

**ALLEGAN COUNTY
POLICY**



**TITLE: RETIREMENT PLANS
POLICY NUMBER: 501**

APPROVED BY: Board of Commissioners

EFFECTIVE DATE: January 1, 2020

1. **PURPOSE:** Allegan County strives to make the transition from employment to retirement as smooth as possible. The purpose of the policy is to describe retirement options and eligibility.
2. **POLICY:** It is the policy of Allegan County to provide a retirement plan and/or opportunities to voluntarily set aside money for retirement. Allegan County offers a Defined Contribution (DC) plan. A Defined Benefit (DB) plan is still in effect for employees who were participating before the plans were closed to new entrants. Neither plan has a mandatory retirement age.

Allegan County also provides access to other voluntary investment options such as Deferred Compensation plans (457) and ROTH options. Human Resources provides information and forms for participation.

3. DEFINITIONS:

- 3.1. MERS is an acronym for Municipal Employees' Retirement System.
- 3.2. Defined Contribution Plan (DC) - Provides for benefits based solely on the assets available in an employee's individual account, to which both employees and the employer contribute. All employees have their own accounts set up within the plan to which contributions and investment gains and losses are recorded.
- 3.3. Defined Benefit Plan (DB) - Closed to new participants - Provides a retirement benefit calculated using a formula based upon a plan participant's years of service and compensation. Generally, both employers and participants contribute to these public sector defined benefit plans. All assets accumulated to fund the retirement benefits are invested by the retirement board or a central agency responsible for investing government funds. All investment-related risk is generally borne by the employer.
- 3.4. Deferred Compensation Plan (457) – This type of governmental plan offering provides for benefits based solely on the assets available in an employee's individual account, to which only the employee can contribute, pre-tax dollars on a voluntary basis.
- 3.5. ROTH - This type of plan offering provides for benefits based solely on the assets available in an employee's individual account, to which only the employee can contribute post-tax dollars on a voluntary basis.
- 3.6. Vesting –When an employee accrues rights over employer-provided contributions made to the employee's qualified retirement plan account or pension plan.
- 3.7. Vesting (Graded) Schedule – When ownership happens gradually over time.

4. **DEFINED CONTRIBUTION PLAN:** New employees are required to participate in the DC. Unless otherwise stated in an applicable collective bargaining agreement, the County shall contribute seven percent (7%) of a participating employee's compensation to the DC. A participating employee shall be required to contribute three percent (3%) of gross wages to the DC.

4.1. **ELIGIBILITY:** Regular full-time and regular part-time employees are eligible as of their hire date and/or first day of status change to an eligible status.

4.2. **OPTIONAL CONTRIBUTIONS:** A participating employee may also voluntarily contribute additional amounts on an after-tax basis to his or her individual account in the DC for any plan year in any amount to the extent allowed by Federal law and subject to procedures established by the DC vendor. No additional pre-tax contributions are allowed due to plan design.

4.3. **VESTING:** The DC has graduated vesting based upon the following vesting schedule:

<u>Years of Service</u>	<u>Percent Vested</u>
One	10%
Two	20%
Three	40%
Four	60%
Five	80%
Six	100%

4.4. **PERMISSIBLE LOANS:** Each employee participating in the DC shall be eligible to make loans against their vested retirement benefits. Such loans shall be subject to all terms and conditions established by the loan administrator.

5. **DEFINED BENEFIT PLAN:** This plan is closed to new employees. Employees hired before the effective date of the DC who did not switch to the DC shall continue to be covered by the DB applying to them. DB participants continue to receive employer contributions and must continue with any applicable employee contributions. DB participants receive an annual statement of their benefits from MERS.

6. **DEFERRED COMPENSATION PLANS:** Employees may additionally save for retirement by participating with an approved 457. Contributions into an approved 457 are pre-tax, voluntary and consist of employee contributions only. ROTH options are also available to set aside post-tax dollars with the 457 vendor companies.

6.1. **ELIGIBILITY:** All employees that have a regular work schedule (Regular Full-time, Regular Part-time and Irregular Part-Time employees that are consistently scheduled for hours) are eligible to participate in a 457 including ROTH options.

7. **APPENDICES:** Reference the below documents available on the MERS website and Allegan County Intranet for more information on DC and DB.

7.1. MERS website: www.mersofmich.com.

7.1.1. MERS Defined Contribution (DC) Participant Handbook

7.1.2. MERS Defined Benefit (DB) Participant Handbook