Bridged Benefits

A Panel Discussion

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Moderator

- **Debra Peake,**
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Panelists

- **Sue Feinberg,**
  MERS Regional Manager

- **Rick Brandi,**
  Treasurer, City of Charlevoix

- **Gwyn Belcher,**
  Human Resource Manager, Charter Township of Canton

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Bridged Benefits

- Offers benefits in parts to existing employees, by changing the benefit multiplier on a going-forward basis

- This solution offers municipalities a way to lower long-term liabilities on a going forward basis while leaving earned benefits unchanged

- New hires enters the new plan with lower benefit multiplier

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How Bridged Benefits Work

Original Benefit Multiplier	X	Final Average Compensation (Termination or Frozen FAC)	X	Service Credit	=	$ Original Benefit	
						+	
New Benefit Multiplier	X	Final Average Compensation (Termination FAC)	X	Service Credit	=	$ New Benefit	
						$ Total Retirement Benefit	

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Bridged Benefits Options

- Multiplier is the only provision that may be bridged
- Two choices for calculating the final average compensation (FAC):

Termination FAC

Calculates the FAC throughout employee's entire career, until termination

OR

Frozen FAC

Freezes the FAC in the original benefit structure, then applies a second FAC calculated from the day after the bridge date to termination date

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Impact on Employees

- Bridging Down – Decreasing Liability
- John's FAC for first 15 years of his career is $30,000
- For the next 10 years his FAC is $50,000
- His termination FAC is $50,000
- Without adopting Bridged Benefits, John's Straight Life benefit would have been $31,250 annually

Termination FAC

Final Average Compensation	X	Service Credit	X	2.5% Benefit Multiplier	=	$18,750 Original Benefit
						+
Final Average Compensation	X	Service Credit	X	2.0% Benefit Multiplier	=	$10,000 New Benefit
$50,000		10 years		0.02		
						$28,750 Total Annual Benefit

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Discussion

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