

Benchmarking Your Retirement Plan

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September 2023



What is Benchmarking?

- Process of reviewing and evaluating your plan by looking at similar plans
- Can help identify best practices, enhance plan design, and improve participant outcomes
- Allows employers to assess the effectiveness of their retirement plans and make informed decisions to improve them, ensuring competitive offerings for their employees' financial well-being

Agenda

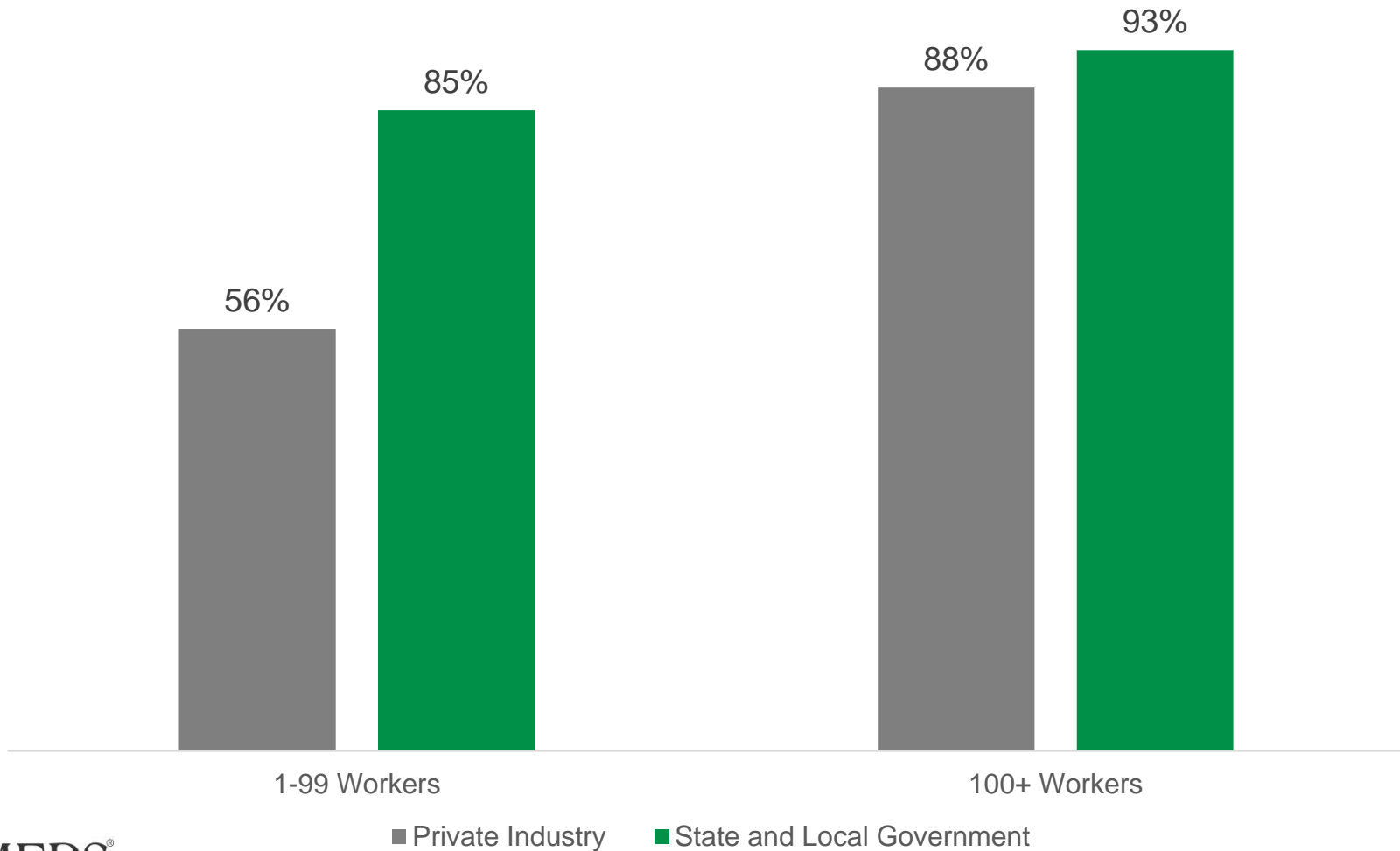
- National Retirement Trends
- MERS Plans
 - Defined Benefit Plan
 - Defined Contribution Plan

National Retirement Trends



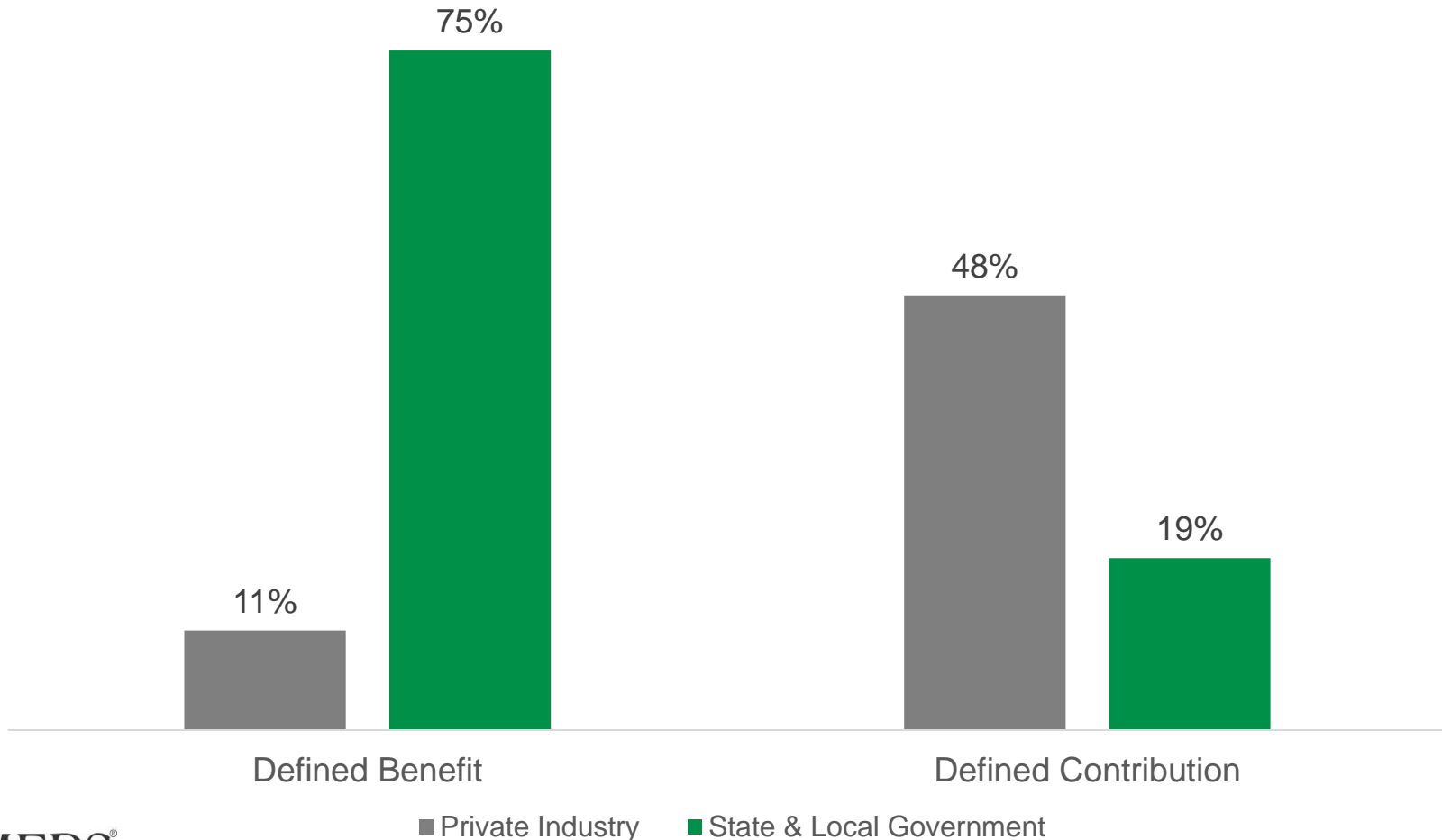
Access to Retirement Plans

(by employer size)

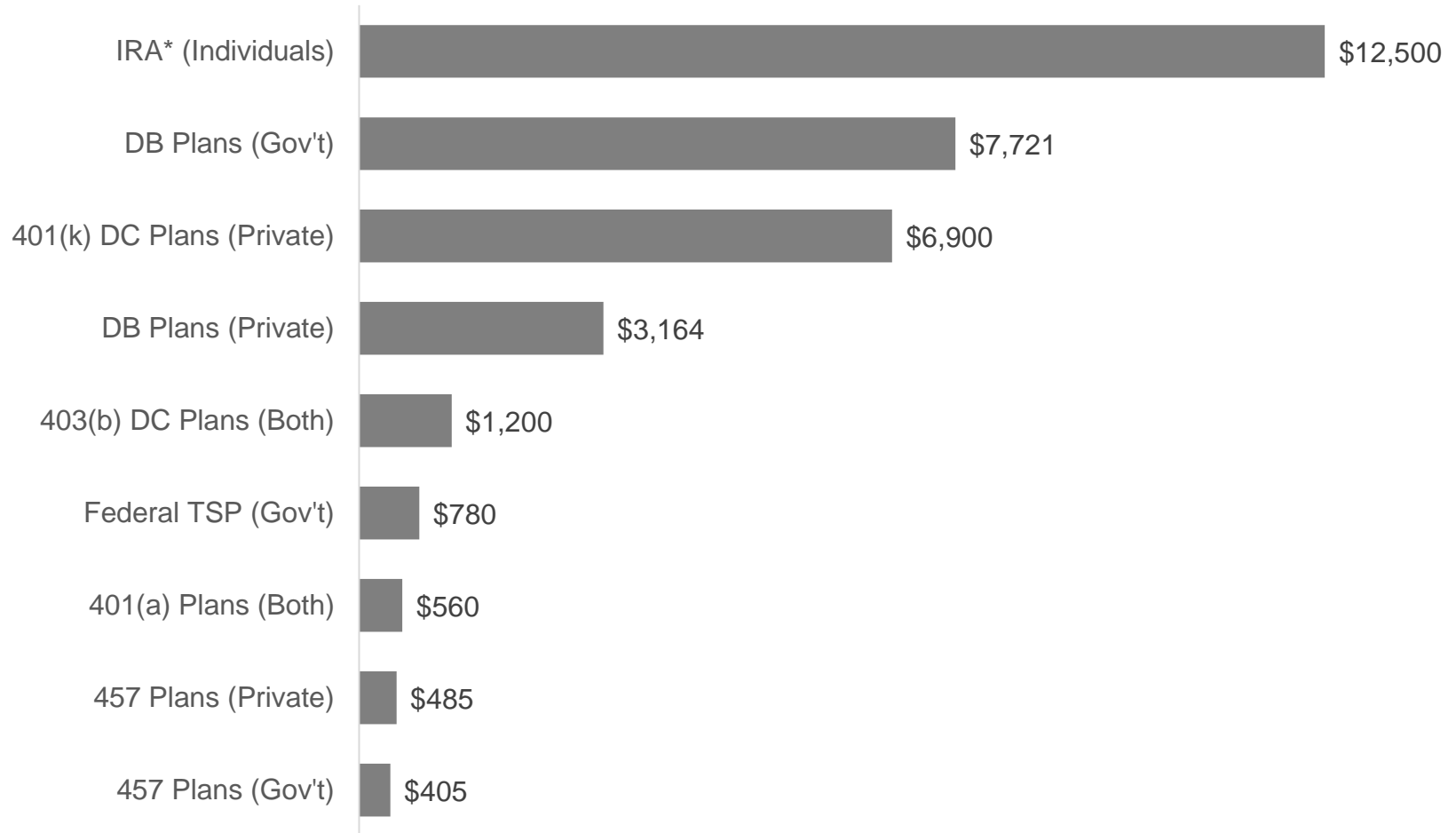


Participation in Retirement Plans

(by plan type)



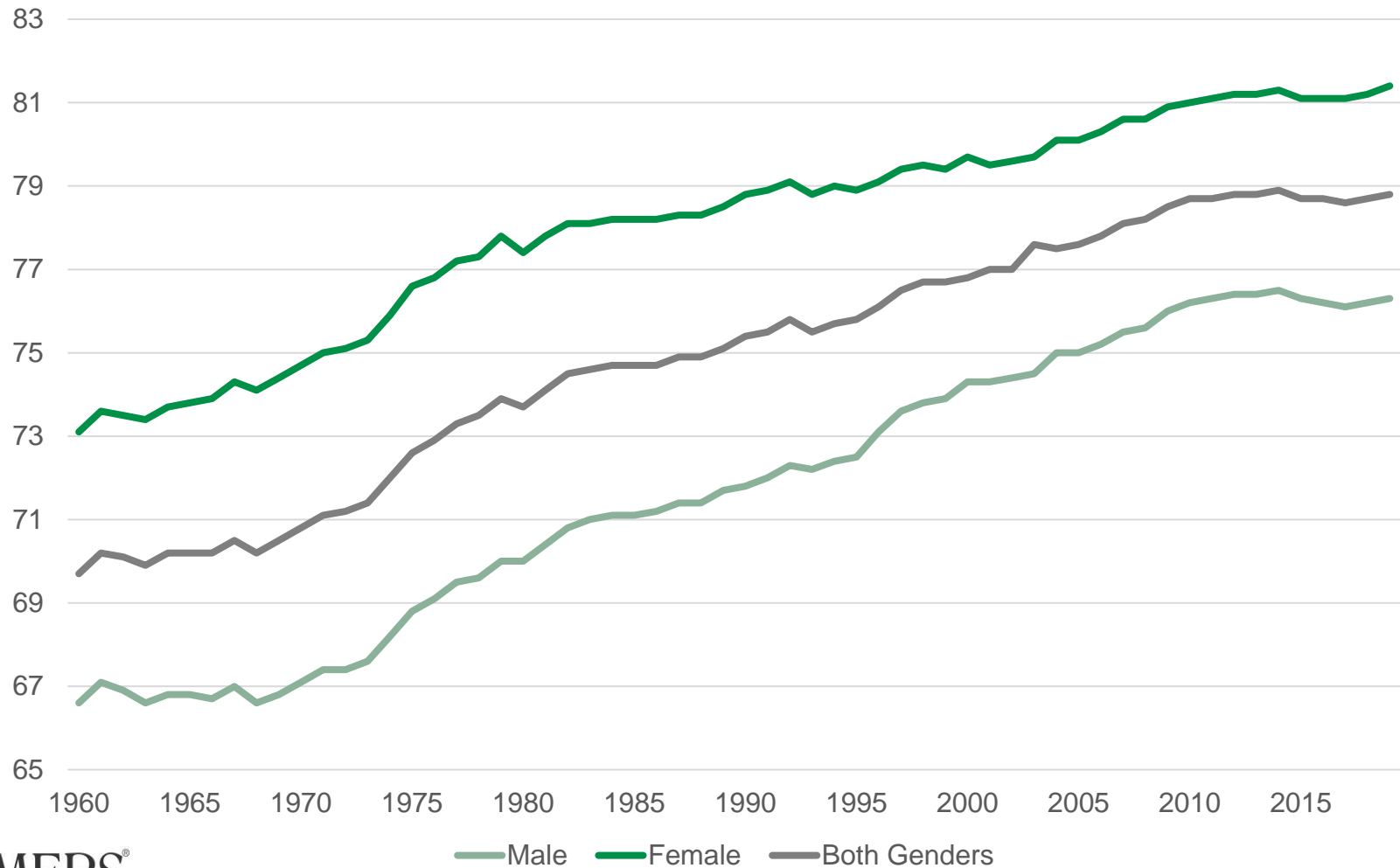
U.S. Retirement Plan Assets (in \$ Billions)



**Includes SEP IRA, SAR-SEP IRA, SIMPLE IRA, Traditional IRA and Roth IRA. Total of 47.9 million accounts.*

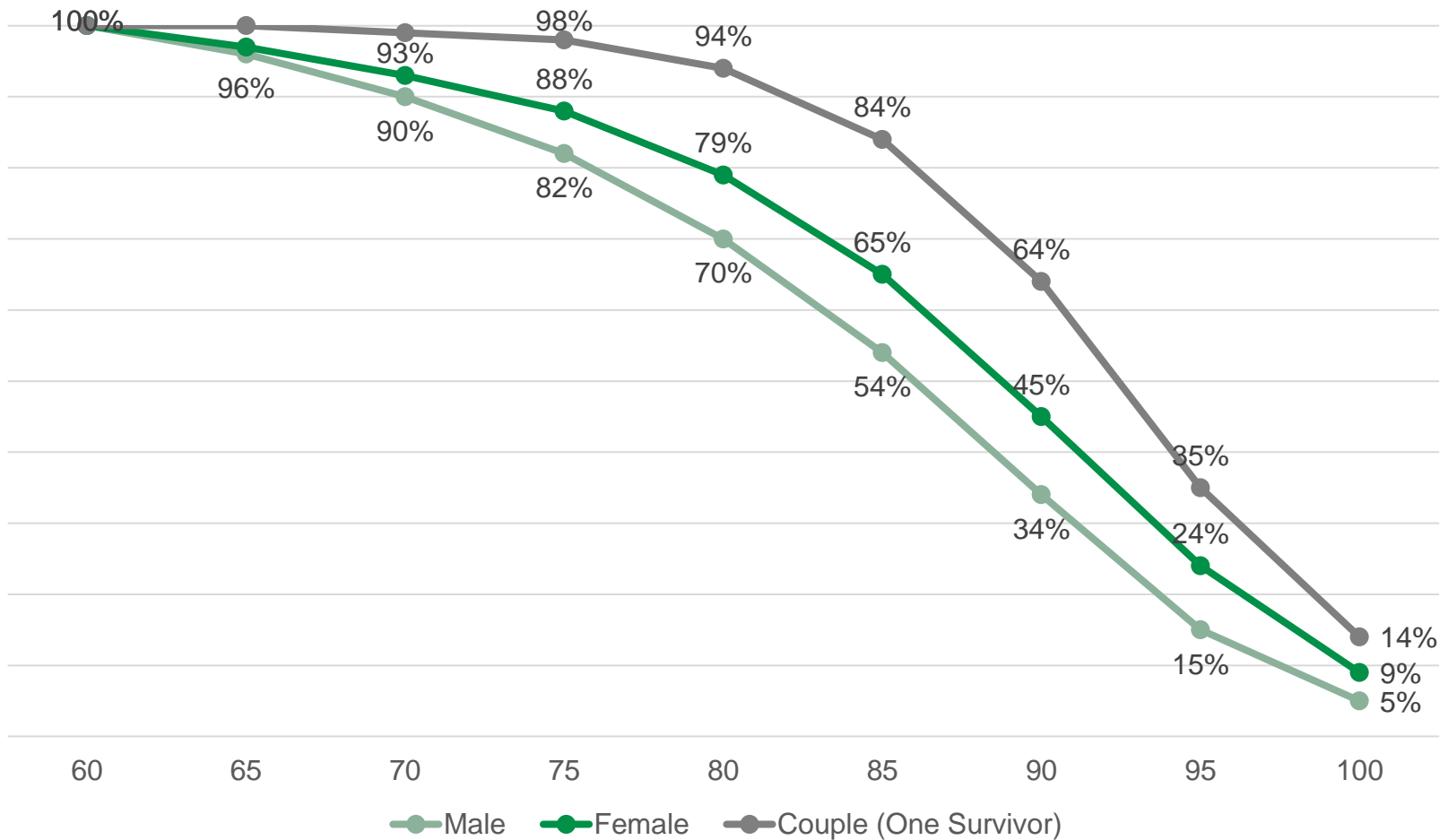
Source: Investment Company Institute (ICI)

People are Living Longer



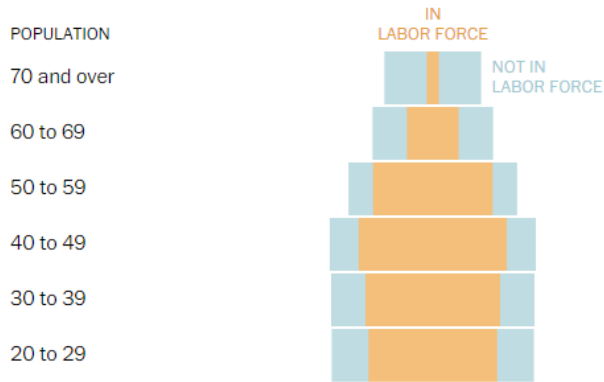
Probability of Living

(Couple Retiring at Age 60)

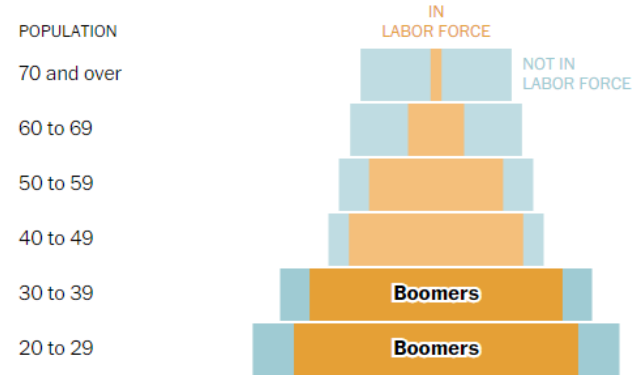


Aging Baby Boomer Population

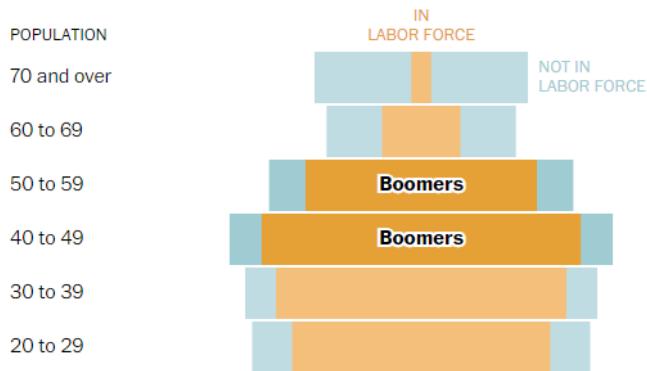
1964



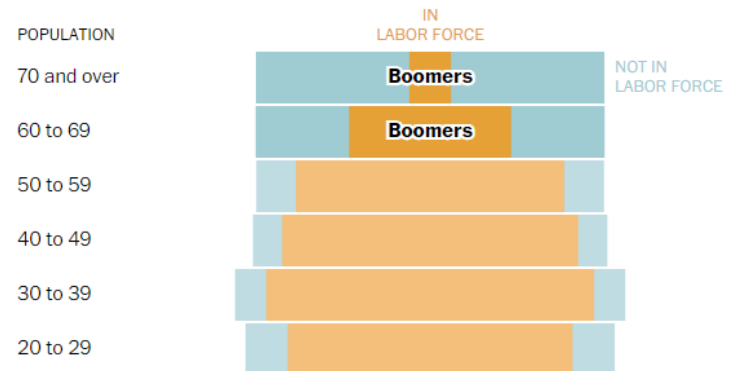
1984



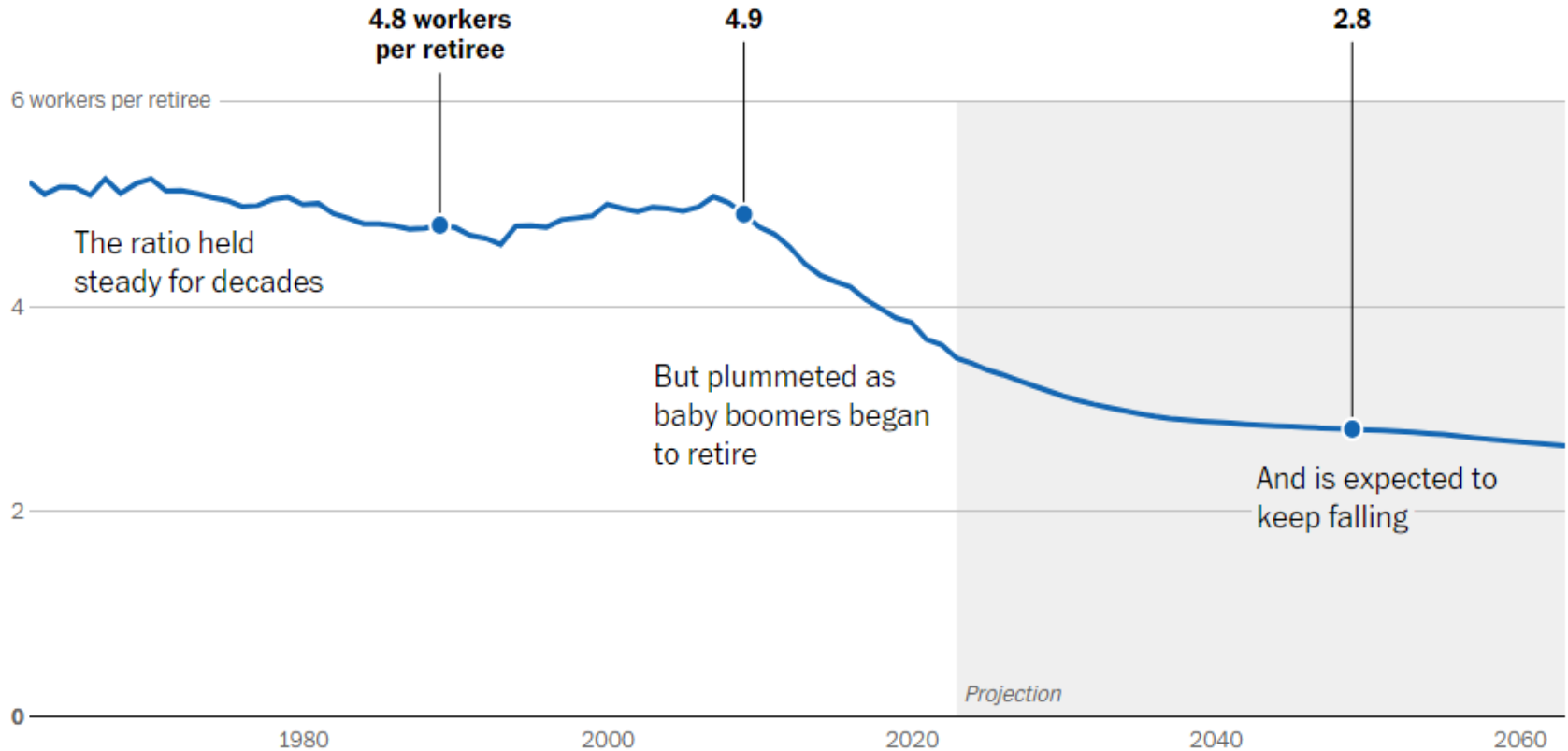
2004



2024



Declining Ratio of Workers/Retirees



Lack of Emergency Savings

A recent survey found that **68%** of Americans say they would not be able to cover their living expenses for just one month if they lost their primary source of income tomorrow.

2023 Bank Rate Survey

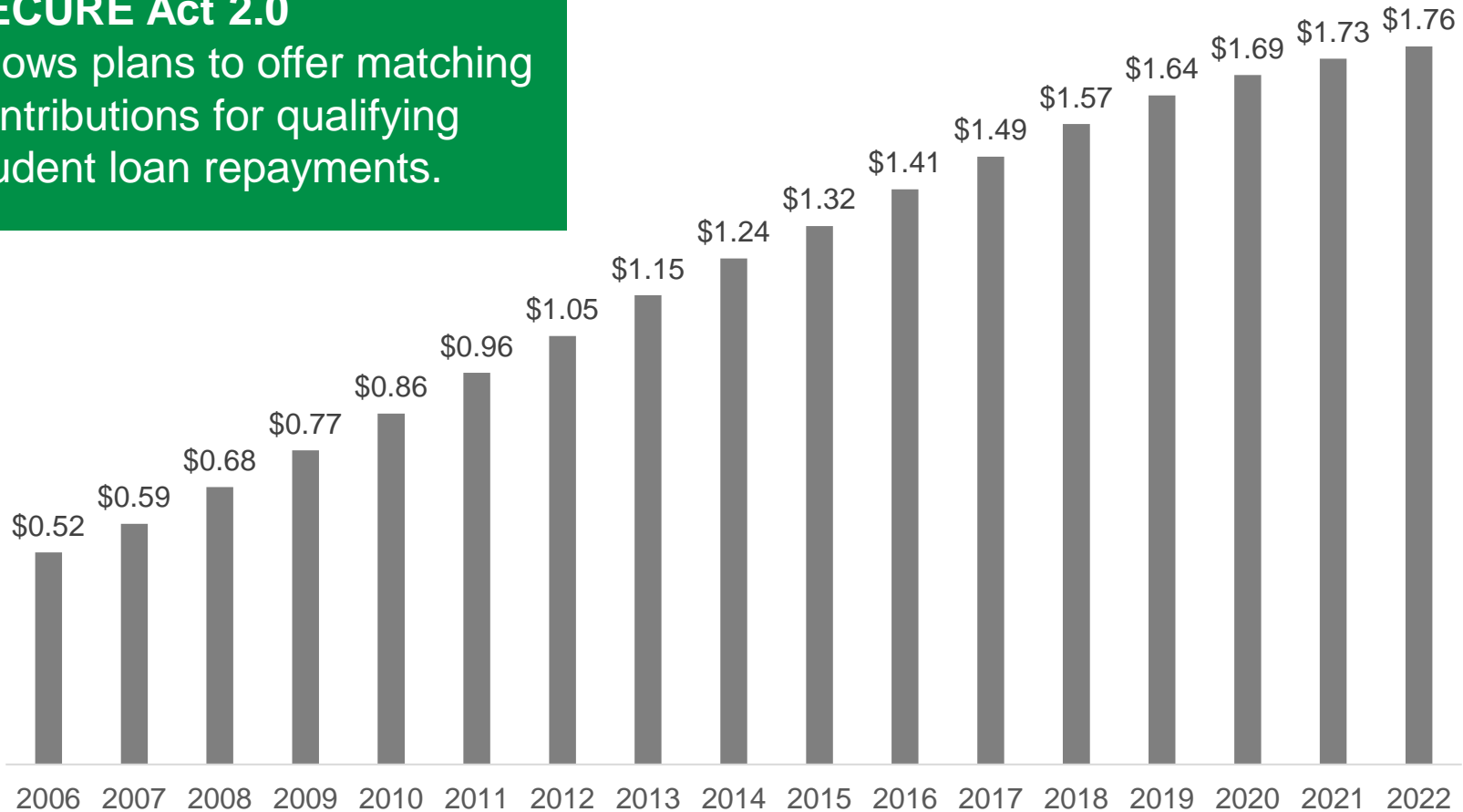


Rising National Student Loan Debt

(in trillions)

SECURE Act 2.0

Allows plans to offer matching contributions for qualifying student loan repayments.



America's Workforce is More Mobile

The average 401(k) plan participant will have about **10 jobs over their working career.**

With MERS, employees may be able to **coordinate their service** to help meet vesting and early retirement eligibility requirements with “**MERS-to-MERS**” time.

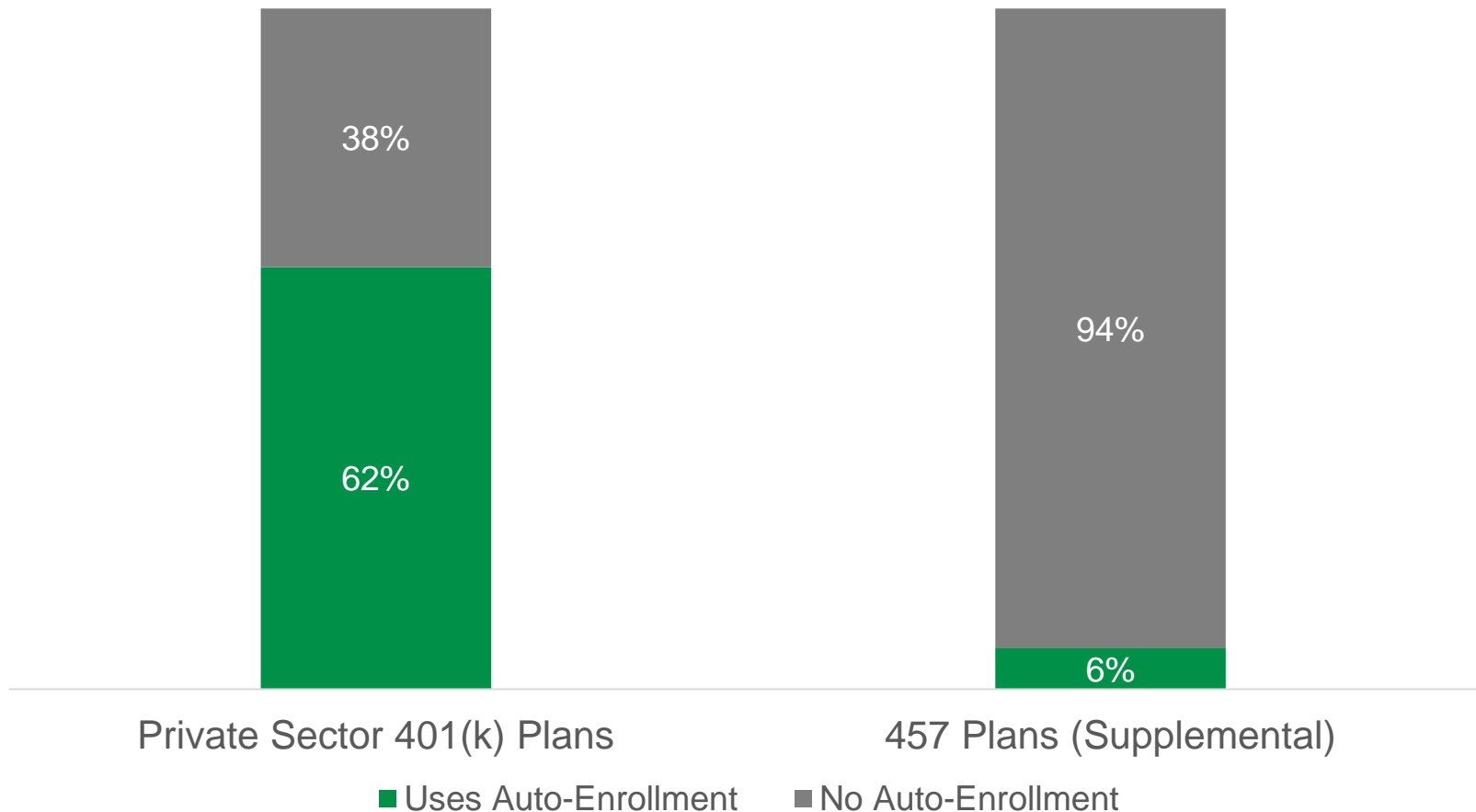
Rolling Money Over

- Consolidation makes it easier to manage your account
- Lower investment fees mean more of your money stays invested in your account
- Access to select investment funds that aren't available to the public
- In some cases, participants may be eligible to transfer assets to purchase service credit to increase their pension payment

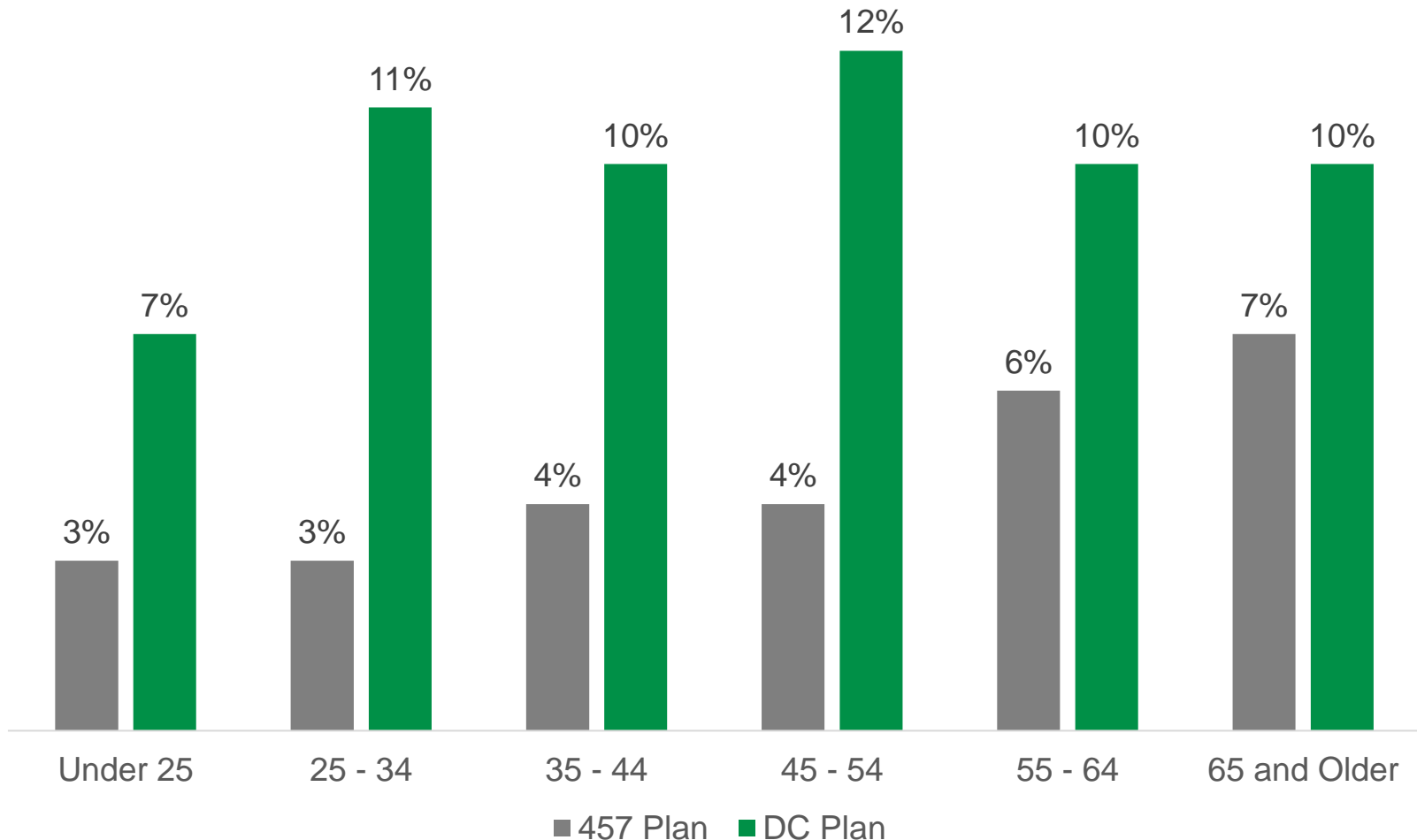
Sit. Stay.
Roll Over.



How Many Use Auto-Enrollment?



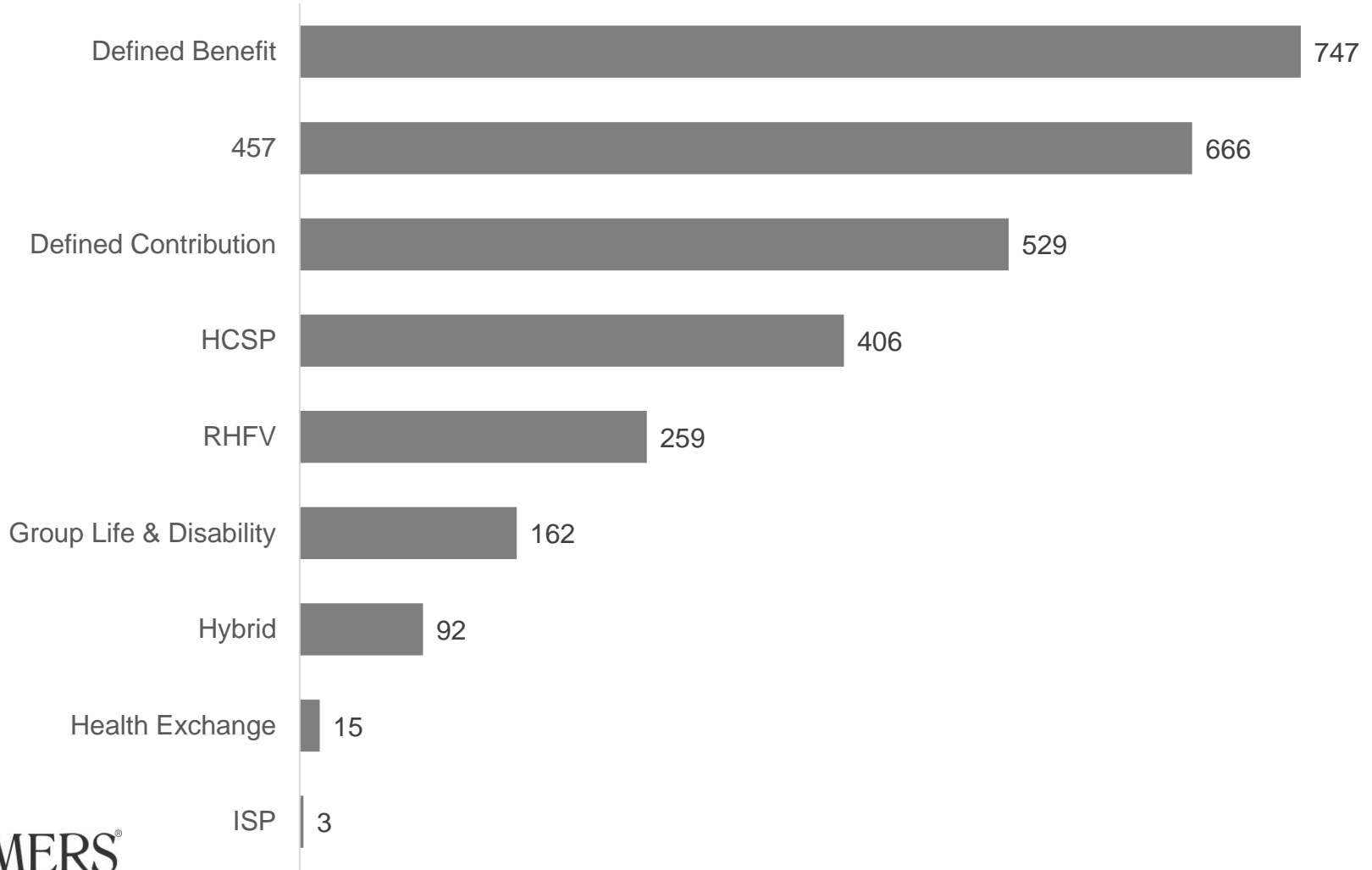
Average Contribution Rates



MERS Plans



Which programs do employers adopt?

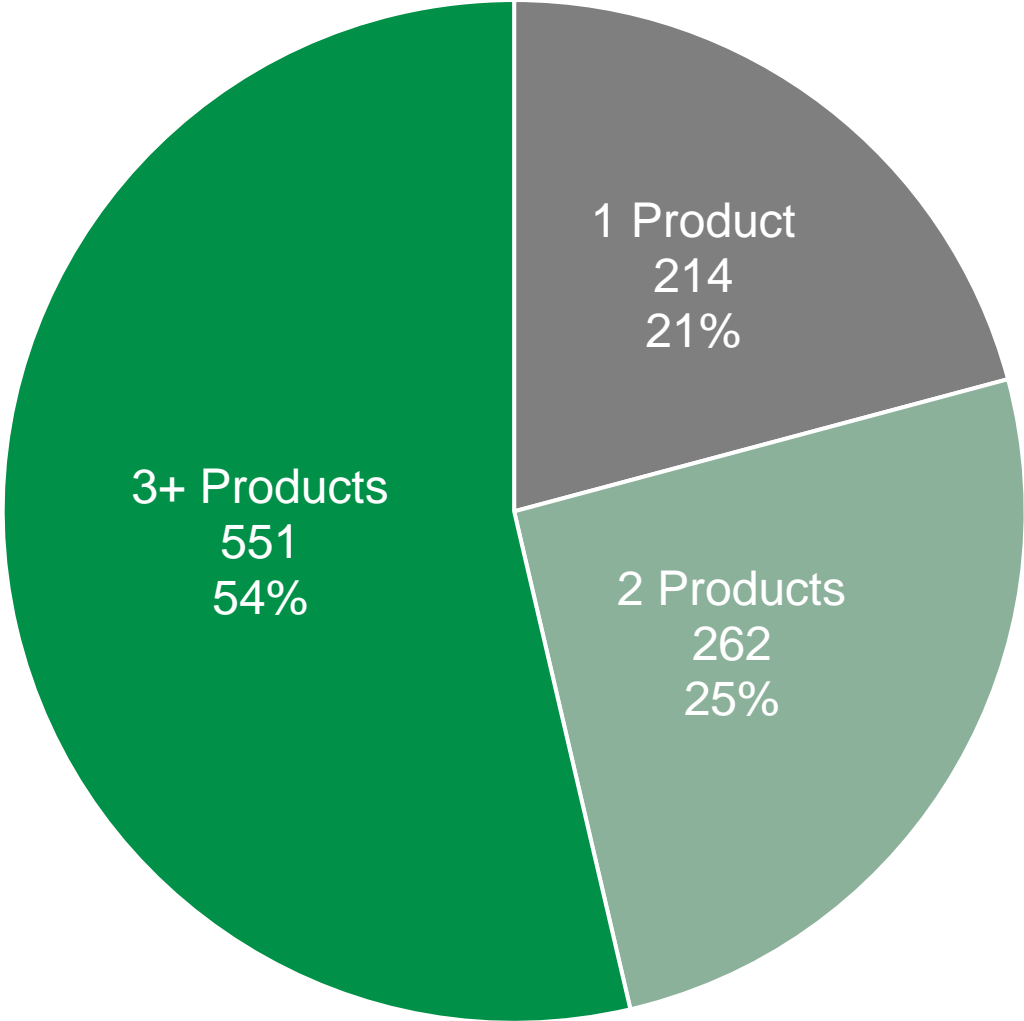


Targeting Income Replacement

Regardless of the plan you choose, we can help you design it to help employees replace their income in retirement



Over half adopted 3+ MERS products



MERS Defined Benefit Plans



How Defined Benefit Works

Final Average Compensation



x

Service Credit



x

Benefit Multiplier



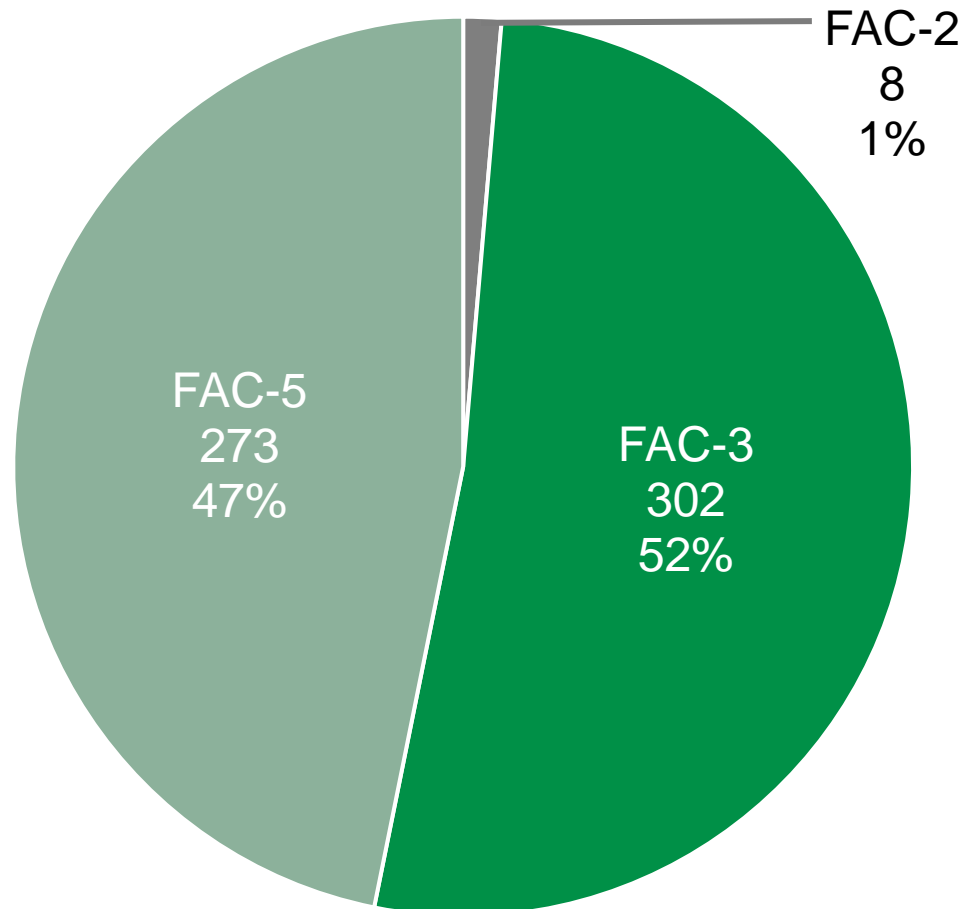
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Annual Benefit



Final Average Compensation (FAC)

The average of an employee's highest consecutive wages



Definition of Compensation

9%

5%

12%

74%

Standard Definitions <i>Standard definitions are non-modifiable</i>	Base Wages	Box 1 Wages (from W-2)	Gross Wages	Custom Definition
Types of Compensation				
Regular Wages Salary or hourly wage X hours PTO used (sick, vacation, personal, bereavement, holiday leave, or unclassified) On-call pay	All Regular Wages included	All Regular Wages included	All Regular Wages included	TBD
Other Wages Shift differentials Overtime Severance issued over time (weekly/bi-weekly)	Excluded	All Other Wages included	All Other Wages included	TBD
Lump Sum Payments PTO cash-out Longevity Bonuses Merit pay Job certifications Educational degrees Moving expenses Sick payouts Severance (if issued as lump sum)	Excluded	All Lump Sum Payments included	All Lump Sum Payments included	TBD
Taxable Payments Travel through a non-accountable plan (i.e. mileage not tracked for reimbursement) Prizes, gift cards Personal use of a company car Car allowance	Excluded	All Taxable Payments included	All Taxable Payments included	TBD
Reimbursement of Nontaxable Expenses (as defined by the IRS) Gun, tools, equipment, uniform Phone Fitness Mileage reimbursement Travel through an accountable plan (i.e. tracking mileage for reimbursement)	Excluded	Excluded	Excluded	TBD

25

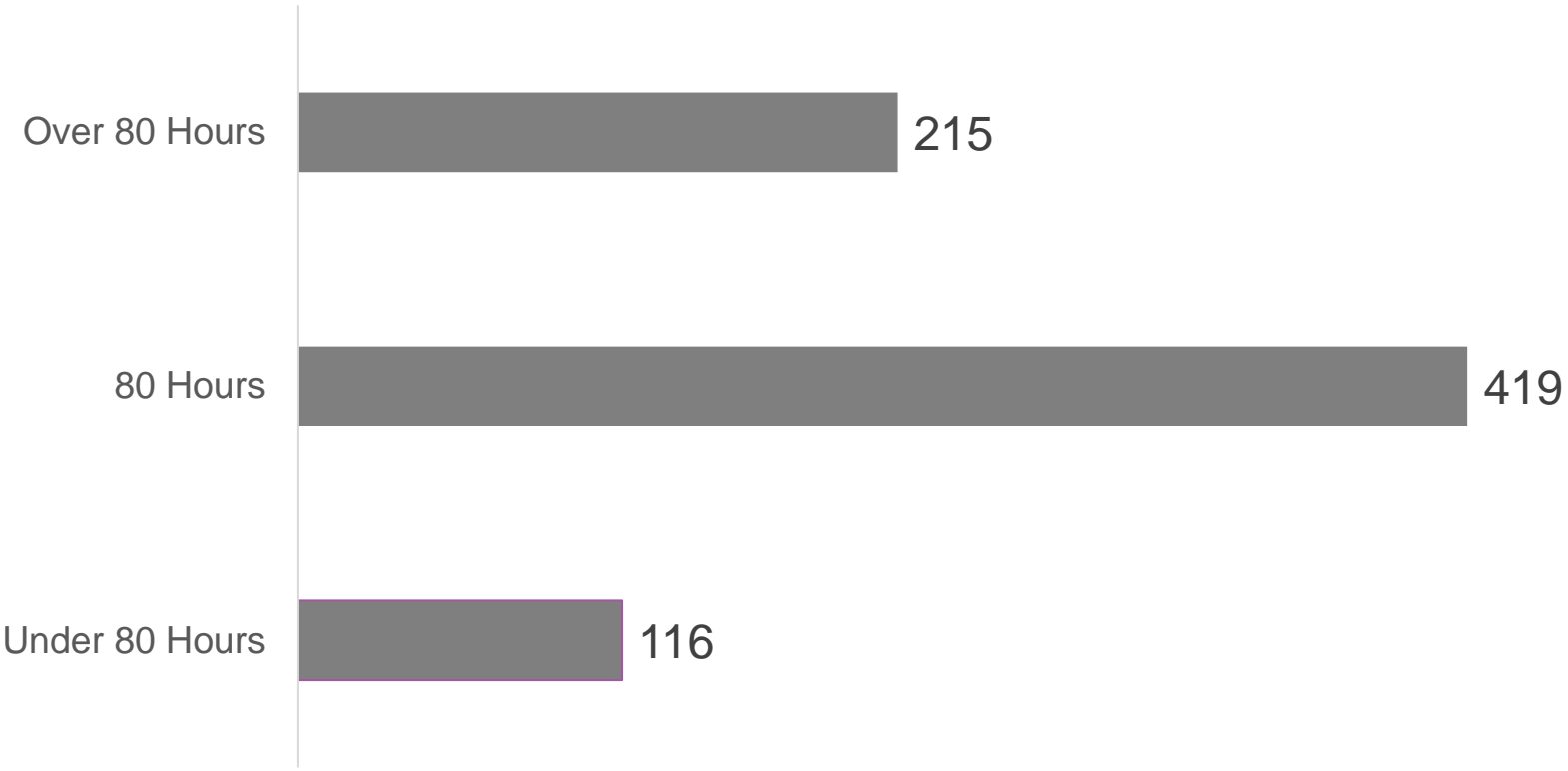
49

66

389

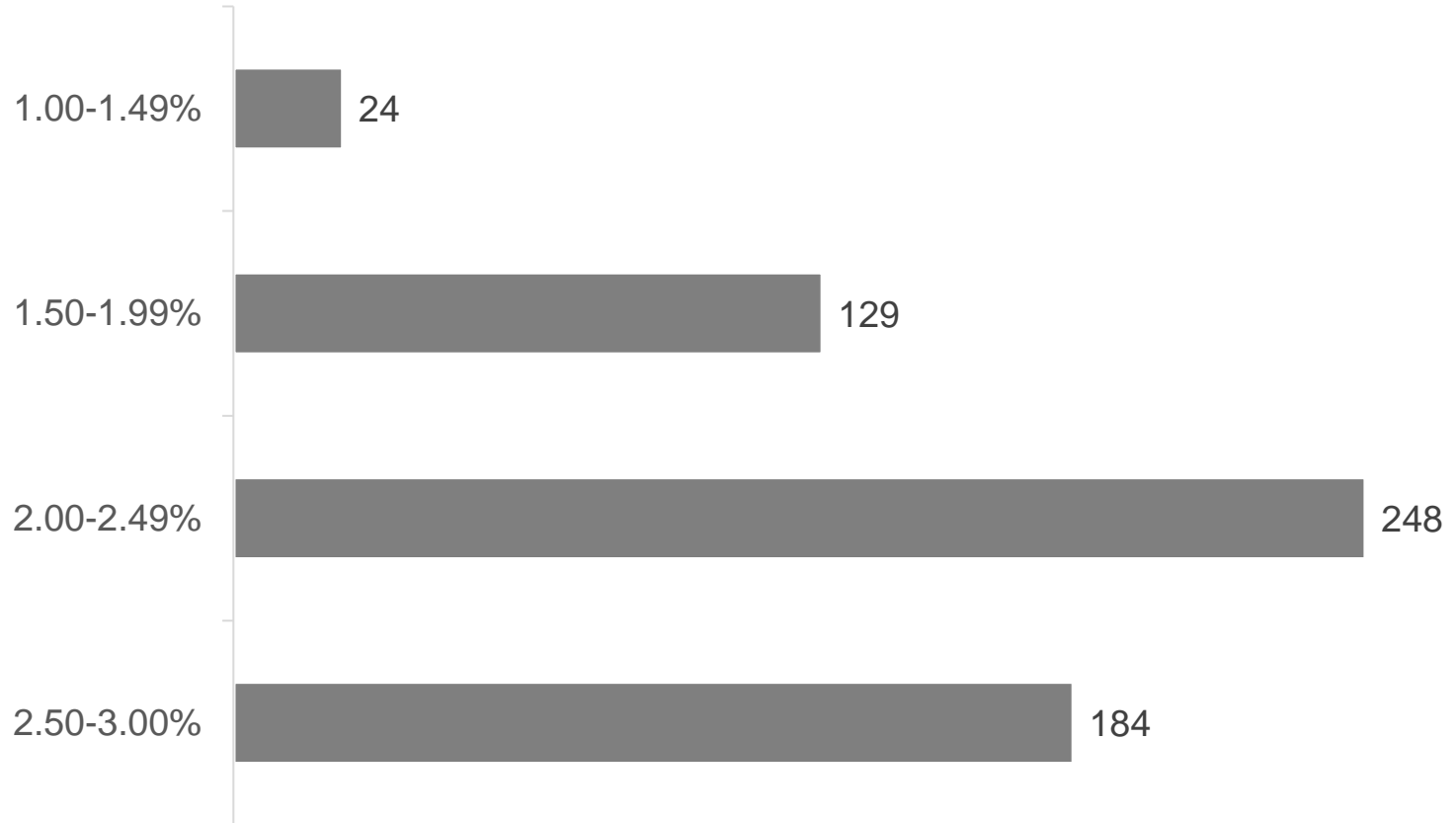
Service Credit Qualification

- Service Credit Qualification defines the number of hours an eligible employee needs to work in a month to earn service credit

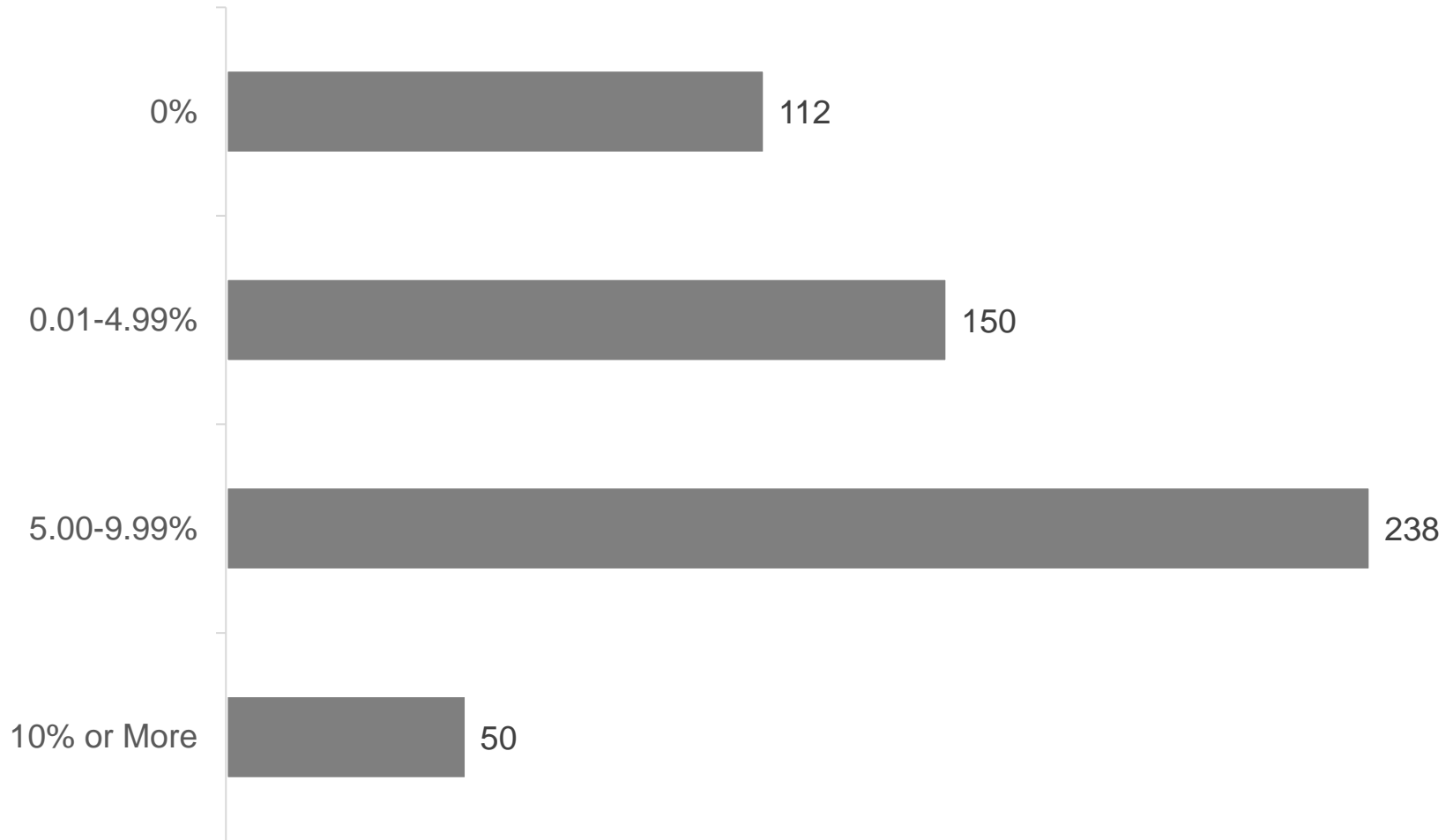


Benefit Multiplier

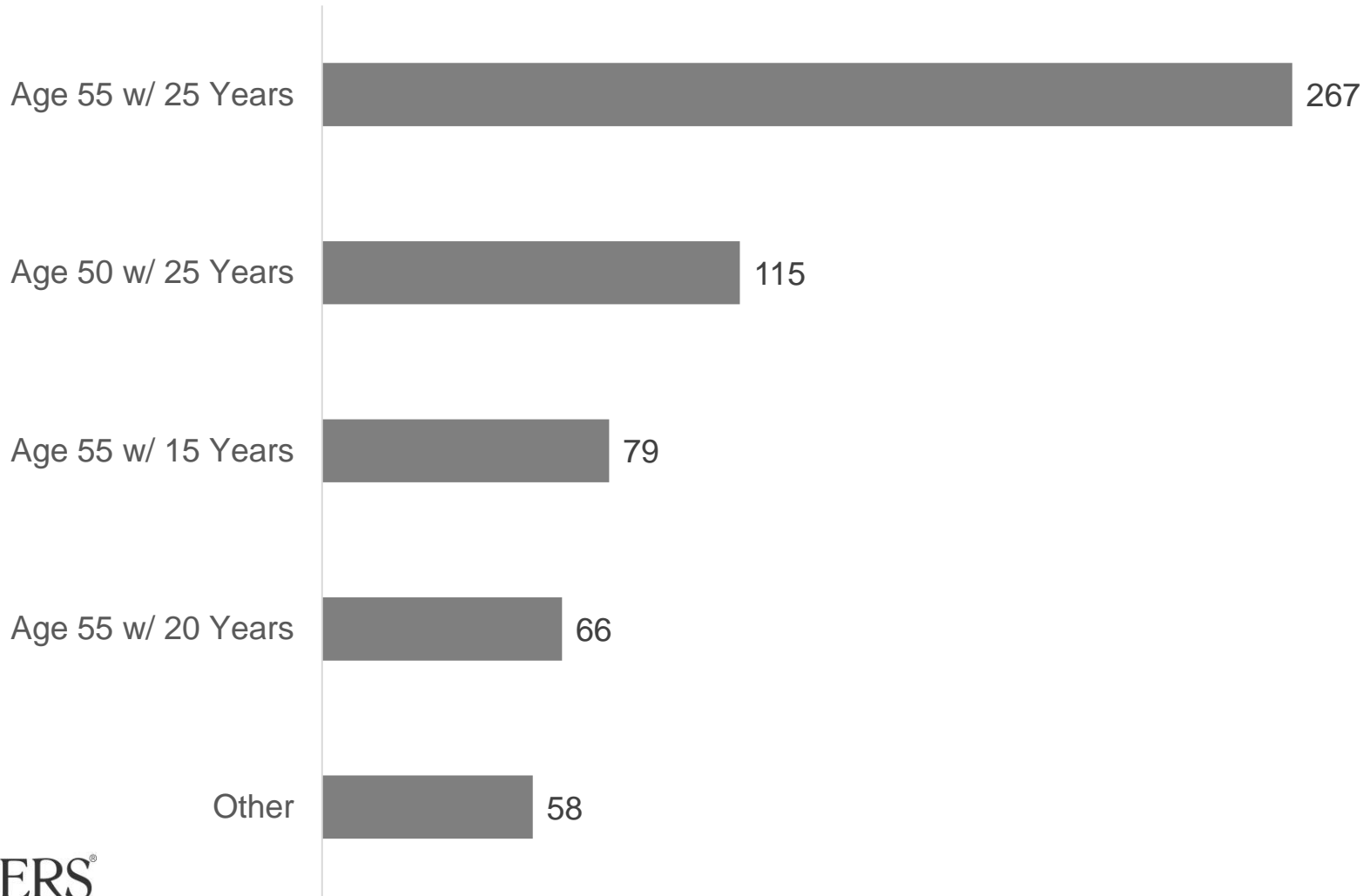
- A specific percentage adopted by the employer



Employee Contributions

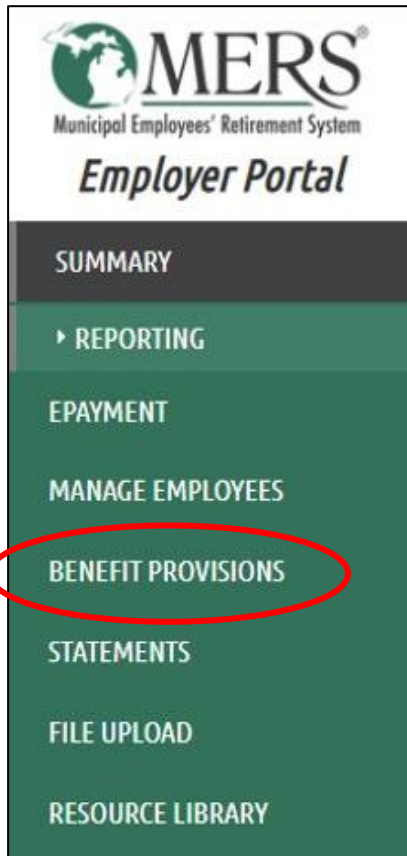


Early Out Retirement



View your DB provisions online

You can now see the options you've selected for your **defined benefit** and **hybrid plans** in the Employer Portal



Your Municipality (#####)
Benefit Provisions in Effect as of 8/15/2023

Division 01 - Your division name (status)

Provision Type	Provision Details	Effective Date
Act 88	Covered by Act 88	
Benefit Program	2.25% Multiplier (Capped at 80% of FAC)	
DB Employee Contributions	Member Contribution Rate 0.00%	
Definition of Compensation	Custom Wages	
Eligibility Conditions: Early Age/Service	Early Reduced (.5%) at Age 50 with 25 Years or Age 55 with 15 Years	
Final Average Compensation	Benefit FAC-5 (5 Year Final Average Compensation)	
Leave Type: FMLA	FMLA - Service Granted	
Leave Type: Long-Term Disability	Long Term Disability - Service Granted	
Leave Type: Short-Term Disability	Short Term Disability - Service Granted	
Leave Type: Workers Compensation	Workers Compensation - Service Granted	
Normal Retirement Age (DB)	60	
Probationary Period	Probationary Period 3 Months	
Service Credit Purchase Estimates	Service Credit Purchase Estimates - No	
Service Credit Qualification	Service Credit Qualification - 140 hours	
Service Credit Qualification (Prior to 1/1/2021)	Day of work defined as 6 Hours a Day for All employees.	
Service Credit Qualification (Prior to 1/1/2021)	Day of work defined as 140 Hours a Month for All employees.	
Vesting Requirement (DB)	10 Year Vesting	

Self-Service Actuarial Tool


- As part of our fiduciary responsibility, MERS is committed to helping customers understand and manage their retirement plans




GovInvest
Insights to your financial future

- We have partnered with **GovInvest**, a leading data visualization organization, to provide you with an actuarial self-service online tool **Total Liability Calculator (TLC) Basic**
- Our goal is to bring your data to life to assist with understanding, analyzing and communicating with stakeholders about your plan

Perform Your Own Peer Comparisons

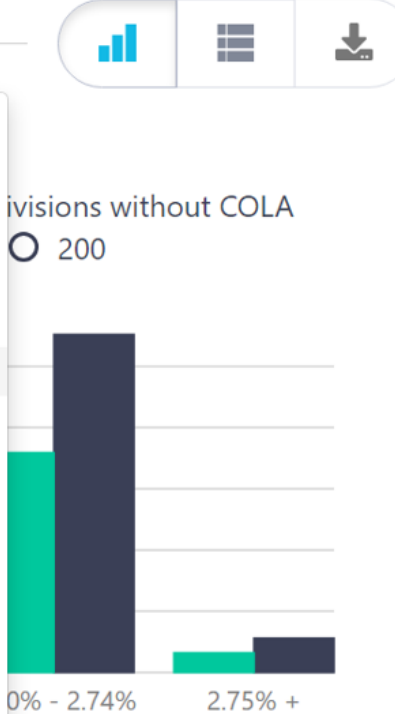
 Total Liability Calculator

PENSION PEER COMPARISON

Tony Radjenovich 

Peer Group: Distribution of Divisions with/without COLA by Multiplier Range ▾

- Distribution of Employers by Funding Level
- Distribution of Divisions by Funding Level
- Distribution of Divisions by Multiplier Range
- Average Participant Contribution Rates by Multiplier Range
- Distribution of Divisions by Status
- Peer Group: Distribution of Divisions with/without COLA by Multiplier Range
- My Employer: Distribution of Divisions with/without COLA by Multiplier Range
- Distribution of Divisions with COLA by Multiplier Range and Participant Contribution Rates
- Distribution of Divisions without COLA by Multiplier Range and Participant Contribution Rates
- Distribution of Divisions by Unreduced Retirement Rider
- Distribution of Divisions by Vesting Period
- Distribution of Divisions by FAC Period
- Distribution of Divisions by Service Credit Purchase
- Peer Group: Distribution of Participant Counts by Source
- My Employer: Distribution of Participant Counts by Source
- Maturity Metric - MVA/Payroll


Divisions without COLA
○ 200

Multiplier Range	Teal Bar (Count)	Dark Blue Bar (Count)
0% - 2.74%	~150	~200
2.75% +	~20	~30

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Filter Options

Select Your Filters

GovInvest

Total Liability Calculator

PENSION PEER COMPARISON

Distribution of Employers by Funding Level ▾

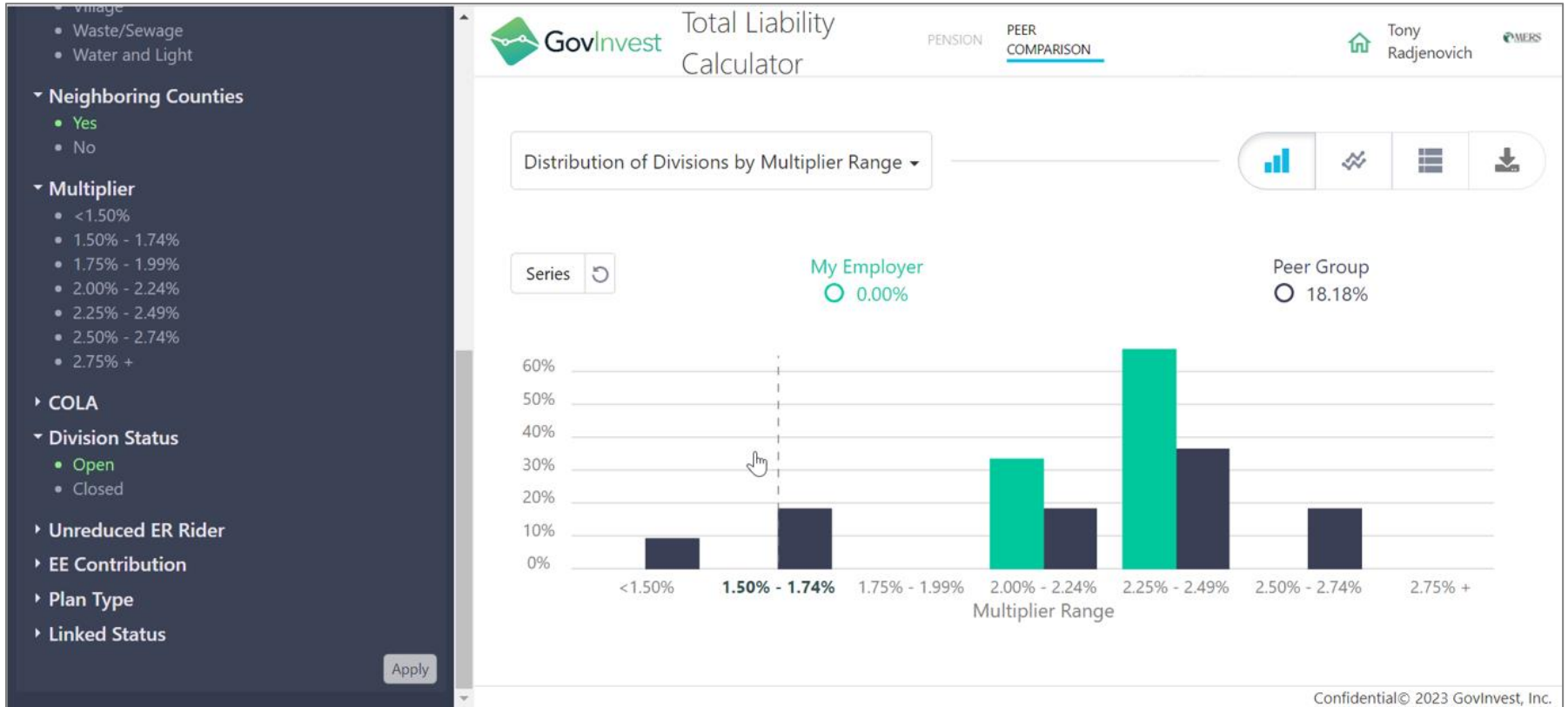
Number of Employers
○ 0

Funding Level Range	Number of Employers
<50%	0
50-59%	2
60-69%	16
70-79%	25
80-89%	11
90-99%	5
100-109%	3

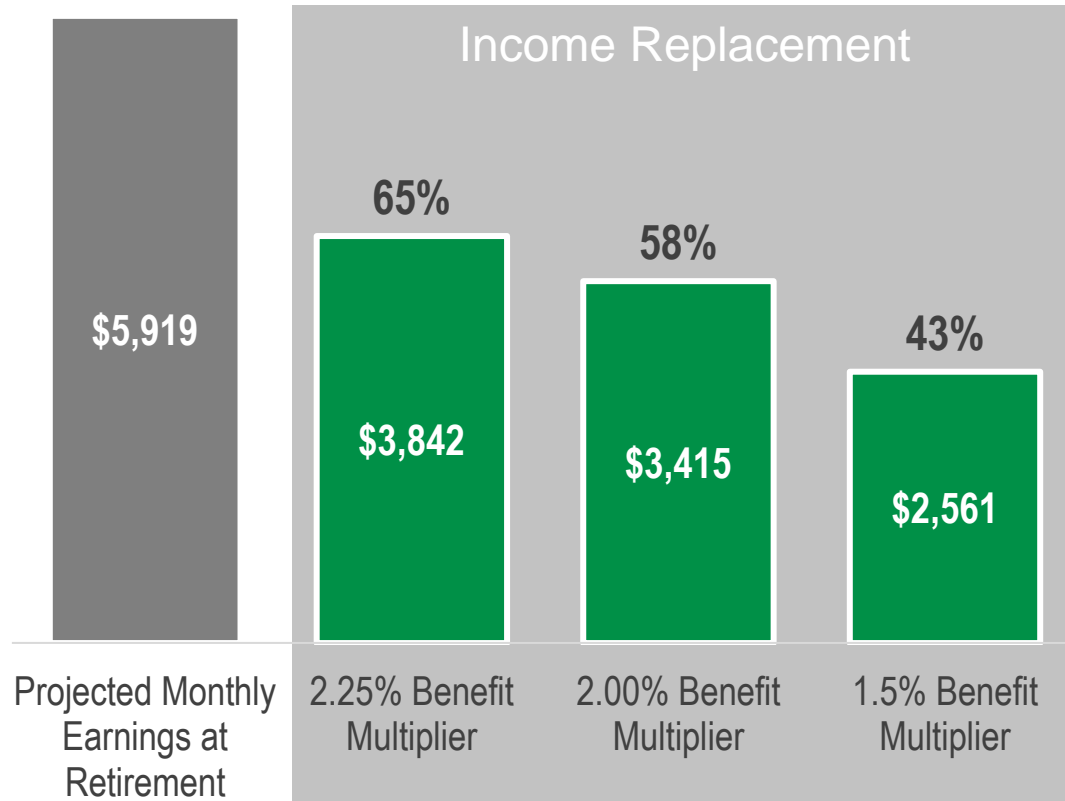
Funding Level Range

- My Divisions
- Type
 - Airport
 - Authorities
 - Central Dispatch
 - City
 - Community Mental Health
 - County
 - County Road Commission
 - Court
 - Fire Department
 - Health Department
 - Housing Commission
 - Library
 - Medical Care Facility
 - Municipality
 - Township
 - Transit Authority
 - Tribe
 - Village
 - Waste/Sewage
 - Water and Light
- Neighboring Counties
- Multiplier
- COLA

Apply Your Filters to See Comparison



DB Income Replacement

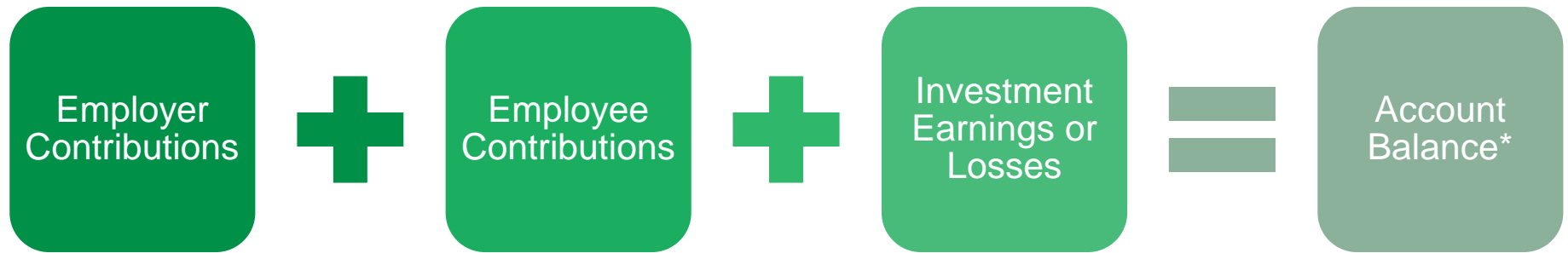


Projection assumes a 30-yr-old employee currently making \$40,000/year, earns 30 years of service credit, retires at age 60 and lives until age 90. Assumed wage inflation is 2%.

MERS Defined Contribution Plans



Defined Contribution Calculation



**Investment and administrative-related expenses will be deducted from your account.*

Definition of Compensation

18%

11%

20%

51%

Standard Definitions <i>Standard definitions are non-modifiable</i>	Base Wages	Box 1 Wages (from W-2)	Gross Wages	Custom Definition
Types of Compensation				
Regular Wages Salary or hourly wage X hours PTO used (sick, vacation, personal, bereavement, holiday leave, or unclassified) On-call pay	All Regular Wages included	All Regular Wages included	All Regular Wages included	TBD
Other Wages Shift differentials Overtime Severance issued over time (weekly/bi-weekly)	Excluded	All Other Wages included	All Other Wages included	TBD
Lump Sum Payments PTO cash-out Longevity Bonuses Merit pay Job certifications Educational degrees Moving expenses Sick payouts Severance (if issued as lump sum)	Excluded	All Lump Sum Payments included	All Lump Sum Payments included	TBD
Taxable Payments Travel through a non-accountable plan (i.e. mileage not tracked for reimbursement) Prizes, gift cards Personal use of a company car Car allowance	Excluded	All Taxable Payments included	All Taxable Payments included	TBD
Reimbursement of Nontaxable Expenses (as defined by the IRS) Gun, tools, equipment, uniform Phone Fitness Mileage reimbursement Travel through an accountable plan (i.e. tracking mileage for reimbursement)	Excluded	Excluded	Excluded	TBD

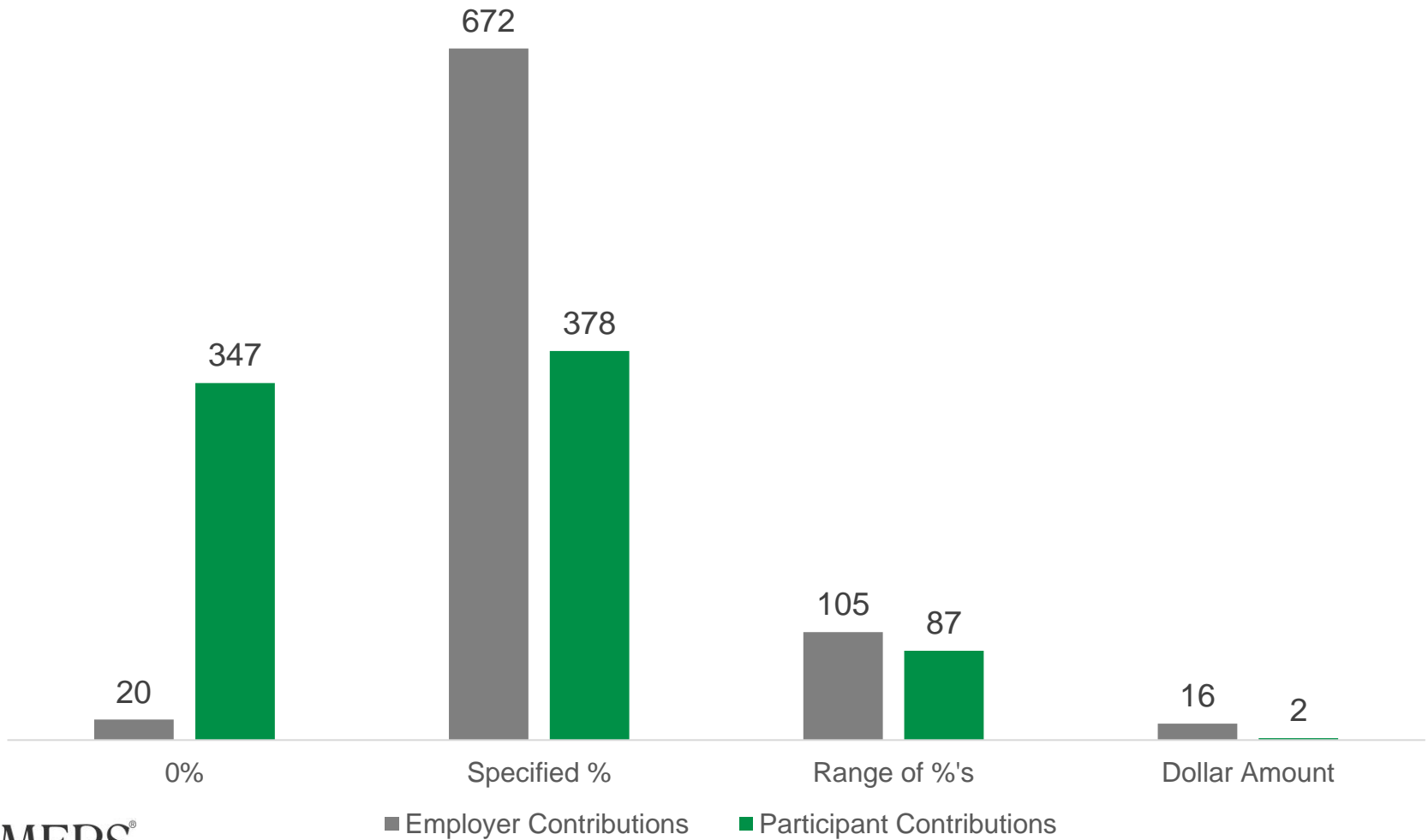
133

82

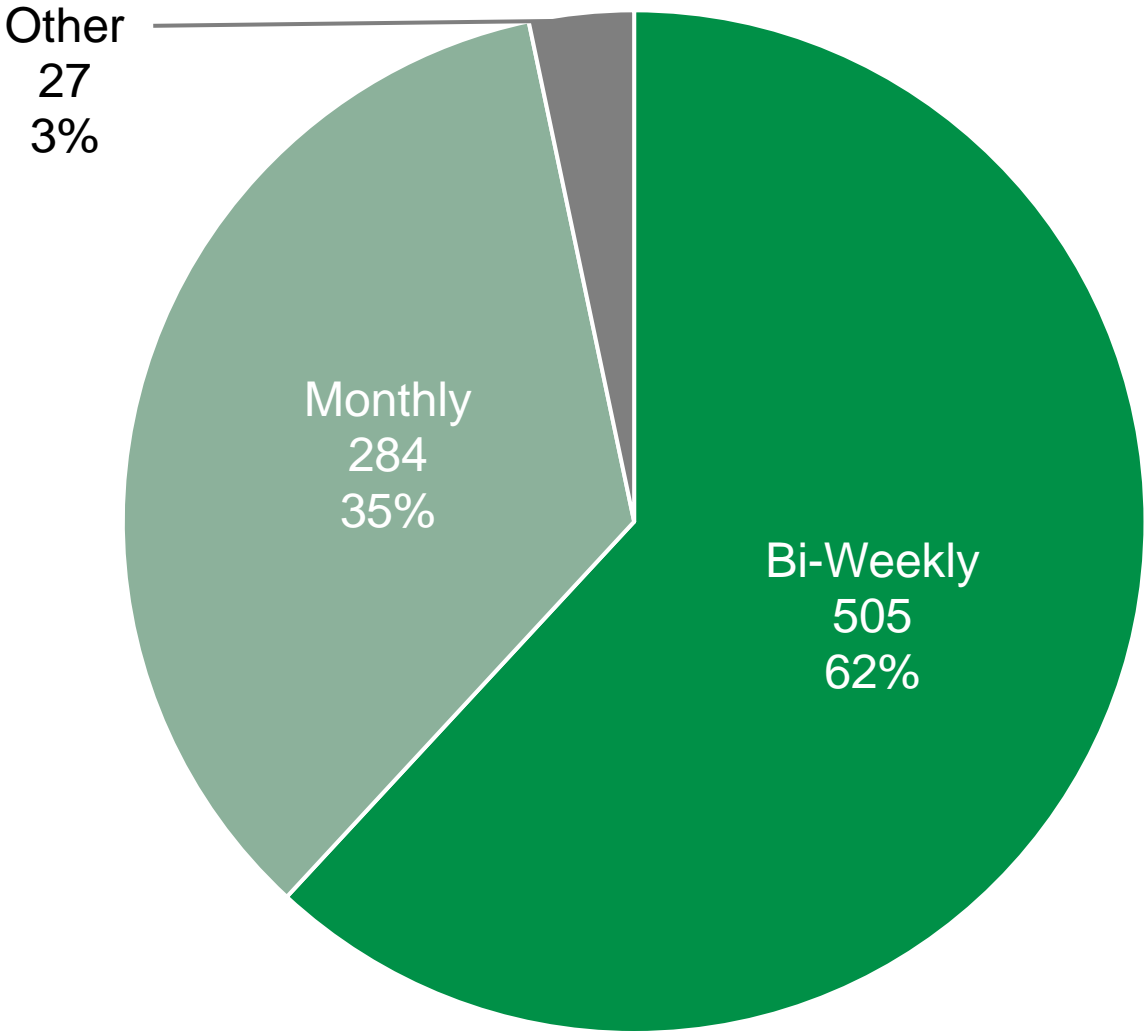
149

375

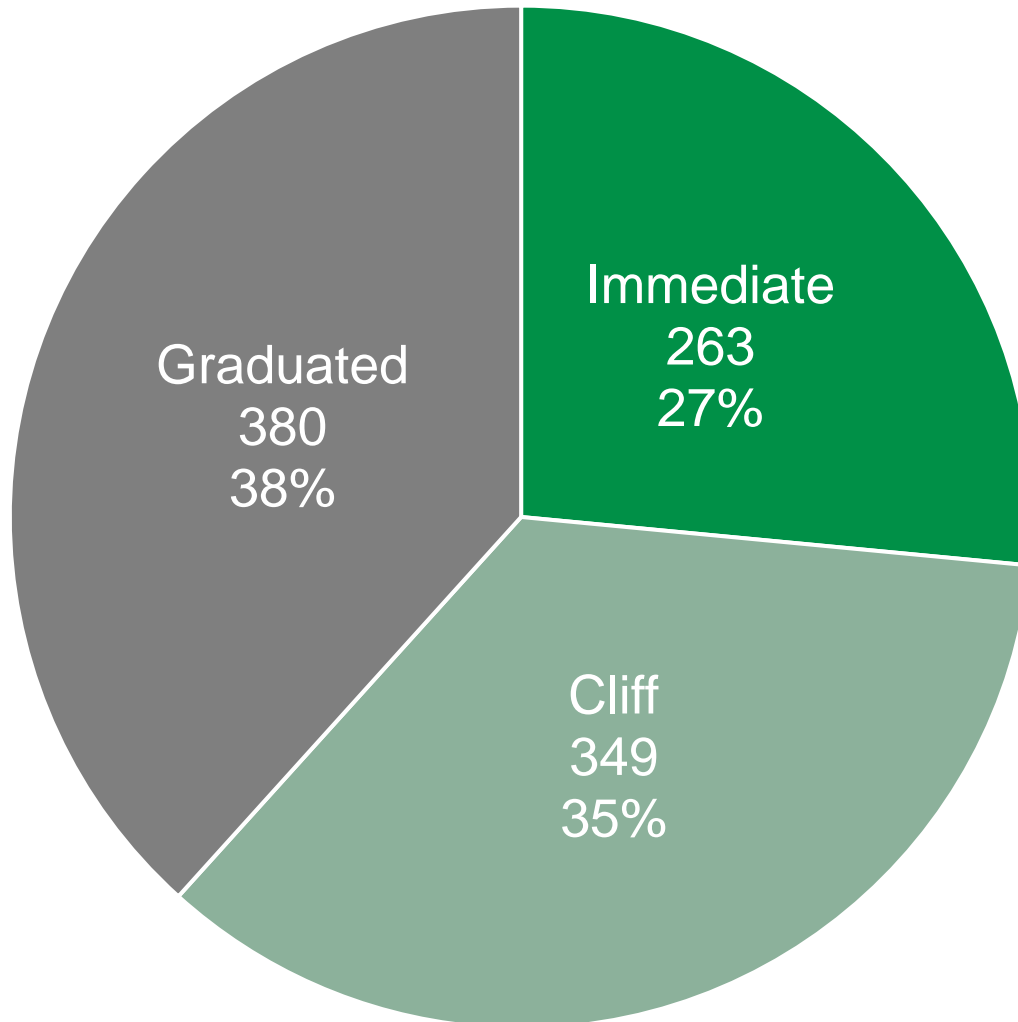
Contribution Rates



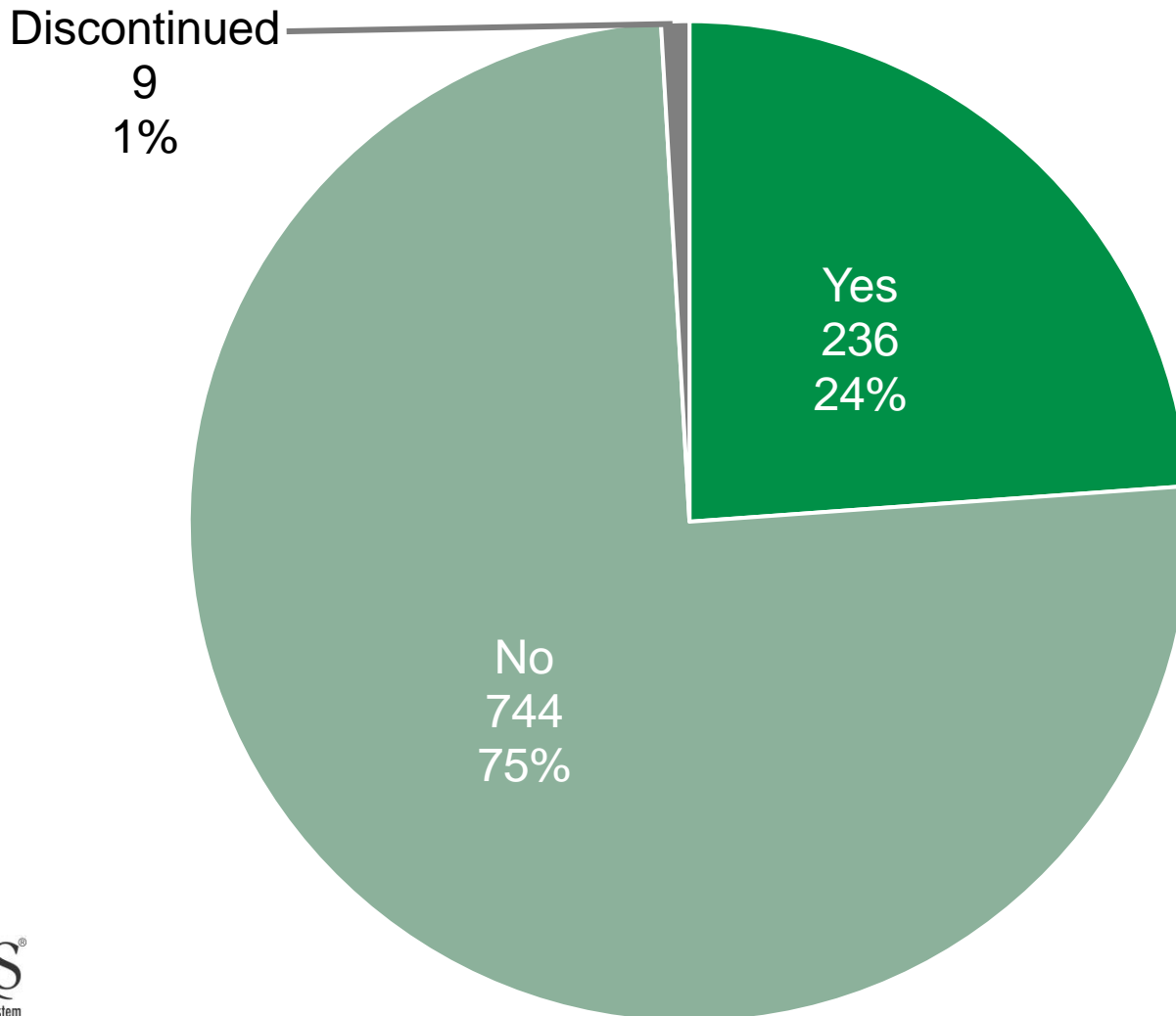
How often do employers report to MERS?



Vesting Schedules




Do employers offer loans?



How to find your benefit provisions?

- Reference your adoption agreement
- Review union contracts (if applicable)
- Contact MERS


Municipal Employees' Retirement System

1134 Municipal Way Lansing, MI 48917 | 800.767.MERS (6377) | Fax 517.703.9711 www.mersofmich.com

The Employer, a participating municipality or court within the state of Michigan that has adopted MERS coverage, hereby establishes the following Defined Contribution Plan provided by MERS of Michigan, as authorized by 1996 PA 220 in accordance with the MERS Plan Document.

I. Employer Name _____ **Municipality #:** _____

Division name _____

Note: This division should reflect how you currently define employees who are eligible to participate, for example, All full-time Employees, New hires after 1/1/2019, etc.

II. Effective Date

Check one:

A. If this is the **initial** Adoption Agreement for this group, the effective date shall be the first day of _____, 20____.

This municipality or division is new to MERS, so vesting credit prior to the **initial** MERS effective date by each eligible employee shall be credited as follows (choose one):

Vesting credit from date of hire No vesting credit

This division is for new hires, rehires, and transfers of current Defined Benefit* division # _____ and/or current Hybrid division # _____

For divisions that are closing or freezing with or without conversion, the Employer must complete the [Addendum for Plan Freeze, Closure and Conversions](#).

B. If this is an **amendment** of an existing Adoption Agreement (existing division number _____), the effective date shall be the first day of _____, 20____.

Note: You only need to mark **changes** to your plan throughout the remainder of this Agreement.

C. If this is to **separate employees from an existing Defined Contribution division** (existing division number(s) _____) into a new division, the effective date shall be the first day of _____, 20____.

D. If this is to **merge division(s)** _____ into division(s) _____, the effective date shall be the first of _____, 20____.

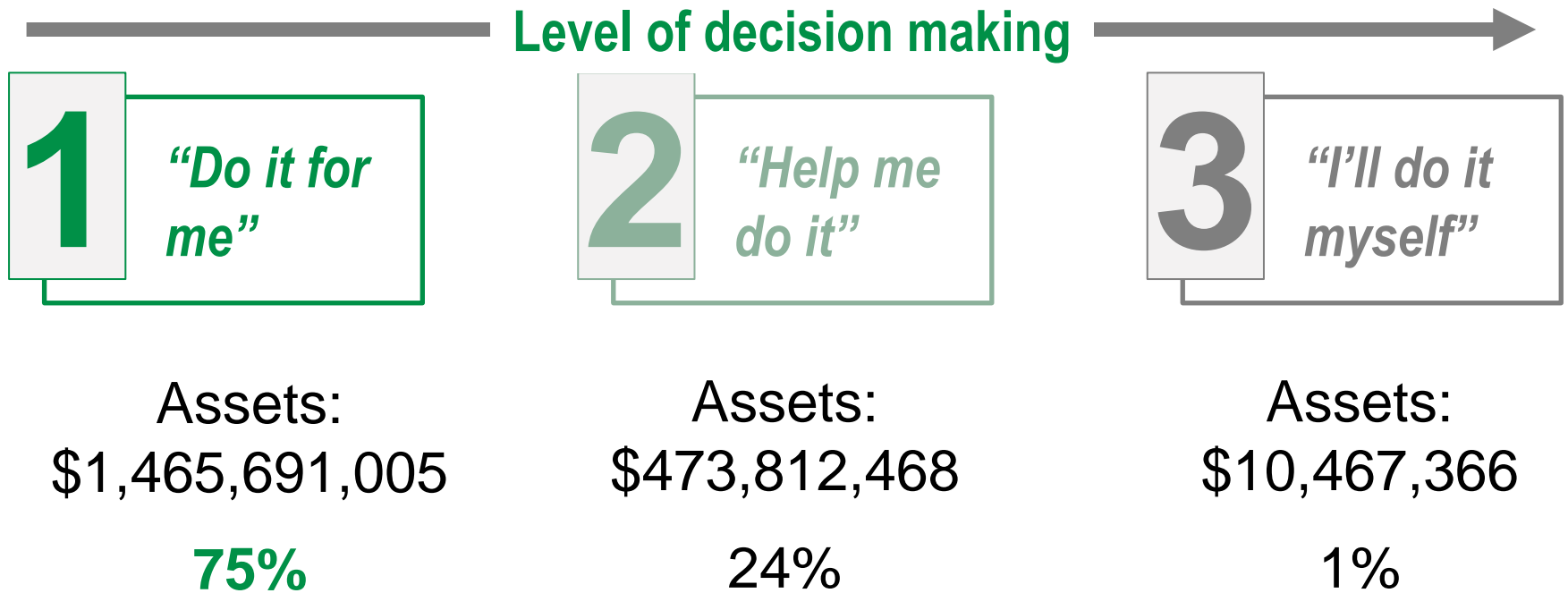
E. If this is an amendment to close Defined Benefit division(s) # _____ or Hybrid division(s) _____ with new hires, rehires, and transfers going into existing Defined Contribution division # _____, the effective date shall be _____ (month/year).

Note: Closing this Defined Benefit or Hybrid division(s) will change future invoices to a flat dollar amount instead of a percentage of payroll, as provided in your most recent annual actuarial valuation.

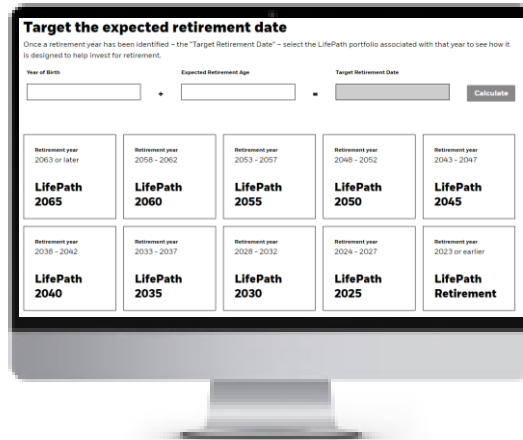
(The amount may be adjusted for any benefit modifications that may have taken place since then).

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MERS Investment Menu

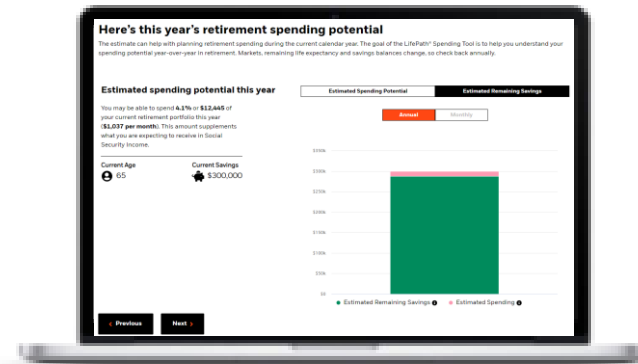


LifePath Resources & Tools



Selector tool

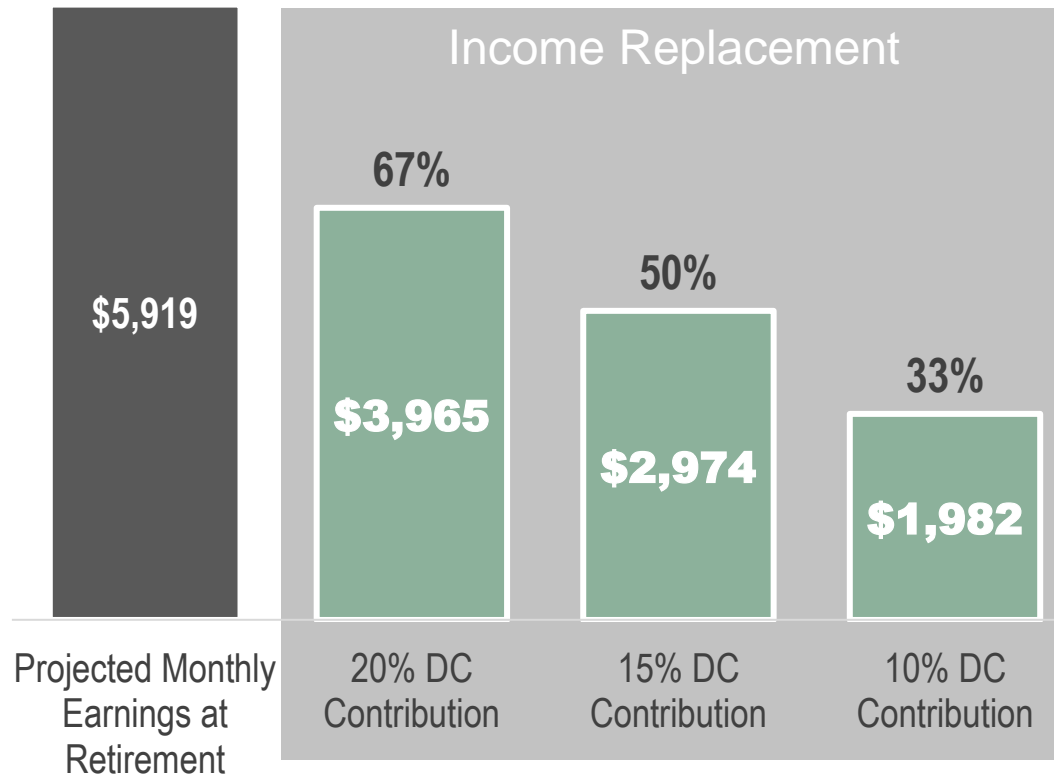
This tool is designed to help participants select the right LifePath Fund



Spending tool

This tool can help participants estimate their spending potential year-over-year in retirement.

DC Income Replacement

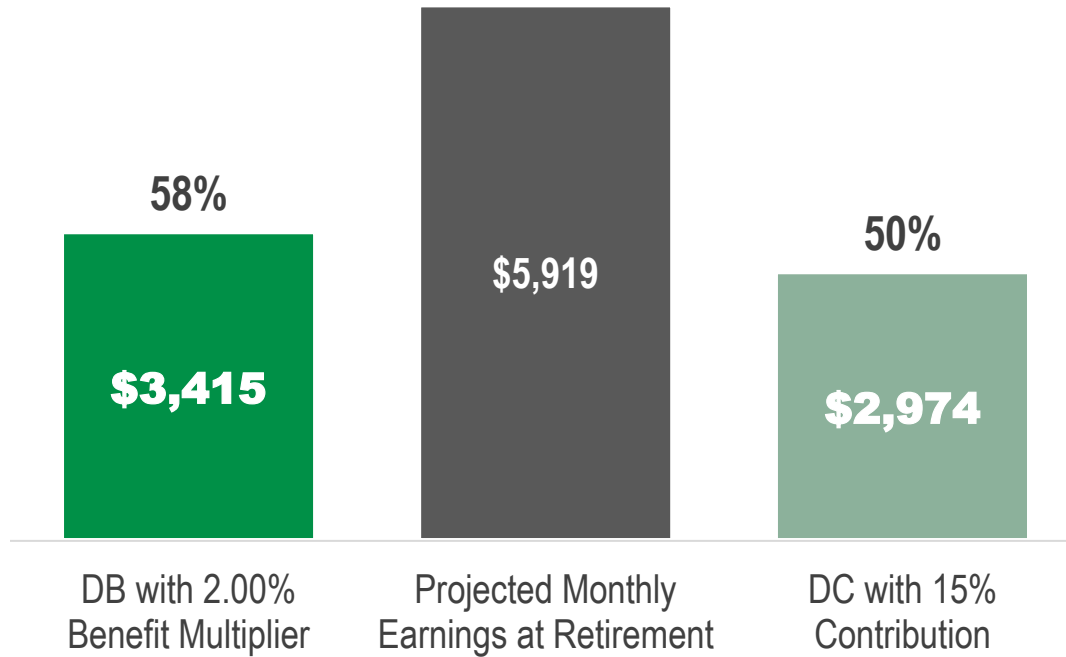


Projection assumes a 30-yr-old employee currently making \$40,000/year retires at age 60. Assumed wage inflation is 2%. Assumed investment rate of return is 6% while working and 4% after retirement. Participant assumed to take equal monthly distributions until age 90.

Different Plan Type, Similar Results



30-Year Career Employee



Projections assume a 30-yr-old employee currently making \$40,000/year earns 30 years of service credit, retires at age 60 and lives until age 90. Assumed wage inflation is 2%. DC projection assumed investment rate of return is 6% while working and 4% after retirement. Participant assumed to take equal monthly distributions until age 90.

Your Regional Managers



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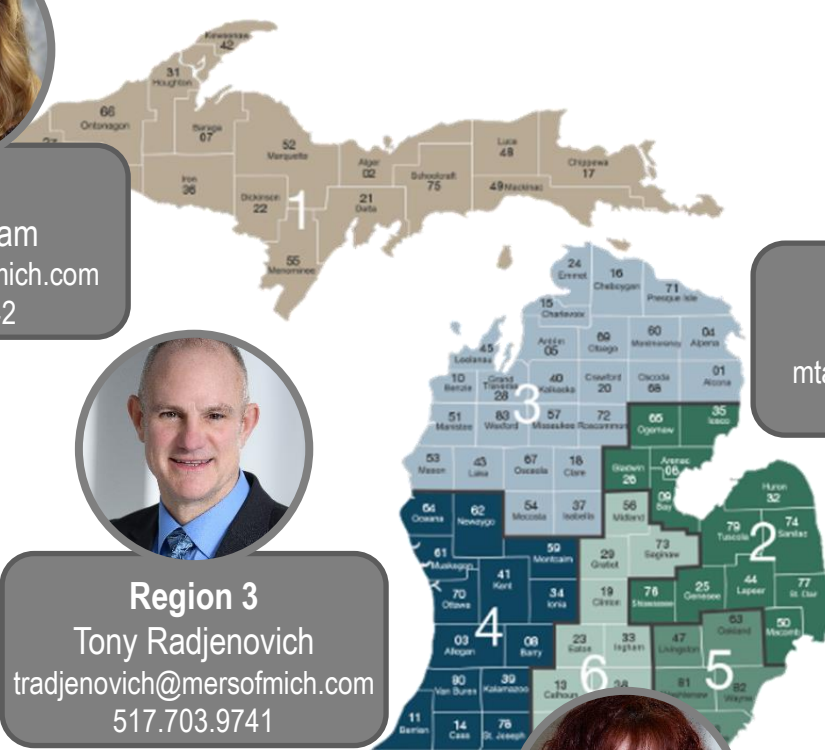
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Region 6
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Region 5
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517.703.9030



Key Takeaways



Key Takeaways

- There is **no one-size-fits-all** retirement plan
- Design your plan to help your employees **maximize their income replacement** during retirement
- Bring your defined benefit data to life using the **Total Liability Calculator (TLC) Basic** through GovInvest
- Your employees can **use calculators** to select their LifePath investment fund and understand their spending potential each year in retirement
- Talk to your **Regional Team**

MERS of Michigan

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Lansing, MI 48917

800.767.6377

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This presentation contains a summary description of MERS benefits, policies or procedures. MERS has made every effort to ensure that the information provided is accurate and up to date. Where the publication conflicts with the relevant Plan Document, the Plan Document controls.

