



Understanding the **MERS Defined Benefit Retirement Process**

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

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myMERS IS YOUR ONLINE ACCESS TO ACCOUNT INFORMATION

Logging in to your myMERS account is easy.

Visit www.mersofmich.com and look for the
Log In button to set up your free online access
or to view your information at any time.

You've worked hard to get to this point — retirement! You're now joining more than 46,000 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 find lots of answers on our website at mersofmich.com or 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 about 80% 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 programs to help you in retirement, such as the MERS 457 Supplemental Retirement Program, a MERS IRA or MERS Health Care Savings Program, as well as Social Security and other savings. (Turn to page 13 for more information.)

The MERS website is a great tool to help you prepare for your upcoming retirement. Here you can find articles, calculators and checklists to help you plan for retirement and beyond. Visit www.mersofmich.com for more information.



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.

The annual benefit can be divided by 12 to determine the estimated amount of monthly payments.

Note: Wages earned (for hours worked) in the month of termination that are paid the month following termination may not be considered when determining your final average compensation and pension benefit.

YOUR BENEFITS

You may view your **final average compensation** and service credit, along with your municipality's benefits, by logging into your account at www.mersofmich.com.



GET YOUR BENEFIT CALCULATION ONLINE

Log in to your myMERS account at www.mersofmich.com and view an estimated benefit calculation any time. This may assist you in choosing which payment option is best for you.



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.

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:

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.

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 14 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 three 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 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 simple process:

1 Submit the online Application for Defined Benefit Retirement.

You should complete the application 45 – 90 days before your desired retirement date. You can submit your application online through your myMERS account.

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 calculation estimate is sent.

We'll send a personalized preliminary calculation of benefits and a letter confirming your retirement elections.

4 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.

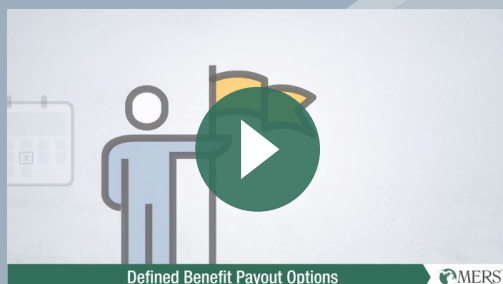
2. Life with 100%, 75% or 50% to Survivor

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) receive(s) your same payment until the end of that period. You have the option of choosing multiple beneficiaries and may change your beneficiaries after retirement.

PAYMENT OPTIONS VIDEO



View a short video explaining the three payment options (www.mersofmich.com/video-library).



REMEMBER:

Once you've made your choice through the online Defined Benefit Retirement Application, 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 in your online Defined Benefit Retirement Application. 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 information on your online retirement application.

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 may be part of your benefit package. 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 return to work at the *same employer* you retired from, and apply if you are employed by them in any capacity, including being retained as an independent contractor. 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 retire and you are returning to a **regular position** (non-elected/appointed), the following rules apply:

- You must complete and submit the Working in Retirement Certification form (F-29c), signed by both you and your employer, to MERS.
- You must have a bona fide separation before returning to work, per IRS rules. Bona fide separation is defined as no formal or informal agreement to return to work prior to retirement.
- You must have 60 days of separation.
- The limit that only allows you to work 1,000 hours in a calendar year has been waived through December 31, 2027. This means, currently, there is no limit to the amount of hours you may work each year.

If you retire and you are returning to an **elected/appointed position**, the following rules apply:

- You must complete and submit the Working in Retirement Certification form (F-29c), signed by both you and your employer, to MERS.
- You must have a bona fide separation before returning to work, per IRS rules. Bona fide separation is defined as no formal or informal agreement to return to work prior to retirement.
- If you are re-elected/appointed into the **same** position, you must have two years of separation.
- If you are elected/appointed into a **different** position, you must have 60 days of separation.
- You are not subject to any hour limitation.



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 benefit; generally speaking, the longer you wait, the larger your benefit 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 72 or terminate employment, whichever is later.





HEALTH CARE IN RETIREMENT

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.

RETIREE HEALTH CARE EXCHANGE

MERS is pleased to provide you with access to a private retiree health care exchange – Aptia365 – to support you in choosing a health plan that best meets your needs. They offer a comprehensive menu of individual insurance plans in Michigan and across the country, providing you with the comfort and familiarity of well-known national insurance carriers as well as strong local plans with a variety of options. You will have the opportunity to select from several individual health insurance plans to find the optimal coverage based on your personal needs. In addition, if you participate in the MERS Health Care Savings Program, you can use the funds in your account to cover the cost of insurance premiums.

Your Benefits Counselor will assist you each step of the way:



Educate

Understand your benefits and decide on a health plan strategy.



Evaluate

Consider the plans available based on your personal needs and budget.



Explore

Make you aware of any tax credits for which you or your spouse may qualify if under age 65.



Enroll

Choose your plans, let us handle the enrollment, and enjoy ongoing support.

To learn more, call 1.855.694.5369 or visit retiree.aptia365.com/mersretiree to view and compare plans in your area.

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 on making your decision, please visit www.Medicare.gov. There you can find more detailed information, including helpful publications and forms.



RETIREMENT CHECKLISTS:

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

9-12 MONTHS

BEFORE RETIREMENT:

- ☐ Use the [calculators](#) on our website to assess your financial situation, and begin planning your retirement.
- ☐ Log into your personal [myMERS account](#) to calculate your estimated pension benefit. Review the benefit calculation to understand your estimated benefit payment amount, various payment options, and choose the option that works best for you. Your retirement application (see [page 18](#)) will require you to choose your payment option.

If you haven't registered for myMERS, visit www.mersofmich.com and create your free account today.
- ☐ Begin to gather the necessary documents needed for your retirement.
 - Marriage license, if event occurred during employment period.
 - Judgment of divorce, if event occurred during employment period.
 - 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.

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 on your pension of working after you retire. 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 800.767.6377 to discuss your retirement benefits and how to complete the forms.
Face-to-face appointments are also available.



RETIREMENT

3 MONTHS

BEFORE RETIREMENT:

MERS must receive your application no earlier than 90 days, and no later than 45 days from your effective retirement date. If your application is received later than 45 days, your effective retirement date will be delayed until the following month.

- ☐ Log into your myMERS account to review your estimated benefit calculation and how different payment options may impact your final benefit amount. You will need to choose your payment option as part of the online retirement application
- ☐ Submit your retirement application online through your myMERS account.
- ☐ 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. We may also need to contact you or your employer to get more information.
- ☐ After we've reviewed your file, we will send you a letter confirming your retirement elections.

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 retirement application, whichever is later.

Payments are issued electronically on the 18th of each month, unless the 18th falls on a weekend or a holiday, in which case the payment will be issued the business day prior.

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.

MMAP, INC. (Medicare/Medicaid Assistance Program)

MMAP, Inc. is a free health-benefit counseling service provided to Michigan residents. Their goal is to help Michigan's Medicare beneficiaries find their way through the health benefits maze.

www.mmapinc.org or call 800.803.7174

AARP, INC. (formerly American Association of Retired Persons)

AARP is a membership organization that offers a wide variety of benefits for people age 50 and over. With more than 37 million members, AARP is one of the largest membership organizations in the United States.

www.aarp.org

SOCIAL SECURITY

Apply online for Social Security and/or Medicare benefits three months before you want your benefits to begin. Alternatively, locate your local Social Security office to apply in person.

www.ssa.gov

AGING & ADULT SERVICES AGENCY

Developed by the Aging & Adult Services Agency within the Michigan Department of Health and Human Services, the Living Well, Aging Well website offers access to numerous high-quality programs and services that can help older adults maintain their independence as they age with resources for healthy living, homecare, financial information and more.

www.michigan.gov/aging

Municipal Employees' Retirement System of Michigan

1134 Municipal Way • Lansing, MI 48917

800.767.6377

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. 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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