



## AGENDA ITEM SUMMARY FORM

**MEETING DATE:** April 24, 2023

**PREPARED BY:** Linda Kunath, Finance Director/Treasurer

**AGENDA ITEM CONTENT:** MERS Contribution Addendum

**AGENDA ITEM SECTION:** Consent Agenda

**BUDGETED AMOUNT:**

**FUNDS REQUESTED:**

**FUND:**

**EXECUTIVE SUMMARY:**

Municipal Employee's Retirement System (MERS) periodically audits individual municipal plans to confirm that the contribution structure the City has in place is captured correctly within the MERS system. Default contribution percentages need to be stated in the MERS system when ranges are offered, to establish a percentage amount when an employee does not select. Any changes in MERS system requires Governing Body approval.

**RECOMMENDATION:**

The City recommends approval of the MERS Contribution Addendum, under the Consent Agenda.



## CITY OF MADISON HEIGHTS

300 WEST 13 MILE ROAD, MADISON HEIGHTS, MI 48071

### FINANCE/TREASURER DEPARTMENT

Linda A. Kunath,  
Finance Director/Treasurer

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## MEMORANDUM

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**DATE:** April 17, 2023  
**TO:** Melissa R. Marsh, City Manager  
**FROM:** Linda A. Kunath, Finance Director/Treasurer  
**SUBJECT:** MERS Contribution Addendum

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Municipal Employee's Retirement System (MERS) periodically audits individual municipal plans to confirm that the contribution structure the City has in place is captured correctly within the MERS system. Any changes in MERS system requires Governing Body approval.

Periodic audits are needed since some plan provisions may have changed over the years due to collective bargaining or there is a change in interpretation and/or enforcement related to 401(a) plans with contribution ranges from the Internal Revenue Service. MERS is trying to eliminate the potential for Cash or Deferred Arrangements (CODA) violations in which employees are inadvertently being given multiple choices to make retirement plan contribution elections which are prohibited under the plan. Once enrolled in a 401(a) plan, if a range is available, the decision made at enrollment is irrevocable. MERS stated goal is to establish a default contribution rate, if there is a contribution range offered, when an employee doesn't turn in an enrollment form. For Madison Heights, the Court group of employees has a range of 0% to 8%, the default rate for the City is 8%, which will ensure employees save as much for retirement as possible. The second item is the specific increments employees get to choose from, which is 1% increments for the City. The MERS Contribution Addendum reflects these matters and permits MERS handling its role as fiduciary to ensure that the proper documentation and controls are in place for MERS and members to enjoy the benefits of a qualified retirement plan.

I am respectfully requesting this MERS Contribution Addendum be reviewed and approved. If you have any questions or additional information is needed, please contact me.

# Contribution Addendum for MERS Defined Contribution (and DC portion of Hybrid)



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

www.mersofmich.com

This is an Addendum to the Adoption Agreement completed by City of Madison Heights  
Name of Participating Employer

for the following:

Court \_\_\_\_\_

Employee Group Name \_\_\_\_\_

Division Code: 106434

The Addendum accompanies the MERS 401(a) Defined Contribution (DC) Adoption Agreement. Please complete this addendum for each contribution structure associated with the covered employee group.

## Section 1: Matching Contributions

The Participating Employer will make matching contributions into the DC Plan based on

(CHECK ALL THAT APPLY):

- ☐ Employee's MERS 457 program election
- ☐ Employee's non-MERS 457 program election
- ☐ Employee's one-time election of MERS Defined Contribution required employee contributions
- ☐ Other \_\_\_\_\_

For each payroll period in which Employee contributions described in Section 1 are made, the Participating Employer will contribute \_\_\_\_\_% of the Employee contribution amount.

*For example, if an Employer elects a 50% match, then for every 1% the participant defers to the Program, the Employer will contribute 0.5% to the Program.*

**Employer Cap:** The Employer elects the following matching contribution cap:

- ☐ **Percentage Cap:** In no event will matching contributions made on behalf of a participant exceed \_\_\_\_\_% of the participant's IRS Section 401(a)(17) includable compensation as defined by the Employers' Adoption Agreement. Match cannot exceed 100% of participant's income.
- ☐ **Flat Dollar Cap:** In no event will matching contributions made on behalf of a participant exceed a flat dollar amount equal to \$\_\_\_\_\_ per \_\_\_\_\_.

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## Section 2: Required DC Contributions

Select one:

- ☐ Employees are required to contribute per pay period: \_\_\_\_\_ (specify \$ or %)
- ☒ Range from 0% to 8% (specify \$ or %) per pay period In 1% increments.
- ☐ Choice of contribution amounts per pay period:

Employee Contribution (\$ or %)	Employer Contribution (\$ or %)

The Employer designates 8% (specify \$ or %) as the default contribution

Federal law requires employees only be offered a contribution choice at the time of first eligibility. Therefore, the default will apply when an eligible employee fails to make an election prior to the first payroll reporting in which they qualified for the plan, and those employees who are transferred, rehired, or previously covered under a non-MERS plan.

Direct Required Employee Contributions: ☐ Pre-tax ☒ After-tax

## Section 3: Non-Matching Contributions

The Employer hereby elects to make contributions to the participants' accounts without regard to a participant's contribution amount (check all that apply):

- ☐ **Annual:** A one-time annual contribution of \$ \_\_\_\_\_ or \_\_\_\_\_ % of compensation per participant.
- ☐ **Pay Period:** \$ \_\_\_\_\_ or \_\_\_\_\_ % of compensation per participant for each payroll period.
- ☐ **One time:** \$ \_\_\_\_\_.