



Start to Finish

Your Administrative Role with Defined Benefit

Terra Langham, UP Regional Manager

Karima LaJoie, Senior Benefit Plan Coordinator

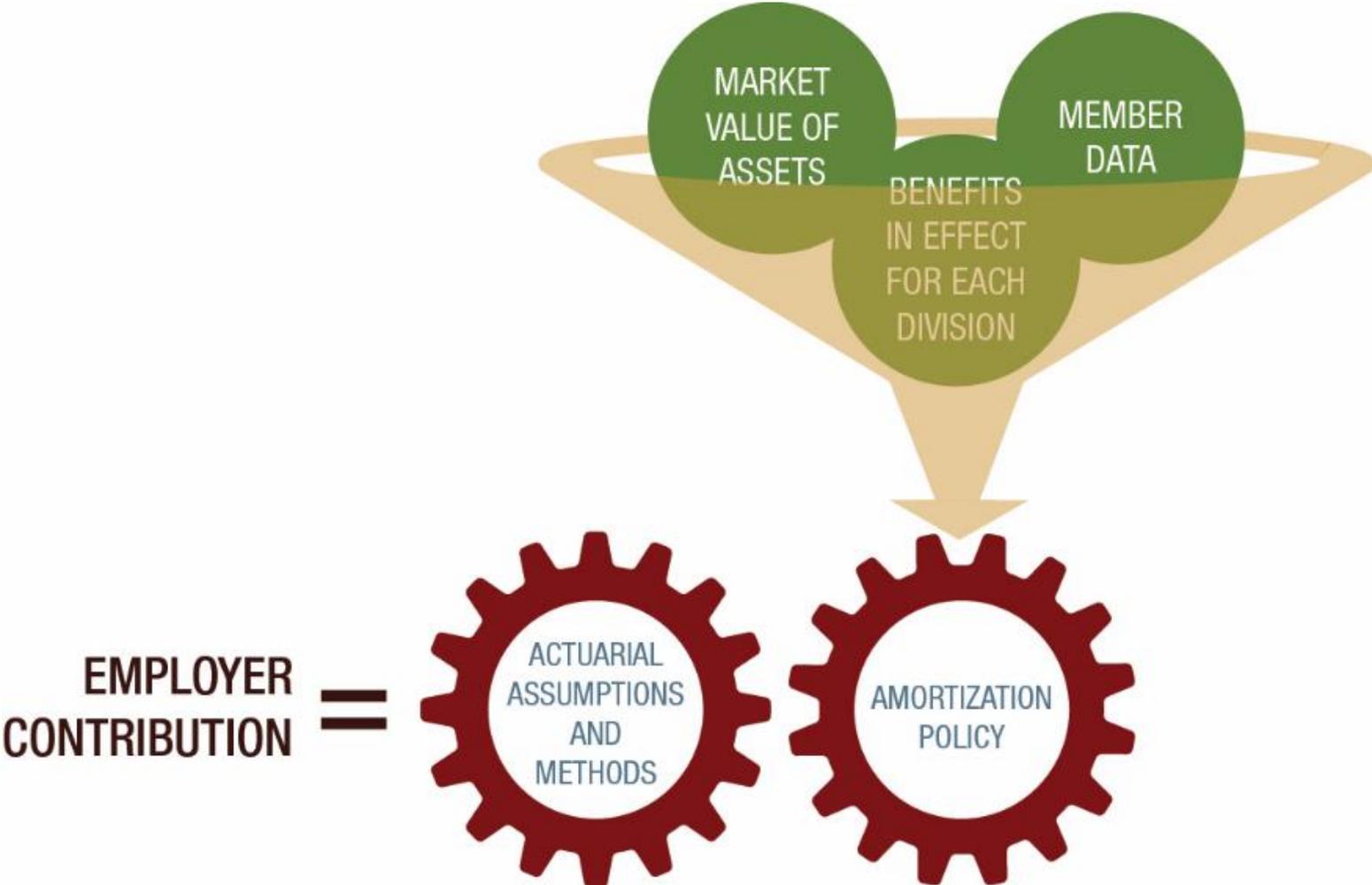


Today's Agenda

- Defined Benefit Overview
- Reporting and Payments to MERS
- Putting it All Together
- Trends
- Additional Resources

How Defined Benefit Works

Defined Benefit Funding



Actuarial Assumptions and Methods established by the Retirement Board

Employer Contribution

Employer contribution rate is made of up two parts:

- 1. Employer Normal Cost**– Present value of benefits allocated to the current plan year less any employee contribution
- 2. Amortization Payment of Unfunded Accrued Liability**– Payment to reduce any shortfall between liability for past service and assets



Annual Actuarial Valuation

- Delivered every year in June
- Provides contribution rate, funding and GASB information
- Contribution rates are for the following fiscal year

Executive Summary

The next piece of information is your employer and employee

Your Required Employer Contributions:

Your minimum required employer contributions are shown in the following table. Employee contributions, if any, are in addition to the required employer contributions.

Valuation Date:	Percentage of Payroll		Monthly \$ Based on Valuation Payroll	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Fiscal Year Beginning:	January 1, 2016	January 1, 2015	January 1, 2016	January 1, 2015
Division				
07 - Lib EE	15.77%	15.63%	\$ 2,563	\$ 2,245
Municipality Total			\$ 2,563	\$ 2,245

Employee contribution rates reflected in the valuations are shown below:

Valuation Date:	Employee Contribution Rate	
	12/31/2014	12/31/2013
Division		
07 - Lib EE	3.80%	3.80%

For employee contribution rates that are not flat percentages, the rate shown is a weighted average flat employee contribution rate.

You may contribute more than the minimum required contributions, as these additional contributions will earn investment income, and later you may have to contribute less than otherwise. **MERS strongly encourages employers to contribute more than the minimum contribution shown above.**

Defined Benefit Formula

Final Average
Compensation

X

Service Credit

X

Benefit
Multiplier

=

\$ Annual Benefit

The benefit formula is comprised of three components:

- Final Average Compensation (FAC) is average of highest 36 or 60 consecutive months wages
- Service Credit (earned or purchased) for each month of work that meets the employer's requirements
- Benefit Multiplier is a specific percentage adopted by the employer ranging from 1.0% to 2.5%

Defined Benefit Reporting

Reporting Wages

Final Average
Compensation

Service Credit

X

Benefit
Multiplier

=

\$ Annual Benefit

- Highest 36 or 60 consecutive months wages
- Definition of compensation
 - Standard definition of compensation
 - Includible and Excludible wages

Reporting Service



- Day of Work definition
 - Defines who participates in the Defined Benefit Plan, and determines who you report to MERS
 - Number of hours per day or per month
 - Eligibility for part-time participants

Special Circumstances

- Temporary Employees
- Probationary Periods
- STD/LTD and Workers' Compensation
- Elected/Appointed Officials

MERS Employer Portal

- Wage and contribution reports due by 10th of month
- Once wage and service report is submitted, a payment invoice is generated
- Payments are due by the 20th of every month to MERS

MERS Employer Portal
Municipal Employees' Retirement System

Defined Benefit - Prepare Report Welcome Betsy Waldofsky | Logout

Home | Defined Benefit | Members | Wage Reporting | Settings

Save | Check for Errors | Preview & Submit | Add Member | Add Retiree Rehire | Copy Prior Wages | Clear Wages | Upload | Append

Report Period: 9/1/2015 - 9/30/2015

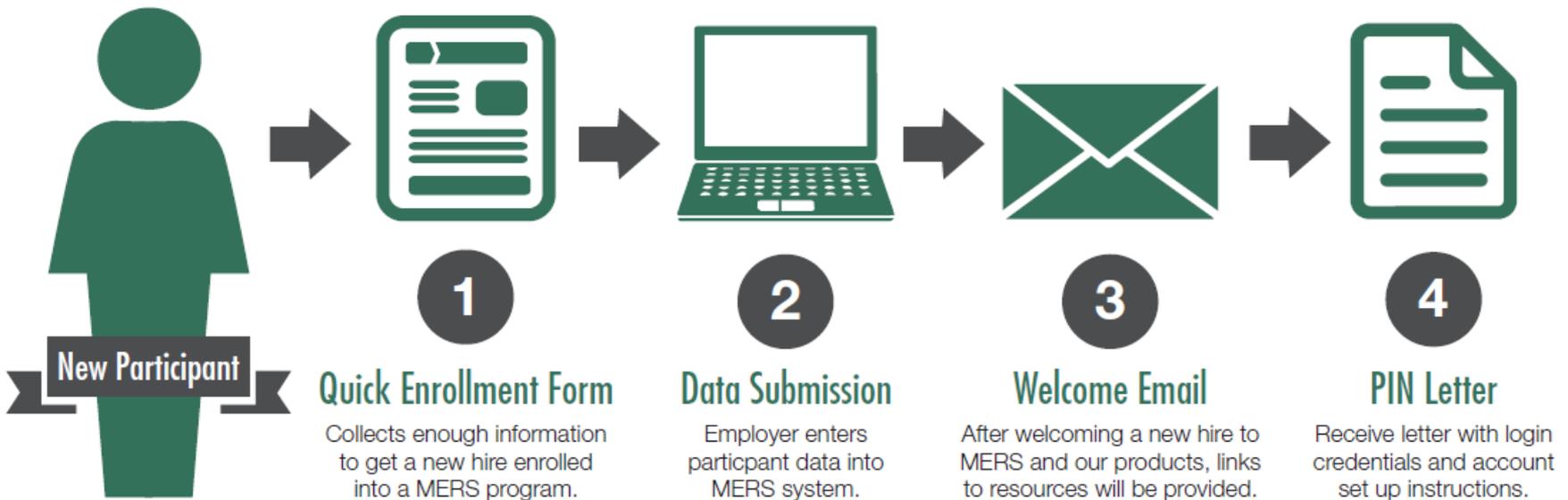
Number of Pay Periods: Name or ID Filter:

Report Totals ?
Member Count: 64 Wage Total: \$336,812.29 Pre-Tax Contribution Total: \$23,350.62 Post-Tax Contribution Total: \$0.00

National ID	Name	Transfer	Div	MERS Wages	Wage Discrepancy	Pre-Tax Contrib	Post-Tax Contrib	Contribution Discrepancy	Service	Status	Status Change Date	N
		<input type="checkbox"/>	22 - Dispatch	\$4,061.94	<input type="text"/>	\$284.34	\$0.00	<input type="text"/>	Full	Active		
		<input type="checkbox"/>	20 - POLC	\$8,114.26	<input type="text"/>	\$568.00	\$0.00	<input type="text"/>	Full	Active		
		<input type="checkbox"/>	23 - DPW	\$4,570.56	<input type="text"/>	\$319.94	\$0.00	<input type="text"/>	Full	Active		
		<input type="checkbox"/>	21 - POAM	\$6,611.38	<input type="text"/>	\$462.80	\$0.00	<input type="text"/>	Full	Active		

Additional Reporting– New Hires

MERS New Participant Process



Employer Resources



plan-specific admin guides



employer new hire webpage



plan-specific formula templates



calculators



new participant video

Additional Reporting– Terminations

- Report terminations by updating employment status and entering a termination date
- Employees who are eligible to retire should contact MERS and visit our website for additional resources
- Employees who leave prior to retirement eligibility, but are vested will “defer” their benefits until they reach retirement age
- Employees who leave but are not vested have additional information to consider
 - Employee contributions
 - Other MERS or Act 88 service coordination

Putting it All Together

Defined Benefit Plan Costs

- The cost of the Defined Benefit Plan is determined annually and provided in the Annual Actuarial Valuation
 - DB Plan costs vary by each municipality and depend on the **benefit plan design** and other plan specific details
 - The ultimate cost will not be known until the last retiree/beneficiary stops drawing
- There are also MERS administrative and investment costs, which are charged to your plan as basis points and are found on your quarterly statements
- MERS administrative & investment costs have decreased over the last 5 years by 39.1%

Annual Actuarial Valuation

- Delivered every year in June
- Provides contribution rate, funding and GASB information
- Contribution rates are for the following fiscal year

Census Report

- Provides census information about enrolled Defined Benefit participants (active, retirees, deferred-vested)
- Information is as of 12/31 of previous year
- Important to ensure wages, service, etc.. reported to MERS is accurate

Statement of Fiduciary Net Position

- Provide quarterly financial information
 - Employer/Employee contributions, refunded employee contributions, investment returns, administrative fees, market value of assets
- Displays breakdown of investment income and administrative fees
- Redesigned year end statements to meet GASB 68 requirements

Plan/Benefit Changes

Plan Design Strategies to Reduce UAL

- Different Plan for New Hires
 - Lower Tier of Defined Benefit
 - Hybrid or Defined Contribution Plan

- Changes to Active Plan
 - Bridging down benefit multiplier

Funding Strategies to Reduce UAL

- Additional, voluntary contributions into the Plan
- Cost Sharing with active employees
- Bonding

Plan/Benefit Changes

- Changing Benefit Provisions
 - Minimum funding requirements for any benefit increases
 - Actuarial report required to show impact on cost and funding for any changes
 - Regional Team available to explore your options

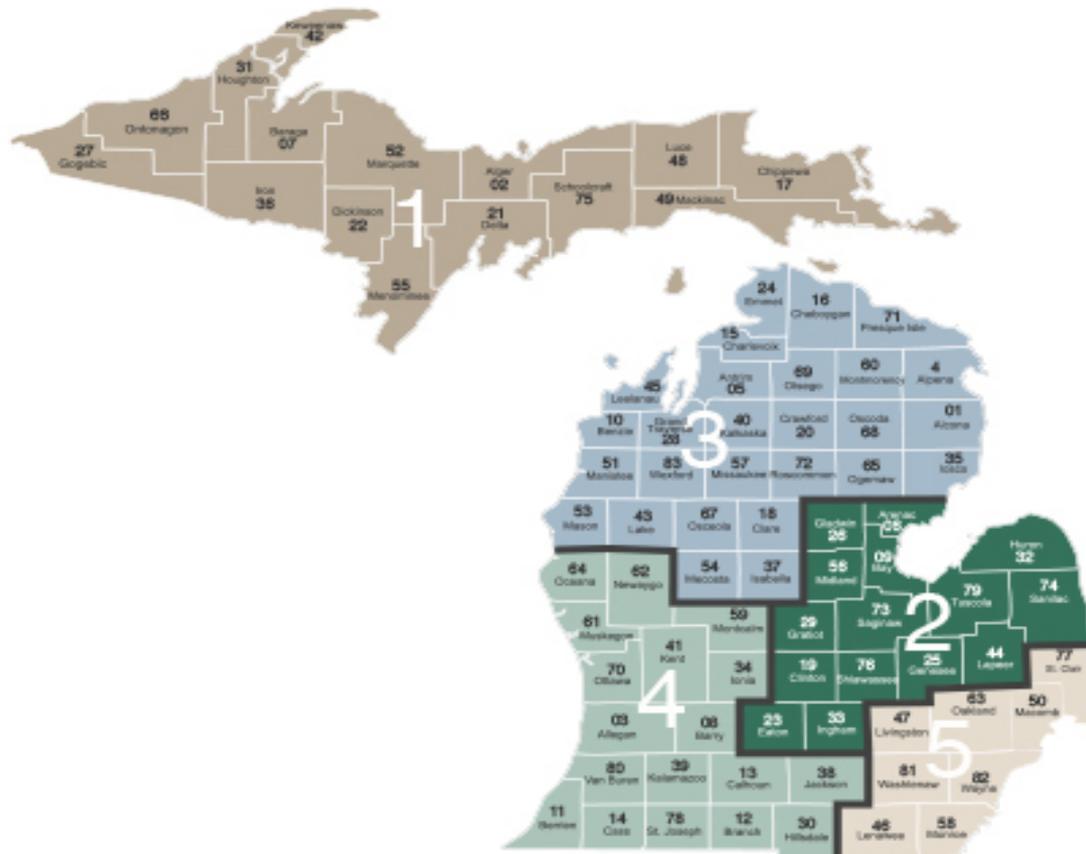
Municipal Actions– Annual Trends

Strategy	Description	Trend					Impact
		2011	2012	2013	2014	2015	
Cost Sharing for Existing Employees	Employees contribute to help fund the overall cost of the plan	176	149	280	143	60	<ul style="list-style-type: none"> Reduces the employer cost, but does not affect total cost or the plan's unfunded liability
Lower Benefit to New Hires	New hires receive a lower tier of Defined Benefit provisions	63	49	53	43	38	<ul style="list-style-type: none"> Existing employees are not affected Reduces the liability for new hires
Bridged Benefits for Existing Employees	Benefits are offered in parts to existing employees Multiplier is then lowered on a going-forward basis	14	17	19	29	11	<ul style="list-style-type: none"> Leaves earned benefits unchanged Reduces the liability for new hires and existing employees
Hybrid for New Hires	New hires receive a Hybrid Plan	31	67	31	43	8	<ul style="list-style-type: none"> Existing employees are not affected Reduces liability for new hires
Defined Contribution for New Hires	New hires receive a defined Contribution Plan	21	20	45	30	31	<ul style="list-style-type: none"> Existing employees are not affected Eliminates liability for new hires
Bonding	Municipalities may bond for all or a portion of their unfunded accrued liabilities—pension or OPEB	0	0	0	4	0	<ul style="list-style-type: none"> Proceeds of the bond are deposited and potentially will fully fund the unfunded accrued liability No guarantee that future unfunded liabilities may not occur
Voluntary Contributions	Additional payments made into plan toward unfunded liability		180	211	200	170	<ul style="list-style-type: none"> Reduces existing liability Extra dollars are invested and recognize market returns

Additional Resources

Employer Resources– Regional Teams

- Your **MERS Regional Team** provides personal and localized service and consists of a *Regional Manager*, *Benefit Plan Advisor*, *Benefit Plan Coordinator*, and *Benefit Education Specialist*.



Employer Resources, continued

Online Resources

- Employer Portal for wage and contribution reporting as well as product statements and reports
- MERS website has many resources for AAV, GASB, UAL, etc as well as publications, forms and on demand videos and calculators

Statements and Publications

- Quarterly statements are sent electronically
- Publications always available online

Events

- Morning Break Regional Meetings throughout the state
- Onsite presentation, committee meetings and participant education

Service Center

- Available weekdays to provide helpful over-the-phone assistance with a variety of questions

In-House Legal Staff

- Actively monitor state and federal laws, ensuring that our plans are in compliance

Participant Resources

myMERS Online Access

- View personal benefit information
- Access to helpful online resources such as publications, forms, and calculators

Statements and Publications

- Statements highlight each member's personal benefit
- Publications always available online

Events

- Group presentations and one-on-one consultations at municipality during business hours or any time convenient for employees
- Pizza & Planning seminars and workshops offered at different times and locations throughout the year

Online Calculators

- Members can access online calculators to personalize their finances

Service Center

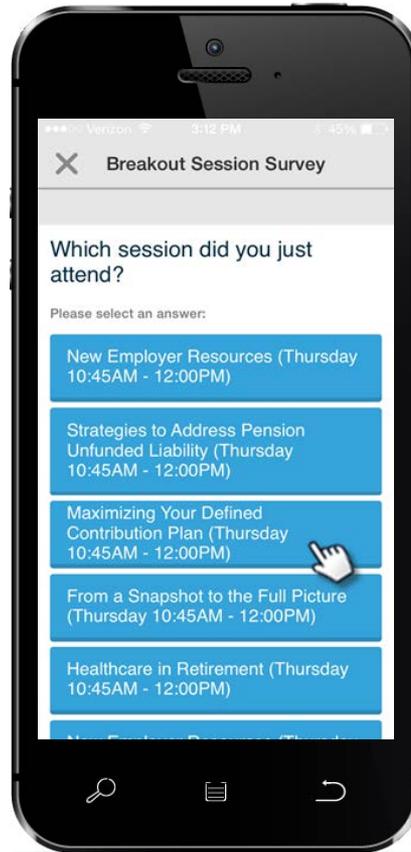
- Available weekdays to provide helpful over-the-phone assistance with a variety of questions

Please Complete a Session Survey!



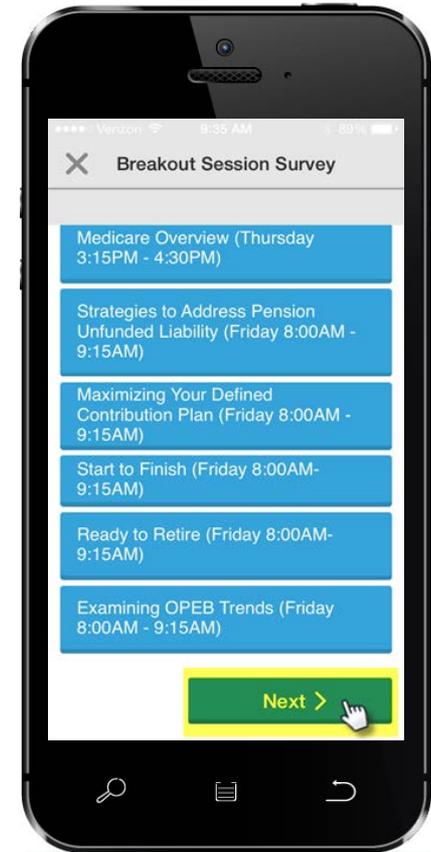
Step 1:

Locate and access the "Breakout Session Surveys" Icon



Step 2:

Select the date and time of the session you just attended



Step 3:

Scroll down and click "Next" to complete the survey

Contacting MERS

MERS of Michigan
1134 Municipal Way
Lansing, MI 48917

Phone: 800.767.6377
www.mersofmich.com