

LAY EMPLOYEES' RETIREMENT PLAN (LERP)

FOR ALL LAY EMPLOYEES SCHEDULED TO WORK 20 HOURS OR MORE PER WEEK,
AT ONE (1) OR MORE PARTICIPATING UNIT, FOR FIVE (5) OR MORE MONTHS
IN ONE CALENDAR YEAR

- Established in 1966
- A defined benefit plan, and a church Plan, as described in section 414€ of the Internal Revenue Code of 1986
- *100% employer contributed*
- Over 11,000 active participants, 8,000 differed vested former-employees, and is paying benefits to over 10,000 retirees

CREDITED SERVICE AND VESTING

- When an eligible participant works five or more months in a calendar year, he or she receives one year of *credited service*.
- After five credited years of service, the participant is *fully vested*.
- If a participant terminates before becoming vested, he or she has five years to return to full time work at a participating unit without forfeiting his or her prior years of service.
- An approved Leave of Absence, such as Military Service (Article 3, Section 3), is treated as working in Covered Employment for a period of up to two years.
- Workers' Compensation benefits will be treated as working in Covered Employment for up to three years from the date on which a participant began receiving the weekly Workers' Compensation benefit.
- A participant receiving employer-provided Short-Term Disability benefits will be treated as working in Covered Employment.
- A participant receiving employer-provided Long-Term Disability benefits will NOT be treated as working in Covered Employment.

- Waiving Credited Service: Effective December 2003, the Plan was amended to allow vested participants to purchase years in the Michigan Public School Employees' Retirement System. If purchasing, the vested participant must waive *all* MCC credited service.

**PRE-2011 PARTICIPANT: EMPLOYEE ENROLLED IN THE PLAN BEFORE
JANUARY 1, 2011 AND STILL EMPLOYED ON DECEMBER 31, 2010**

- Participant will have a frozen benefit calculation based on his/her five highest calendar years of compensation (using their enrollment date through December 31, 2011) with a *pension factor* of 2%.
- From January 1, 2012 to the participant's retirement date, he/she will also have a modified benefit calculation based on his/her ten highest calendar years of compensation (from all years of credited service) with a pension factor of 1.5%.
- Participant can begin drawing his/her monthly benefit at age 55.

**POST-2010 PARTICIPANT: EMPLOYEE ENROLLED IN THE PLAN ON OR
AFTER JANUARY 1, 2011**

- Participant's benefit calculation is based on his/her ten highest calendar years of compensation with a pension factor of 1.5%.
- Participant can begin drawing his/her monthly benefit ten years earlier than his/her normal Social Security retirement age.

RETIREMENT AGE

- Vested participants can begin drawing their pension at their *normal retirement age* of 65 or 67, and as early as age 55*.
- Social Security Administration: Normal Retirement Age
 - Age 65, if born before 1943
 - Age 66, if born after 1942 and before 1960
 - Age 67, if born after 1959

*RULE OF 85

Vested Participant born before 1960 (over 56) *and* whose age + years of service = 85 or more, may retire at an early unreduced benefit

Credited years of service + participant's age = 85 = unreduced retirement benefit

RULE OF 90, EFFECTIVE JANUARY 1, 2012

Participant born after 1959 (over 57) *and* whose age + years of service = 90 or more, may retire at an early unreduced benefit

Credited years of service + participant's age = 90 = unreduced retirement benefit

BENEFITS

- Minimum retirement benefit: \$100 per month @ normal retirement age
- Disability retirement:
 - Vested participant of any age
 - Terminates covered employment due to a confirmed physical or mental disability
 - Must be incapable of performing duties
 - Must be approved by MCC
 - Benefit is calculated without a reduction

DISTRIBUTION OF BENEFITS

- Straight Life:
 - Monthly lifetime benefit; upon death, the benefit will cease
- Term Certain and Life (60 months = 5 years)
 - Monthly lifetime benefit; if death occurs within the first 60 months, the beneficiary(s) receives monthly benefit for the remainder of the 60 months.
 - Beneficiary can be replaced if the first one dies.
- Joint and 100% Survivor
 - Monthly lifetime benefit; upon death the beneficiary will receive the same amount for his/her lifetime.
 - Not an option if the beneficiary is a non-spouse that is ten or more years younger than the retiree.
- Joint and 50% Survivor
 - Monthly lifetime benefit; upon death, the beneficiary will receive half of the amount for the remainder of his/her lifetime.

Can be any body of any age.

- In-Service Distribution

Participant under age 62, who enters into a payment status, must have a 90-day bona fide separation from all covered units before returning to part time work at any covered unit.

- Lump Sum Payment

Participant must be vested and terminated

Present benefit value must be under \$25,000 (estimate date = today's date)

Current date of calculation is good for 180 days

- Death Benefit

Vested participant dies before receiving monthly pension benefit

Non-Spouse beneficiary: Based on the years of credited service with a maximum of \$2,500.00.

Surviving spouse beneficiary: Lump sum if the value at the time of death is \$3,500.00 or less; monthly pension benefit if the value at the time of death is over \$3,500.00.

- Qualified Domestic Relations Order (QDRO)

A portion of a participant's pension is assigned to an alternate payee due to a divorce.

Effective January 1, 2016 QDROs are no longer accepted.

Only QDRO's received on or before December 31, 2015 will be honored.

PLAN UPDATES

- Effective January 1, 2012, the new *pension factor is 1.5%* for current employees.
- Effective January 1, 2013, the Plan no longer provides a Health Care Subsidy to its retirees.
- Effective January 1, 2012, the Plan stopped allowing the Purchase of Service.

- Effective January 1, 2016, the Plan was fully restated: all prior amendments were incorporated, and spousal references were eliminated.

PLAN FEATURES

- *No Social Security Offset*
- *Total Service/Multiple Employers* (effective January 1, 1997): If an individual is employed by more than one unit that participates in the Plan, and the total hours of service worked for all participating employers total 20 or more per week, the individual will receive credited serve as a participant under the LERP. Each employer contributes based on the wages earned at its respective unit.
- *Disability Retirement* benefit if a vested participant, regardless of age, is deemed to be totally and permanently disabled from their position.
- *Death Benefit* is available in the event a vested participant dies before beginning to draw his or her retirement.
- *Small cash Buy-Out* option. Effective January 1, 2005, the Plan changed from a mandatory cash-out distribution if the value/amount was less than \$3500 at the time of the participant's employment/eligibility termination to a voluntary distribution if the amount is less than \$25,000.