

MERS Defined Contribution Plan Adoption Agreement



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www.mersofmich.com

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 the Municipal Employees' Retirement System of Michigan, as authorized by 1996 PA 220 in accordance with the MERS Plan Document.

I. Employer Name City of Pontiac **Municipality #:** _____

If new to MERS, please provide your municipality's fiscal year: July through June
(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 August, 2015.

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 Hybrid Plan and meets the applicable funding level requirements to adopt MERS Defined Contribution, as set forth in Plan Document Section 43C. Unless otherwise specified, the standard transfer/rehire rules will apply.

*** 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.)**

- This division is for new hires, rehires, and transfers of current Defined Benefit division # _____ and/or current Hybrid division # _____
- We elect to offer a one-time conversion from the existing plan into the new MERS Defined Contribution Plan (see attached MERS Defined Contribution Conversion Addendum incorporated herein by reference).

Review the projection study results

MERS recommends that your MERS representative presents the projection study results to your municipality before adopting MERS Defined Contribution.

Our MERS representative presented and explained the projection study results to the _____ on _____
(ex. Board, Finance Committee, etc.) (MM/DD/YYYY)

As an authorized representative of this municipality, I _____ (Name)
_____ (Title) waive the right for a presentation of the projection study results.

Amortization option election

After review of the *Amended Amortization Policy for Closed Divisions Within Open Municipalities*, which offers two options for amortization of Unfunded Accrued Liability, effective with the adoption of Defined Contribution for the divisions listed above, our municipality selects:

- Option A amortization
- Option B amortization (irrevocable once selected)

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- B. If this is an **amendment** of an existing Adoption Agreement (Defined Contribution division number _____), the effective date shall be the first day of _____, 20____.
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 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____.

III. Eligible Employees

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

All Full-time employees of the City and 50th District Court hired as full time after January 1, 2011 and not a member of GERS

(Name of Defined Contribution division – e.g. All Full Time Employees, or General After 7/01/13)

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 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 6 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 12 month(s).

IV. 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
_____ % 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%)

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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 (check one):

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	.67%	1%	2%	4%	5%	6%	8%
Employer Contribution	.33%	.50%	1%	2%	2.5%	3%	4%

Direct mandatory employee contributions as pre-tax

EE	10%	12%	14%
ER	5%	6%	7%

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.
- Plus -
- 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

4. **Loans:** shall be permitted shall not be permitted

If Loans are elected, please complete and attach the *MERS Defined Contribution 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 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 any conflict between MERS Plan Document and the MERS Defined Contribution 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.

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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.
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 Enforcement Procedure for Prompt Reporting and Payment, 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 Enforcement Procedure for Prompt Reporting and Payment and Plan Document Section 45A(3), 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 43B 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 43B 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.

VIII. Execution

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

The foregoing Adoption Agreement is hereby approved by Transition Advisory Board on
the 17 day of June, 2015.
(Name of Approving Employer)

Authorized signature: _____

Title: City Administrator

Witness signature: _____

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

Dated: _____

, 2015

Signature: _____

(Authorized MERS Signatory)