a pre-arranged return to your current employer.
- ☐ Review your health care and insurance options available after retirement.
- ☐ Gather information on Social Security and Medicare. Visit www.ssa.gov and www.medicare.gov online, or go to your local Social Security office.
- ☐ Meet with your financial advisor or attorney for planning purposes.
- ☐ Compare your list of expenses after retirement to your anticipated retirement income.

RETIREMENT CHECKLIST:

a year **countdown** to
retirement
for MERS Defined
Benefit Plan members



6-9 MONTHS BEFORE RETIREMENT:

- ☐ Work on setting up a retirement income budget for your household.
- ☐ Continue to plan for your time after retirement. Prepare yourself to face emotional, physical and financial adjustments.
- ☐ Have your health insurance and financial arrangements in order.
- ☐ Begin to make decisions concerning tax withholdings.
- ☐ Read the “Working in Retirement” section on page 12, to understand the impact of working on your pension. Visit www.mersofmich.com for more information.

4-6 MONTHS BEFORE RETIREMENT:

- ☐ Consider notifying your employer of your decision to retire before you file your application. This can help speed the retirement process.
- ☐ You may contact our Service Center at 800.767.2308 to discuss your retirement benefits and how to complete the forms. Phone or face-to-face appointments are also available.



3 MONTHS BEFORE RETIREMENT:

It's 90 days before your retirement date, and at this point you should have a plan for your retirement in place.

- ☐ Complete and submit to MERS your *Application for Service Retirement* (Form 29a), along with a copy of your birth certificate. If you have questions, contact our Service Center at 800.767.6377. *Remember, MERS must receive your application no more than 90 days and no less than 45 days from your effective retirement date. If your application is received less than 45 days, your effective retirement date will be delayed until the following month.
- ☐ It will take 4 – 6 weeks to review your file once it's received. As a part of this process, we'll be reviewing your employment history, service credit and final average compensation, just to name a few. We may also need to contact you, or your employer, to get more information.
- ☐ After we've reviewed your file, we'll send you additional forms to complete and submit. Be sure to keep a copy of all the forms and supporting materials for your reference:
 - *Employer's Certification of Termination of Employment for Retiring Member* (Form 29b)
 - *Election of Retirement Allowance Option* (Form 30)
 - *Electronic Funds Transfer – Direct Deposit Authorization* (Form 36)
 - *Pension Recipients Federal Income Tax Withholding* (Form 31)
 - *Withholding Certificate for Michigan Pension or Annuity Payments* (Form MI W-4P)

1 MONTH BEFORE RETIREMENT:

- ☐ Make sure you have your employer complete the *Employer's Certification of Termination of Employment for Retiring Member* (Form 29b). It must be signed and returned to us. Pension payments cannot begin until this form is complete and on file.

You're Retired!

Enjoy this next
phase of your life.



RESOURCES

There are many resources available to help you on your journey toward and throughout retirement.

MICHIGAN MEDICARE/MEDICAID ASSISTANCE PROGRAM

This program is dedicated to helping Medicare beneficiaries navigate Medicare, from explaining benefits to counseling. All services are free of charge.

www.mmapinc.org

TAX-AIDE

This service helps low to moderate income people get the most out of their tax returns. This program is free to taxpayers and is provided in cooperation with the IRS.

Call the TCOA office at 517.887.1440 after January 1 to schedule your appointments or for information about other locations.

MiSENIORS

This program is sponsored by the Michigan Office of Services to the Aging and offers a variety of resources for Michigan seniors, including health and wellness, home care, financial information and more.

www.michigan.gov/miseniors

AMERICAN ASSOCIATION OF RETIRED PEOPLE (AARP)

The AARP offers a wide variety of benefits for people age 50 and above. With a membership of more than 37 million, the AARP is one of the world's largest nonprofit, nonpartisan organizations.

www.aarp.org

SOCIAL SECURITY

Apply online or at your local Social Security office three months before you want your Social Security and/or Medicare benefits to begin. To find your local Social Security Office visit www.ssa.gov.

Municipal Employees' Retirement System of Michigan

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www.mersofmich.com

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 as of 4/02/2014. 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.

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