

Employer eBulletin

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN



Summer 2009 - Special Notice

From the CEO:

MERS Premier Health Board votes to close MERS Premier Health; other programs unaffected

The MERS Premier Health (MPH) Board voted last Thursday (July 30) to close MERS Premier Health as of January 31, 2010. Premier Health is a trust with a governing body that is separate and apart from the MERS Board, as required by state law. All programs directly administered by MERS (including MERS retirement plans, Group Life and Disability insurance, MERS Retiree Health Funding Vehicle and the MERS Health Care Savings Program) are unaffected and will continue to operate. There is no impact on payment of pensions.

Due to rapidly rising health care costs, many MERS members began asking the MERS Board in 2002-2004 to look at providing a statewide health care pool. As a result of those requests, MERS undertook a full exploration of a range of health care program possibilities. Following a comprehensive feasibility study, MERS formed four individual programs — MERS Premier Health, Group Life and Disability insurance (through The Standard Insurance Company), the MERS Retiree Health Funding Vehicle and the MERS Health Care Savings Program. Premier Health was licensed by the Insurance Commissioner in late 2004 as a voluntary plan, a trust whose reserves and governing body were separate from MERS.

These four programs – Premier Health, Group Life and Disability, RHFV and HCSP-- have proven to be extremely beneficial for MERS members as well as non-members. For Premier Health, it is very difficult to quantify the actual dollar savings as a result of lower rates, but we know MPH introduced competition and provided substantial savings.

In 2005, MERS began quoting rates for MPH. During the past four + years, MPH grew to a high of 70 municipal members. The program had a dramatic effect of reducing the quoted rates as part of the competitive process. Yet after its peak, the health plan experienced declining enrollment and rising claims costs driven by several factors, including the economy and additional competitors.

The MERS Premier Health Board reviewed the sustainability of the plan going forward, as part of their due diligence, and determined it was necessary to discontinue the plan effective January 31, 2010. While we are very disappointed in this outcome, we gave it our very best efforts.

Even though MPH is closing, the other MERS programs are thriving and experiencing steady, regular growth. With our retirement plans at the core of our business, we bring our passion and our expertise to a full complement of programs that enhance both retiree and employee benefits.

Often in life we are surprised at what works and at what doesn't quite turn out as anticipated. Our gratitude goes to the following:

... the MERS Board, who had the vision and foresight to sponsor the MPH effort to begin with;
... to the MPH Board, who believed in our efforts and worked diligently along side of staff to put the program in place;
... to those of you who gave us the opportunity to make presentations;
... and most especially to those municipalities who believed in us, took a chance and joined MPH..

Sincerely,

Anne M. Wagner
Chairperson, MERS Premier Health
Chief Executive Officer, MERS of Michigan

MERS Retirement Board Makes Important Changes

Bridged Benefit Program approved by unanimous vote

At MERS of Michigan, we strive to keep all of our members — individual members and participating municipalities — well informed about the issues affecting them. With that in mind, we'd like you to be aware of some important recent changes the MERS Retirement Board made to the Plan Document.

This message provides a summary of the actions by the MERS Board at its July 2009 regular meeting. This is also to notify members of the open "Member Comment" period regarding amendments to Plan Document Sections 43 and 43A.

1) Member Comments on Amendments to Plan Document Section 43 and Sec 43A - Bridged Benefit Program:

By unanimous vote, the Board conditionally amended Plan Sections 43 and 43A in response to municipality requests for the creation of a Bridged Benefit Program, which protects accrued benefits and can reduce actuarial liabilities. The amendments will take effect October 1, 2009. The Board has requested Member Comments with a deadline of September 1, 2009, for consideration by the Board at the September 15 regular Board meeting. For a full explanation, please see the Member Comments page.

2) Plan Document Section 43C Amendments - Fiscal Responsibility:

The Board also unanimously voted to formally adopt Plan Section 43C, which increases the funding level requirement for benefit changes from 60% to 80%, effective July 1, 2009. On May 13, 2009, the Board conditionally approved the increase, and requested Member Comments with a deadline of July 13, 2009, which were received and reviewed at the July 15 Board meeting.

3) Plan Document Sections 10(6) and 19A Amendments - DROP+ and DC:

To be consistent with the Fiscal Responsibility Amendments, the Board made related changes to Sections 10(6) and 19A (plus housekeeping changes), also unanimously adopted with a July 1 effective date. Section 10(6) addresses DROP+, an optional lump sum withdrawal provision available at retirement, while Section 19A covers MERS Defined Contribution Plan. Note: Complementary revisions to the Hybrid Plan, Plan Section 19B, will be presented at the September 2009 Board meeting.

4) Plan Document Section 2A(8) Amendments:

Before the Pension Protection Act of 2006, only surviving spouses could rollover a deceased member's accumulated contributions from a qualified plan. That changed effective January 1, 2007, when the PPA authorized nonspouse beneficiaries to rollover an inherited IRA (including, effective January 1, 2008, an inherited Roth IRA). The IRS later declared the PPA provision was optional, and that a qualified plan (like MERS) was not required to offer nonspouse rollovers.

But the Worker, Retiree, and Employer Recovery Act of 2008 (WRERA) clarified that, for plan years beginning after December 31, 2009, qualified plans are obligated to allow nonspouse beneficiaries to rollover distributions into inherited IRAs. By unanimous vote, the Board amended section 2A(8)'s definition of "distributee" effective July 15, 2009, to include nonspouse beneficiaries and meet the WRERA requirement.