

# Addendum for Plan Closures, Freezes and Conversions



1134 Municipal Way Lansing, MI 48917 | 800.767.6377 | Fax 517.703.9711

www.mersofmich.com

This form is to be used for a participating municipality or court to request to close one or more of its divisions of Defined Benefit, Defined Contribution or Hybrid (each "Plan" or collectively, "the Plans"), and advise MERS what action will be taken for existing plan participants and new enrollments. The associated Plan Closures, Freezes and Conversions Policy and Procedure, which provides administrative procedures to implement the terms of the MERS Plan Document, is incorporated by reference into this Addendum, which is used to collect the municipality or court's request. All requirements in the Policy are at all times subject to the requirements of the MERS Actuarial Policy. Nothing in this form or the Policy is intended to conflict with the requirements of the Plans or MERS Actuarial Policy or any more restrictive requirement imposed by law, any of which may be amended by the MERS Retirement Board at any time.

## IMPORTANT INFORMATION:

Closing MERS Defined Benefit plan(s) requires an actuarial projection study under the MERS Actuarial Policy. The MERS Actuarial Policy provides for different amortization periods for closed or frozen divisions. Upon closing or freezing the division(s), the required employer contribution will change to a monthly flat dollar amount instead of a percentage of payroll. Any existing employer caps will no longer be administered.

MERS service may not be combined with non-MERS service under the new plan to meet vesting and eligibility requirements.

## I. Closing one or more divisions and impacts on existing employees

Name: City of Marquette, # 5201  
(Municipality name) (Municipality number)

hereby elects to close the following division(s): 110360  
(Division number)

currently under the following plan type:

Defined Benefit  Defined Contribution  Hybrid

Effective date: 04/01/2025  
(DD/MM/YYYY)

Please use a separate form for each Division or Product Type.

# Addendum for Plan Closures, Freezes and Conversions

In doing so, the following action will be taken with impact to existing covered employees as outlined (select one per form):

Action taken on the division	Impact to existing employees	Check
Close only	No impact to covered employees, benefit continues to accrue. Plan is closed to new hires, rehires and transfers.	<input checked="" type="checkbox"/>
Close division with option to Convert**	Covered employees may <ul style="list-style-type: none"> <li>Remain in the existing plan where the benefit continues to accrue, OR</li> <li>Elect to Convert** their accrued benefit to the newly selected plan and commence coverage under the Plan.</li> </ul>	<input type="checkbox"/>
Close division with option to Freeze***	Covered employees may <ul style="list-style-type: none"> <li>Remain in the existing plan where benefit continues to accrue, OR</li> <li>Elect to Freeze existing benefit (no future accrual) and commence coverage under new Plan.</li> </ul>	<input type="checkbox"/>
Close division, with options to Convert** or Freeze***	Covered employees may <ul style="list-style-type: none"> <li>Remain in the existing plan where the benefit continues to accrue, OR</li> <li>Elect to Convert** their accrued benefit and commence coverage under the newly selected Plan, OR</li> <li>Elect to Freeze existing benefit (no future accrual) and commence coverage under the newly selected Plan.</li> </ul>	<input type="checkbox"/>
Close division, Freeze*** is mandatory, with or without option to Convert**	Covered employees will cease to accrue service under the prior Plan and will commence coverage under the new Plan, and may convert their service under the prior Plan to one under the new Plan.	<input type="checkbox"/>
Close division with mandatory Freeze*** division, no future Plan	Covered employees will cease to accrue future benefit and will not be enrolled in any Plan.	<input type="checkbox"/>

\*\*If the option above includes *Conversion* option, make sure to also complete Section III.

\*\*\*If the option above includes *Freeze* option, make sure to also complete Section IV.

# Addendum for Plan Closures, Freezes and Conversions

## II. Impacts to future participants

New hires, rehires and transfers of the division identified above will be enrolled in (check one):

the following MERS plan (a corresponding Adoption Agreement for the new plan is required):

Defined Benefit    Defined Contribution    Hybrid    457

the following non-MERS plan:

Plan provider name: \_\_\_\_\_

Plan type: \_\_\_\_\_

If offering conversion to the new non-MERS plan, check this box to confirm the new plan is a defined contribution money purchase plan.

No retirement plan.

Not applicable – division position(s) discontinued, no future hires are eligible

## III. Conversion for Active Employees, where applicable (available in limited transactions, see [here](#) for an outline)

This employee option is only available where any employee contribution rate in the current plan is identical to the employee contribution rate in the plan to which the current plan is closing/freezing.

Will current division members be offered the option to convert their accrued benefit to the new plan and commence coverage under that plan?

Yes    No    Not applicable to this transaction

**Conversion Option** – additional required information if Employer elected to offer Conversion Option

If the employer has elected to offer current members of the closing or freezing division a one-time irrevocable option to convert, this will result in 1) conversion of their existing accrued benefit into a lump sum into the new Plan, and 2) future coverage under the new Plan.

The election to convert shall be effective at least three, and no more than six months following the effective date of the new plan as listed on page 1 or MERS' receipt of the addendum (whichever is latest), which shall be the first day of \_\_\_\_\_, 20\_\_\_\_ (Conversion Date). If either the new Plan or the closing plan has mandatory employee contributions, they must be identical in both plans in order to offer employees a conversion or freeze option.

# Addendum for Plan Closures, Freezes and Conversions

## A. Conversions from the Defined Benefit Plan to MERS Defined Contribution Plan, MERS Hybrid Plan or Non-MERS Qualified Defined Contribution Money Purchase Plan

For each current member of a Defined Benefit closing or freezing division who irrevocably elects to convert to one under the new plan and commence coverage under that new plan, MERS shall transfer to the member's credit the greater of the following to the Defined Contribution Plan, the Hybrid Plan defined contribution component or a non-MERS qualified defined contribution money purchase plan:

- (1) The member's accumulated contributions; OR
- (2) The actuarial present value of the accrued benefit associated with the members' coverage under the closed / frozen Defined Benefit Plan, after the conversion level percentage selected by the participating municipality below has been applied.

### Conversion Percentage Selection

The conversion calculation shall be performed as provided in the MERS Actuarial Policy. Under that Policy, the employer shall select the Conversion Percentage (which may not be less than the division's actual funded level as determined in the actuarial study nor greater than 100%). If a Conversion Percentage is selected that is greater than the Division's actuarial funded percentage, as set out below, the employer is required to remit to MERS full payment for the additional liability for all converting members within 90 days of the Conversion Date.

The Conversion Percentage shall be (select one):

- Equal to the division's actuarially determined termination liability funded percentage (not more than 100%)
- \_\_\_\_\_% greater than the actuarially determined termination liability funded percentage (not more than 100%)

If the employer offers current employees the option to convert their closed or frozen benefit to a non-MERS Qualified defined contribution money purchase plan, the member will become immediately vested in any non-vested employer contributions.

## B. Conversions from the Defined Contribution Plan to the MERS Hybrid Plan (Defined Contribution component) or a Non-MERS Qualified Defined Contribution Money Purchase Plan

For each current participant of a Defined Contribution Plan who irrevocably elects to convert where the plan is closing to new hires, or where a current participant's service is frozen, and coverage will commence under the MERS Hybrid Plan, MERS shall transfer the full value of the participant's Defined Contribution Plan account (employer contributions, employee contributions and accumulated service) to the MERS Hybrid Plan (defined contribution component) and used toward vesting under the plan. Service will be recognized in the MERS Hybrid (defined benefit component) for vesting and eligibility only, with benefited service in the defined benefit component of MERS Hybrid plan beginning with the new plan effective date.

If the employer offers current employees the option to convert their closed or frozen benefit to a non-MERS Qualified defined contribution money purchase plan, the member will become immediately vested in any non-vested employer contributions.

# Addendum for Plan Closures, Freezes and Conversions

## C. Conversions from the MERS Defined Contribution to the MERS Defined Benefit

For each current participant of the **MERS Defined Contribution** plan who irrevocably elects to convert (where the plan is closing to new hires, or where a current participant's service is frozen, and coverage will commence under the Defined Benefit plan), MERS shall transfer the participant's employer and employee Defined Contribution account balance (except rollovers from other plans) to the **MERS Defined Benefit** plan.

Service accrued under the Defined Contribution plan will be fully recognized in the Defined Benefit plan for vesting and eligibility purposes. Assets transferred to the Defined Benefit plan (including all assets transferred from the Defined Contribution plan for those electing conversion, plus any additional contributions made or required by the participating employer) must equal a minimum of 80% of the Defined Benefit's additional accrued actuarial liability, based on the results of an actuarial valuation.

Participants who elect to convert their accrued Defined Contribution benefit to the new Defined Benefit plan shall be credited toward Defined Benefit plan benefit service at \_\_\_\_\_% (5%-100%, in increments of 5%) of the participant's total Defined Contribution benefit service.

For participants currently enrolled in the Defined Contribution plan who have a previously frozen Defined Benefit plan with this employer (as a result of a mandatory freeze or election to freeze by the participant) and elect to convert their Defined Contribution benefit to the Defined Benefit plan, the previously frozen Defined Benefit plan account will remain frozen (including the frozen Final Average Compensation).

## IV. Closing with Mandatory or Optional Freeze for Current Active Employees, where applicable (available in limited transactions)

If either the new Plan or the closing plan has mandatory employee contributions, they must be identical in both plans in order to offer employees a conversion or freeze option. Alternatively, the employer may mandate that the benefit accrual be frozen instead of making it optional for active employees. For an optional freeze, employees must be given a minimum of three months, and no longer than six months to make their election (3 to 6 months after Effective Date list on page 1).

Freeze effective the first day of: \_\_\_\_\_, 20\_\_\_\_\_

With respect to the **Defined Benefit** or **Hybrid** (defined benefit portion) Plans that are closing and will freeze (either as a result of the plan freezing, or an individual option to freeze), the members' Final Average Compensation and Service Credit will be frozen and unchanged as of the effective date of the freeze. If the new plan is the MERS Defined Benefit, Defined Contribution or Hybrid Plan, service for vesting and eligibility purposes will continue to accrue on the frozen plan. If the new plan is the MERS 457 Plan, a non-MERS plan or no retirement plan, **all benefits shall be 100% vested.**

With respect to the **Defined Contribution** or **Hybrid** (defined contribution portion) Plans that are closing to new hires as mandatory or optional freeze for current members, their Defined Contribution account will no longer receive any further employer or employee contributions. If the new plan is the MERS Defined Benefit, Defined Contribution or Hybrid Plan **only**, vesting service will continue to accrue. If the new plan is the MERS 457 Plan, a non-MERS plan or no retirement plan, **all benefits shall be 100% vested.**

# Addendum for Plan Closures, Freezes and Conversions

---

## V. 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)