

# MERS Defined Contribution Plan Adoption Agreement



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The Employer, a participating municipality or court within the state of Michigan that has adopted MERS coverage, hereby establishes the following Defined Contribution Plan provided by MERS of Michigan, as authorized by 1996 PA 220 in accordance with the MERS Plan Document.

**I. Employer Name** \_\_\_\_\_ **Municipality #:** \_\_\_\_\_

**Division name** \_\_\_\_\_

Note: This division should reflect how you currently define employees who are eligible to participate, for example, All full-time Employees, New hires after 1/1/2019, etc.

## 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 employee shall be credited as follows (choose one):

Vesting credit from date of hire     No vesting credit

This division is for new hires, rehires, and transfers of current Defined Benefit\* division # \_\_\_\_\_ and/or current Hybrid division # \_\_\_\_\_

**Closing this division will change future invoices to a flat dollar amount instead of a percentage of payroll, as provided in your most recent annual actuarial valuation.** (The amount may be adjusted for any benefit modifications that may have taken place since then.)

Current active (defined benefit or hybrid) employees (select one of the following and see [Plan Document, Section 64](#) for more information):

Will have a one-time opportunity to convert the value of their current defined benefit from the existing defined benefit or hybrid plan into the new Defined Contribution Plan as a lump sum, or continue accruing service in the Defined Benefit. (Complete *MERS Defined Contribution Conversion Addendum*.)

Will have a one-time opportunity to cease service accrual in the current plan and transfer to the new Defined Contribution plan for future service accrual, or continue accruing service in the Defined Benefit. The deadline for employees to make their election is: \_\_\_/\_\_\_/\_\_\_\_\_

Will be required to cease service accrual in Defined Benefit and will transfer to Defined Contribution for future service accrual.

*\* By completing the section above, the Employer acknowledges receiving Projection Study results and understands the municipality's obligation to continue funding the liability associated with the closed Defined Benefit division.*

B.  If this is an **amendment** of an existing Adoption Agreement (existing division number \_\_\_\_\_), the effective date shall be the first day of \_\_\_\_\_, 20\_\_\_\_.

Note: You only need to mark **changes** to your plan throughout the remainder of this Agreement.

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- C.  If this is to **separate employees** from an existing *Defined Contribution division* (existing division number(s) \_\_\_\_\_) into a new division, the effective date shall be the first day of \_\_\_\_\_, 20\_\_\_\_.
- D.  If this is to **merge division(s)** \_\_\_\_\_ into division(s) \_\_\_\_\_, the effective date shall be the first of \_\_\_\_\_, 20\_\_\_\_.
- E.  If this is an amendment to close *Defined Benefit division(s)* # \_\_\_\_\_ or *Hybrid division(s)* \_\_\_\_\_ with new hires, rehires, and transfers going into existing *Defined Contribution division* # \_\_\_\_\_, the effective date shall be \_\_\_\_\_ (month/year).

**Note: Closing this Defined Benefit or Hybrid division(s) will change future invoices to a flat dollar amount instead of a percentage of payroll, as provided in your most recent annual actuarial valuation.**

(The amount may be adjusted for any benefit modifications that may have taken place since then).

### III. Plan Eligibility

Only those employees eligible for MERS membership may participate in the MERS Defined Contribution Plan. If an employee classification is **included** in the plan, then employees that meet this definition are required to participate in the plan and earn time toward vesting. All eligible employees must be reported to MERS and earn time toward vesting. Some excluded classifications require additional information below.

This Division includes **public safety employees**:  Yes  No

To further define eligibility (select all that apply):

Employee Classification	Included	Excluded	Not Employed
<b>Temporary Employees:</b> Those who will work for the municipality fewer than _____ months in total.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Part-Time Employees:</b> Those who regularly work fewer than _____ per _____.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Seasonal Employees:</b> Those who will work for the municipality from _____ to _____ only.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Voter-Elected Officials</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Appointed Officials:</b> An official appointed to a voter-elected office.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Contract Employees</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Other :</b> _____	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Other 2:</b> _____	<input type="checkbox"/>	<input type="checkbox"/>	

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**Probationary Periods** (select one):

- Contributions will begin after the probationary period has been satisfied. Probationary periods are allowed in one-month increments, no longer than 12 months. During this probationary period, contributions will not be reported and service toward vesting will begin when probationary period has ended.

The probationary period will be \_\_\_\_\_ month(s).

Comments:

- Contributions will begin with the employee's date of hire (no Probationary Period). Effective with the date of hire, wages and any associated contributions must be submitted to MERS.

## IV. Provisions

### 1. Leaves of Absence

Regardless of whether an employee is earning a wage while on the following types of leave:

- Third-party wages are not used in determining contributions for periods of leave.
- Vesting under elapsed time continues to accrue even if wages are not earned and contributions are zero.

*Note:* Employers who determine vesting based on an "hours-reported" method, should report actual worked hours for the month where there was a leave.

Types of leave include:

- Short Term and Long Term Disability
- Workers Compensation
- Unpaid Family Medical Leave Act (FMLA)

Leaves of absence due to military service are governed by the federal *Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA)*, IRC 414(u), effective January 1, 2007, IRC 401(a) (37). Military reporting requires historical wage and contribution reporting for Defined Contribution as applicable.

# MERS Defined Contribution Plan Adoption Agreement

## 2. Definition of Compensation

The Definition of Compensation is used to determine participant and employer contributions. Wages are strongly recommended to be reported with regular wage/contribution reports to MERS. Contributions cannot exceed IRS limitations.

Select your Definition of Compensation here. If you choose to customize your definition, skip this table and proceed to page 5.

	<input type="checkbox"/> Base Wages	<input type="checkbox"/> Box 1 Wages	<input type="checkbox"/> Gross Wages
<b>Types of Compensation</b>			
<b>Regular Wages</b> Salary or hourly wage X hours PTO used (sick, vacation, personal, bereavement, holiday leave, or unclassified) On-call pay	All Regular Wages included	All Regular Wages included	All Regular Wages included
<b>Other Wages</b> Shift differentials Overtime Severance issued over time (weekly/bi-weekly)	Excluded	All Other Wages included	All Other Wages included
<b>Lump Sum Payments</b> (most common below; list is not inclusive of all types) PTO payouts Longevity Bonuses Merit pay Job certifications Payment for education Moving expenses Sick payouts Hazard pay Severance (if issued as lump sum)	Excluded	All Lump Sum Payments included	All Lump Sum Payments included
<b>Taxable Payments</b> Travel through a non-accountable plan (i.e. mileage not tracked for reimbursement) Prizes, gift cards Personal use of a company car Car allowance	Excluded	All Taxable Payments included	All Taxable Payments included
<b>Reimbursement of Nontaxable Expenses</b> (as defined by the IRS) Gun, tools, equipment, uniform Phone Fitness Mileage reimbursement Travel through an accountable plan (i.e. tracking mileage for reimbursement)	Excluded	Excluded	Excluded
<b>Types of Deferrals</b>			
<b>Elective Deferrals of Employee Premiums/Contributions</b> 457 employee and employer contributions 125 cafeteria plan, FSAs and HSAs IRA contributions	All Elective Deferrals included	Excluded	All Elective Deferrals included
<b>Types of Benefits</b>			
<b>Nontaxable Fringe Benefits of Employees</b> Health plan, dental, vision benefits Workers compensation premiums Short- or Long-term disability premiums Group term or whole life insurance < \$50,000	All Nontaxable Fringe Benefits included	Excluded	All Nontaxable Fringe Benefits included
<b>Mandatory Contributions</b>	All Mandatory Contributions included	Excluded	All Mandatory Contributions included
<b>Taxable Fringe Benefits</b> Clothing reimbursement Stipends for health insurance opt out payments Group term life insurance > \$50,000	Excluded	Excluded	All Taxable Fringe Benefits included
<b>Other Benefits / Lump Sum Payments</b> Workers compensation settlement payments	Excluded	Excluded	All Other Lump Sum Benefits included

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**SKIP THIS TABLE** if you selected one of the standard definitions of compensation on page 4.

**CUSTOM:** If you choose this option, you must select boxes in each section you would like to include in your Definition of Compensation. You will be responsible for additional reporting details to track custom definitions.

## Types of Compensation

### Regular Wages

- |   |                                       |
|---|---------------------------------------|
| <input type="checkbox"/> Salary or hourly wage X hours  | <input type="checkbox"/> On-call pay  |
| <input type="checkbox"/> PTO used (sick, vacation, personal, bereavement, holiday leave, or unclassified) | <input type="checkbox"/> Other: _____ |

### Other Wages apply: YES NO

- |  |  |
|--|--|
| <input type="checkbox"/> Shift differentials | <input type="checkbox"/> Severance issued over time (weekly/bi-weekly) |
| <input type="checkbox"/> Overtime            | <input type="checkbox"/> Other: _____                                  |

### Lump Sum Payments apply: YES NO

- |   |  |
|---|--|
| <input type="checkbox"/> PTO payouts        | <input type="checkbox"/> Payment for education             |
| <input type="checkbox"/> Longevity          | <input type="checkbox"/> Moving expenses                   |
| <input type="checkbox"/> Bonuses            | <input type="checkbox"/> Sick payouts                      |
| <input type="checkbox"/> Merit pay          | <input type="checkbox"/> Severance (if issued as lump sum) |
| <input type="checkbox"/> Job certifications | <input type="checkbox"/> Other: _____                      |

### Taxable Payments apply: YES NO

- |   |  |
|---|--|
| <input type="checkbox"/> Travel through a non-accountable plan (i.e. mileage not tracked for reimbursement) | <input type="checkbox"/> Car allowance |
| <input type="checkbox"/> Prizes, gift cards   | <input type="checkbox"/> Other: _____  |
| <input type="checkbox"/> Personal use of a company car  |  |

### Reimbursement of Nontaxable Expenses (as defined by the IRS) apply: YES NO

- |   |   |
|---|---|
| <input type="checkbox"/> Gun, tools, equipment, uniform | <input type="checkbox"/> Mileage reimbursement  |
| <input type="checkbox"/> Phone                          | <input type="checkbox"/> Travel through an accountable plan (i.e. tracking mileage for reimbursement) |
| <input type="checkbox"/> Fitness                        | <input type="checkbox"/> Other: _____   |

## Types of Deferrals

### Elective Deferrals of Employee Premiums/Contributions apply: YES NO

- |  |  |
|--|--|
| <input type="checkbox"/> 457 employee and employer contributions | <input type="checkbox"/> IRA contributions |
| <input type="checkbox"/> 125 cafeteria plan, FSAs and HSAs       | <input type="checkbox"/> Other: _____      |

## Types of Benefits

### Nontaxable Fringe Benefits of Employees apply: YES NO

- |  |  |
|--|--|
| <input type="checkbox"/> Health plan, dental, vision benefits    | <input type="checkbox"/> Group term or whole life insurance < \$50,000 |
| <input type="checkbox"/> Workers compensation premiums           | <input type="checkbox"/> Other: _____                                  |
| <input type="checkbox"/> Short- or Long-term disability premiums |  |

### Mandatory Contributions apply: YES NO

- |  |                                       |
|--|---------------------------------------|
| <input type="checkbox"/> Defined Contribution employee contributions             | <input type="checkbox"/> Other: _____ |
| <input type="checkbox"/> MERS Health Care Savings Program employee contributions |                                       |

### Taxable Fringe Benefits apply: YES NO

- |   |   |
|---|---|
| <input type="checkbox"/> Clothing reimbursement                         | <input type="checkbox"/> Group term life insurance > \$50,000 |
| <input type="checkbox"/> Stipends for health insurance opt out payments | <input type="checkbox"/> Other: _____                         |

### Other Benefits / Lump Sum Payments apply: YES NO

- |   |                                       |
|---|---------------------------------------|
| <input type="checkbox"/> Workers compensation settlement payments | <input type="checkbox"/> Other: _____ |
|---|---------------------------------------|

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## 4. Forfeiture

A forfeiture occurs when a participant separates from employment prior to meeting the associated elapsed time (or hours reported) to receive vesting. The percentage of his/her employer contribution account balance that has not vested as of the date of termination will forfeit after 12 consecutive months following the termination date reported by the employer, or earlier, if the System distributes the participant's vested portion. MERS will utilize any available forfeiture balance as an automatic funding source applied to reported employer contributions at the time of reporting.

## 5. Vesting

Vesting will be credited using (check one):

- Elapsed time method – Employees will be credited with one vesting year for each 12 months of continuous employment from the date of hire.
- Hours reported method – Employees will be credited with one vesting year for each calendar year in which \_\_\_\_\_ hours are worked

Vesting schedule will be (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 (the % of vesting acquired after employment for the designated number of years)
  - \_\_\_\_\_ % after 1 year of service
  - \_\_\_\_\_ % after 2 years of service
  - \_\_\_\_\_ % after 3 years of service (min 25%)
  - \_\_\_\_\_ % after 4 years of service (min 50%)
  - \_\_\_\_\_ % after 5 years of service (min 75%)
  - \_\_\_\_\_ % after 6 years of service (min 100%)

In the event of disability or death, an employee'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 balance will become 100% vested regardless of years of service.*

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## 6. Contributions

- a. Will be remitted according to Employer's payroll withholding which represents the actual period amounts are withheld from employee paychecks, or within the month during which amounts are withheld (check one):
- Weekly
  - Bi-Weekly (every other week)
  - Semi-Monthly (twice each month)
  - Monthly
  - Other (must specify) \_\_\_\_\_
- b. **Employer Contributions**  
Required Employee Contributions and Employer Contributions are outlined using associated [Contribution Addendum for MERS Defined Contribution \(MD-073\)](#).
- c. Post-tax voluntary employee contributions are allowable into a Defined Contribution account subject to Section 415(c) limitations of the Internal Revenue Code.

7. **Loans:**  shall be permitted                       shall not be permitted  
If Loans are elected, please refer to the [Defined Contribution & 457 Loan Addendum](#).

8. **Rollovers** from qualified plans are permitted and the plan will account separately for pre-tax and post-tax contributions and earnings thereon.

## III. Appointing MERS as the Plan Administrator

The Employer hereby agrees to the provisions of this *MERS Defined Contribution 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 of any conflict between the MERS Plan Document and the MERS Defined Contribution Plan Adoption Agreement, the provisions of the Plan Document control.

## IV. 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.

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## V. 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.
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. The Employer acknowledges that employee contributions (if any) and employer contributions must be submitted in accordance with the *MERS Reporting and Contribution Enforcement Policy*, the terms of which are incorporated herein by reference;
4. The Employer acknowledges that late or missed contributions will be required to be made up, including any applicable gains, pursuant to the Internal Revenue Code;
5. Should the Employer fail to make its required contribution(s) when due, MERS may implement any applicable interest charges and penalties pursuant to the *MERS Reporting and Contribution Enforcement Policy* 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.
6. 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 MERS Defined Contribution Plan, to authorize the transfer of any defined benefit assets to the MERS Defined Contribution Plan, or to continue administration by MERS or any third-party administrator of the MERS Defined Contribution Plan.

## VI. Execution

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

The foregoing Adoption Agreement is hereby approved by \_\_\_\_\_ on  
the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_. (Name of Approving Employer)

Authorized signature: \_\_\_\_\_

Title: \_\_\_\_\_

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

Dated: \_\_\_\_\_, 20\_\_\_\_ Signature: \_\_\_\_\_  
(Authorized MERS Signatory)