

MERS Hybrid Plan Adoption Agreement



1134 Municipal Way Lansing, MI 48917 | 800.767.2308 | Fax 517.703.9711

The Employer, a participating municipality or participating court within the State of Michigan that has adopted MERS coverage, hereby establishes the following MERS Hybrid Plan provided by the Municipal Employees' Retirement System of Michigan, as authorized by 1996 PA 220 in accordance with the MERS Plan Document, as both may be amended, subject to the terms and conditions herein.

I. Employer Name City of Charlotte Municipality #: 2301

If new to MERS, please provide your municipality's fiscal year: _____ through _____.
(Month) (Month)

II. Effective Date

Check one:

A. ☐ If this is the **initial** Adoption Agreement for this group, the effective date shall be the first day of _____, 20____.

☐ This municipality or division is new to MERS, so vesting credit prior to the **initial** MERS effective date by each eligible participant shall be credited as follows (choose one):

☐ Vesting credit from date of hire

☐ No vesting credit

☐ This division is currently in the MERS Defined Benefit Plan or Defined Contribution Plan and meets the applicable funding level requirements to adopt MERS Hybrid, as set forth in Plan Document Section 46. Unless otherwise specified, the standard transfer/rehire rules will apply.

☐ This division is for new hires, rehires, and transfers of current Defined Benefit division # _____ and/or current Defined Contribution division # _____

☐ We elect to offer a one-time conversion from the existing plan into the new MERS Hybrid Plan (see attached MERS Hybrid Conversion Addendum incorporated herein by reference).

B. ☐ If this is an **amendment** of an existing Adoption Agreement (Hybrid division # 110174), the effective date shall be the first day of July 1, 2015. Please note: You only need to mark **changes** to your plan throughout the remainder of this Agreement.

C. ☐ If this is to **separate employees** from an existing Hybrid division (existing division number(s) _____) into a new Hybrid division, the effective date shall be the first day of _____, 20____.

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III. Eligible Employees

Only those Employees eligible for MERS membership may participate in the MERS Hybrid Plan. A copy of ALL employee enrollment forms must be submitted to MERS. The following groups of employees are eligible to participate:

(Name of Hybrid division – e.g. All Full Time Employees, or General after 7/10/13)

These employees are (check one or both):

- ☐ In a collective bargaining unit (attach cover page, retirement section, and signature page)
- ☐ Subject to the same personnel policy

To receive one month of service credit (check one):

- ☐ An employee shall work 10 _____ hour days
 - ☐ An employee shall work _____ hours in a month
- All employees classified under eligible employees, whether full or part time, who meet this criteria must be reported to MERS. If you change your current day of work definition to be more restrictive, the new definition only applies to employees hired after the effective date.

To further define eligibility, check all that apply:

- ☐ **Probationary periods** are allowed in one-month increments, no longer than 12 months. During this introductory period the Employer will not report or make contributions for this period, including retroactively. Service will begin after the probationary period has been satisfied. The probationary period will be _____ month(s).
- ☐ **Temporary employees** in a position normally requiring less than a total of 12 whole months of work in the position may be *excluded* from membership. These employees must be notified in writing by the participating municipality that they are excluded from membership within 10 business days of date of hire or execution of this Agreement.
The temporary exclusion period will be _____ month(s).

IV. Provisions

Hybrid – Defined Benefit Component Provisions

The Defined Benefit Provisions, once adopted, are irrevocable and shall not be later changed except for definition of compensation.

Valuation Date: _____, 20____

1. This Adoption Agreement will be implemented in conjunction with a current actuarial valuation certified by a MERS actuary or normal cost calculation created by MERS that sets contribution rates.
2. Annually, the MERS actuary will conduct an actuarial valuation to determine the employers' contribution rates for the Defined Benefit portion of Hybrid. Employers are responsible for payment of said contributions at the rate, in the form and at the time that MERS determines.

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3. Benefit Multiplier

The multiplier shall be one of the following dependent upon the division's Social Security status:

Social Security Coverage

☐ 1.00%

☐ 1.25%

☐ 1.50%

No Social Security Coverage

☐ 1.00%

☐ 1.25%

☐ 1.50%

☐ 1.75%

☐ 2.00%

4. Final Average Compensation (FAC) shall be based on 3 years

5. Vesting shall be 6 years

6. The DB component shall be exclusively funded by the employer, with no member contributions permitted, unless the employer elects to cap annual employer contributions to a fixed percentage of compensation to the extent required to comply with a state statute that places restrictions on employer contributions to retirement plans.

☐ Employer hereby elects to cap annual employer contributions to ____% of compensation

7. Compensation, for the Defined Benefit portion of Hybrid, is defined as base wages and all of the following. Check applicable boxes to *exclude* these types from your MERS reported wages:

☐ Longevity pay

☐ Overtime pay

☐ Shift differentials

☐ Pay for periods of absence from work by reason of vacation, holiday, and sickness

☐ Workers' compensation weekly benefits (if reported and are higher than regular earnings)

☐ A member's pre-tax contributions to a plan established under Section 125 of the IRC

☐ Transcript fees paid to a court reporter

☐ A taxable car allowance

☐ Short term or long term disability payments

☐ Payments for achievement of established annual (or similar period) performance goals

☐ Payment for attainment of educational degrees from accredited colleges, universities, or for acquisition of job-related certifications

☐ Lump sum payments attributable to the member's personal service rendered during the FAC period

☐ Other: _____

☐ Other 2: _____

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8. Normal Retirement will be age 60 with 6 years of service
9. Early Normal Retirement with unreduced benefits
☐ F55/25

Hybrid – Defined Contribution Component Provisions

1. Vesting (Check one):
- ☐ Immediate
- ☐ Cliff Vesting (fully vested after below number years of service)
☐ 1 year ☐ 2 years ☐ 3 years ☐ 4 years ☐ 5 years
- ☐ Graded Vesting
- | | |
|-----|--------------------------------------|
| 0 | % after 1 year of service |
| 0 | % after 2 years of service |
| 25 | % after 3 years of service (min 25%) |
| 50 | % after 4 years of service (min 50%) |
| 75 | % after 5 years of service (min 75%) |
| 100 | % after 6 years of service |

In the event of disability or death, a participant's (or his/her beneficiary's) entire employer contribution account shall be 100% vested, to the extent that the balance of such account has not previously been forfeited.

Normal Retirement Age (presumed to be age 60 unless otherwise specified) _____
If an employee is still employed with the municipality at the age specified here, their entire employer contribution will become 100% vested regardless of years of service.

2. Contributions
- a. Will be remitted
☐ Weekly ☐ Bi-Weekly ☐ Monthly
- b. Employee/Employer contribution structure (subject to limitations of Section 415(c) of the Internal Revenue Code)

	Enter % or \$ for contribution amounts						
Employee Contribution							
Employer Contribution	9.73%						

☐ Direct mandatory employee contributions as pre-tax

- c. Voluntary employee contributions may be made after-tax, subject to the Section 415(c) limitations of the Internal Revenue Code
3. Compensation *includable* wages, up to the 401(a)(17) limits published every year by the IRS are:
- Wages as reported on box 5 of the employees W2. This includes bonuses, sick/vacation time payments, back pay, and compensation that would have been earned while an employee was in qualified military service, and contributions to plans like 457 deferred compensation plans.
 - Any amounts contributed to a 125 cafeteria plan, Health Care Savings Program, simplified employee pension, simple retirement account and a 457 deferred compensation plan.

Note: Items *excluded* from compensation include items such as taxable meal reimbursements; taxable group term life; clothing, food, or gun allowances

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4. **Loans:** ☐ shall be permitted ☐ shall not be permitted
If Loans are elected, please complete and attach the *MERS Hybrid Loan Addendum*.
5. Rollovers from qualified plans are permitted and the plan will account separately for pre-tax and post-tax contributions and earnings thereon.

V. Appointing MERS as the Plan Administrator

The Employer hereby agrees to the provisions of this *MERS Hybrid Plan Adoption Agreement* and appoints MERS as the Plan Administrator pursuant to the terms and conditions of the Plan. The Employer also agrees that in the event any conflict between MERS Plan Document and the MERS Hybrid Plan, the provisions of the Plan Document control.

VI. Modification of the terms of the Adoption Agreement

If the Employer desires to amend any of its elections contained in this Adoption Agreement, including attachments, the Governing Body or Chief Judge, by resolution or official action accepted by MERS, must adopt a new Adoption Agreement. The amendment of the new Agreement is not effective until approved by MERS.

VII. Enforcement

1. The Employer acknowledges that the Michigan Constitution of 1963, Article 9, Section 24, provides that accrued financial benefits arising under a public Employer's retirement plan are a contractual obligation of the Employer that may not be diminished or impaired, and prohibits the use of the Employer's required current service funding to finance unfunded accrued liabilities.
2. The Employer agrees that, pursuant to the Michigan Constitution, its obligations to pay required contributions are contractual obligations to its employees and to MERS and may be enforced in a court of competent jurisdiction;
3. In accordance with the Constitution and this Agreement, if at any time the balance standing to the Employer's credit in the reserve for employer contributions and DB benefit payments is insufficient to pay all service benefits due and payable to the entity's retirees and beneficiaries, the Employer agrees and covenants to promptly remit to MERS the amount of such deficiency as determined by the Retirement Board within thirty (30) days notice of such deficiency;
4. The Employer acknowledges that the DB wage and service reports are due monthly, and the employee contributions (if any) and Employer contributions are due and payable monthly, and must be submitted in accordance with the MERS Enforcement Procedure for Prompt Reporting and Payment, the terms of which are incorporated herein by reference;
5. The Employer acknowledges that employee contributions (if any) and employer contributions must be submitted in accordance with the MERS Enforcement Procedure for Prompt Reporting and Payment, the terms of which are incorporated herein by reference;
6. The Employer acknowledges that late or missed contributions will be required to be made up, including any applicable gains for the Defined Contribution portion of Hybrid, pursuant to the Internal Revenue Code;
7. Should the Employer fail to make its required contribution(s) when due, the retirement benefits due and payable by MERS on behalf of the entity to its retirees and beneficiaries may be suspended until the delinquent payment is received by MERS. MERS may implement any applicable interest charges and penalties pursuant to the MERS Enforcement Procedure for Prompt Reporting and Payment and Plan Document Section 79, and take any appropriate legal action, including but not limited to filing a lawsuit and reporting the entity to the Treasurer of the State of Michigan in accordance with MCL 141.1544(d), Section 44 of PA 436 of 2012, as may be amended;

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8. It is expressly agreed and understood as an integral and non-severable part of this Agreement that Section 43 of the Plan Document shall not apply to this Agreement and its administration or interpretation. In the event any alteration of the terms or conditions of this Agreement is made or occurs, under Section 43 or other plan provision or law, MERS and the Retirement Board, as sole trustee and fiduciary of the MERS plan and its trust reserves, and whose authority is non-delegable, shall have no obligation or duty to administer (or to have administered) the Hybrid Plan, to authorize the transfer of any assets to the Hybrid Plan, or to continue administration by MERS or any third-party administrator of the Hybrid Plan.

VIII. Execution

Authorized Designee of Governing Body of Municipality or Chief Judge of Court

The foregoing Adoption Agreement is hereby approved by City of Charlotte on
the 8 day of June, 2015.
(Name of Approving Employer)

Authorized signature: _____

Title: City Clerk

Witness signature: _____

Received and Approved by the Municipal Employees' Retirement System of Michigan

Dated: _____, 20____ Signature: _____
(Authorized MERS Signatory)