

October 20, 2016

Dear Editor,

Understanding Michigan's municipal retirement landscape can be complex.

There are 869 municipalities across the state that offer retirement benefits to their public employees. MERS partners with 84% of these municipalities to offer retirement benefits that range from traditional pensions to defined contribution plans – and a mix of both, called a hybrid plan.

There is no one-size-fits-all approach to funding a secure retirement for our public servants. The retirement needs of a police officer in the Western U.P. and a wastewater treatment plant worker in the Thumb can differ greatly.

Yes – pension unfunded liabilities exist, however having unfunded liability is like having a mortgage. In our 70-year history, our municipalities have made their “mortgage” payments every month while prefunding a portion of their entire mortgage. While paying off the entire mortgage might be desired, having a mortgage is not a crisis.

Some municipal plans are very well funded, some are poorly funded and most are somewhere in the middle. In fact, 40% of the total pension liability in our state is from only 10 plans.

State law requires pensions to be prefunded, and most are proactively managing their retirement plans. In the last five years, 73% of our customers have taken steps to reduce unfunded liabilities, this includes a quarter choosing to make additional payments.

By far, unfunded liabilities from retiree health care plans, commonly known as Other Postemployment Benefits, or OPEB, remain the biggest challenge facing Michigan municipalities. Unlike retirement plans, municipalities are not required to fund OPEB. A recent study by Michigan State Extension found that OPEB liabilities are 3 times larger than pensions, and almost half the plans have NO assets set aside.

This is a complicated public policy issue that needs to be addressed with great care to maximize taxpayer dollars while protecting public retiree benefits. The focus should be on the communities that have both poorly funded pension and health care plans and have a significant portion of their budget going to these costs.

We believe requiring a consistent set of assumptions will lead to more transparency and accountability. Our taxpayers and dedicated public servants deserve no less.

Sincerely,



**Chris DeRose**  
**Chief Executive Officer**

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## **ABOUT MERS**

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The Municipal Employees' Retirement System (MERS) of Michigan is an independent, professional retirement services company that was created to administer the retirement plans for Michigan municipalities on a not-for-profit basis.

The team at MERS is made up of top industry experts who use fiscal best practices to give members peace of mind and security in their retirement. MERS listens and works in partnership with our members to deliver a superior value that meets our members' needs.

We proudly serve more than 100,000 participants, including local firefighters, nurses, and the men and women who plow our roads and keep our communities safe.

Jennette,

I am attaching the opinion article by Chris DeRose, CEO of MERS as we discussed. I am in the process of scheduling a time for MERS to meet with Lindsay VanHulle also.

Please feel free to contact me with any questions.

Thank you.

Dianne Byrum