

MERS 101

Michael Overley, MERS Customer Relations Director
Veronica LaBar, MERS Regional Manager

September 2023



Agenda

- About MERS
- Public Sector Retirement Plan Options
 - MERS Defined Benefit Plan
 - MERS Defined Contribution Plan
 - MERS 457 Program
 - MERS Hybrid Plan
- Other Post-Employment Benefits
- Additional Programs
- Key Takeaways and Resources

What Drives MERS

Mission

We **partner** with those who serve **Michigan** communities to provide **retirement benefits** and related services to support a **secure retirement**.

Vision

Through exceptional **service** and comprehensive **solutions**, MERS will deliver a **seamless** experience that engages and enables customers to achieve their **financial goals**.

MERS is an **independent** retirement services company that was created to administer the **retirement** plans for Michigan's local units of government on a **not-for-profit** basis



Trusted with **84%** of municipal pension plans in the state



We provide reliable retirement benefits to over **140,000 participants**



We pool over **\$15 billion** in assets

Independent Elected Board

- Elected by members
- No compensation
- Sole fiduciary responsibility

Officer Members



Employee Members



Appointed Members



Board Members

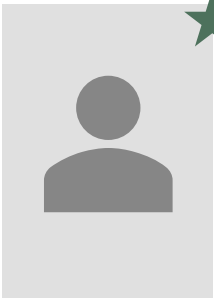
Officer Members




Michael Brown
Chairperson
Barry County
Administrator



Keith Van Beek
City Manager of
City of Holland



 = board position on
this year's ballot

Board Members

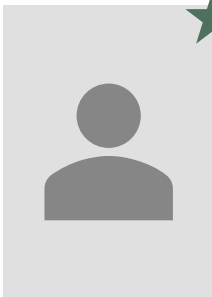
Employee Members




Jason Sarata
Chair Pro Tem
Firefighter/
Paramedic for
Delta Twp



Kyle Lewis
Firefighter/
Paramedic
for Northville
Twp



 = board position on
this year's ballot

Board Members

Appointed Members



James Wiersma
Public Member
President, Family
Investment & Resource
Management, LLC,
Holland



Michael Gilmore
Public Member
President & CEO,
The 4100 Group,
Inc.



John Ogden
Retired Member
Retired Finance
Director from the
City of Port Huron

Fiduciary Responsibility

**Legal
Compliance**



**Investment
Oversight**



**Reasonable
Expenses**



Full-Service Plan Administration

No additional cost

Plan
Governance

On-Staff
Auditor

Legal Counsel

Legislative
Advocacy

Financial
Reporting

Administration
of Benefits

Actuarial
Services

GASB 68
Assistance

Portfolio
Management

Participant
Education and
Resources

Economies of Scale

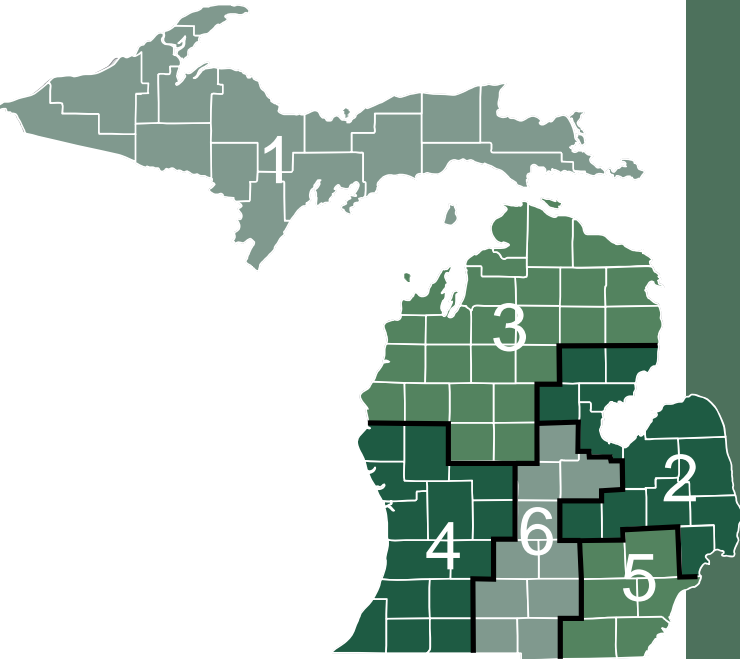
- More than 3,000 different plans
- Each municipality's retirement plan in a separate account
- Pools assets for investment purposes



MERS-to- MERS Time

**Employees who previously
worked for another
MERS employer may be
eligible for coordinated
vesting and retirement
benefits**





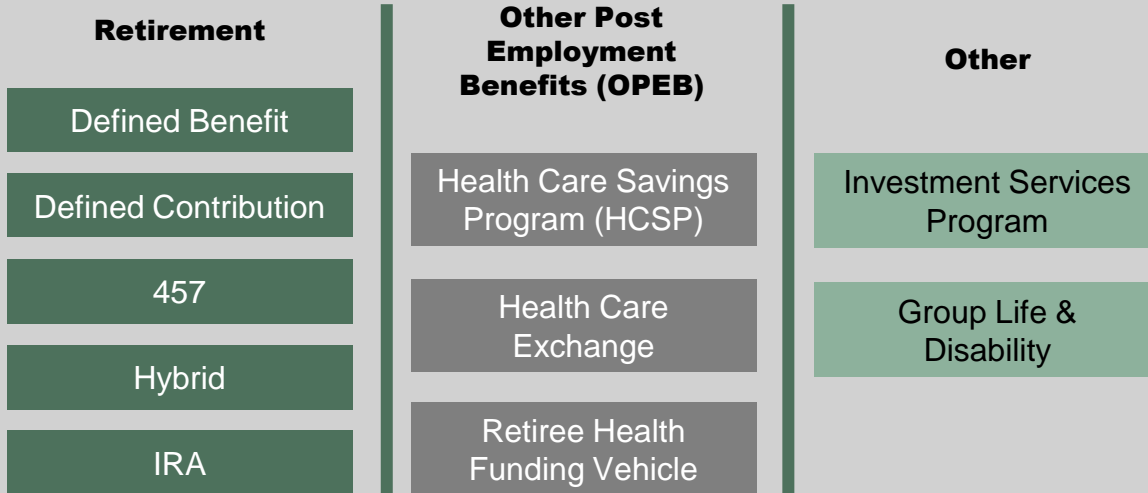
MERS Regional Teams provide local, expert service with dedicated staff to assist with:

- Relationship management
- Plan consultation and needs analysis
- New benefit plan exploration and employee enrollment
- Customized employee education
- Plan administration

A baby wearing a straw hat and a white t-shirt, sitting on a wooden floor with hands raised in a playful gesture. The baby is wearing a light-colored, short-sleeved t-shirt with a pocket on the left chest and light-colored shorts. The background is a simple, light-colored wall with a wooden floor.

**One Size
Does Not
Fit All**

Different Needs = Different Plans



Public Sector Retirement Options



Public Sector Retirement Options

Defined Benefit

- Lifetime benefit
- Does not fluctuate with investment gains or losses
- Contributions fluctuate
- Funded by the employer, employee and investment earnings

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Hybrid

- Combines the best of both plans
- Benefit and contributions vary
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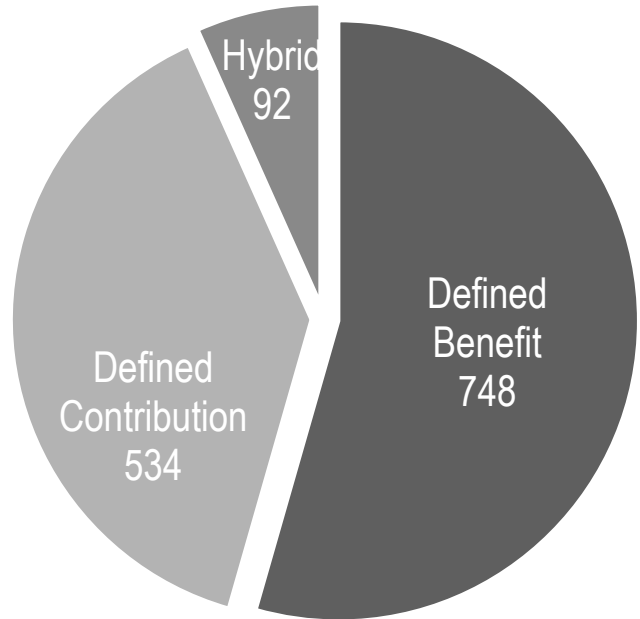
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457

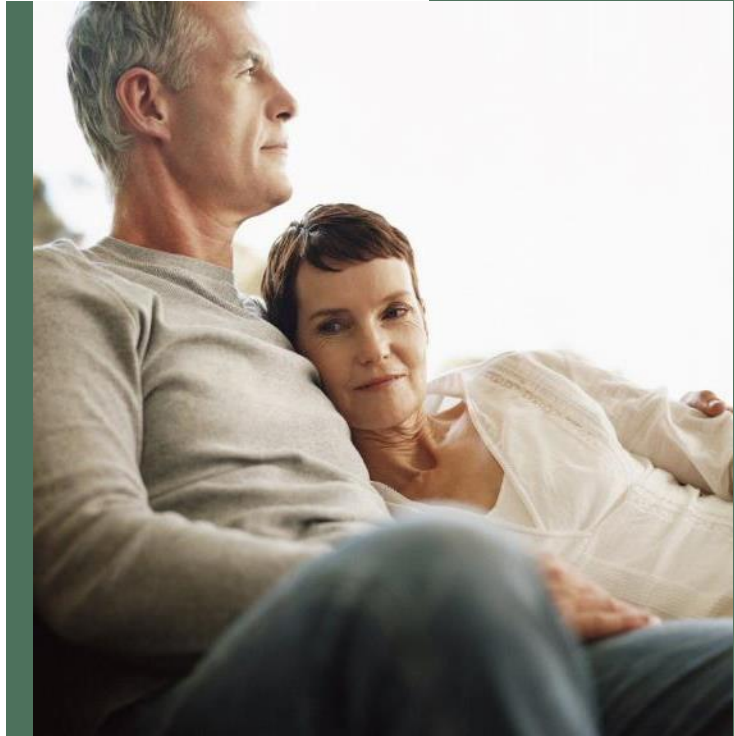
- Supplemental savings account that can be added to any retirement plan
- Voluntary and flexible employee contributions
- Pre-tax and Roth options

MERS partners with more than 1,000 municipalities



*As of 8/31/2022

MERS Defined Benefit Plan





**Lifetime
benefit for
career
employees**

How Defined Benefit Works

Final Average Compensation



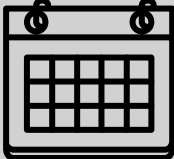
How Defined Benefit Works

Final Average Compensation



x

Service Credit



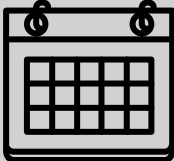
How Defined Benefit Works

Final Average Compensation



x

Service Credit



x

Benefit Multiplier



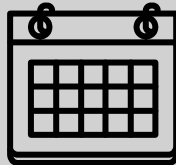
How Defined Benefit Works

Final Average Compensation



x

Service Credit



x

Benefit Multiplier



=

Annual Benefit



How Defined Benefit Works

Final Average Compensation

x

Service Credit

x

Benefit Multiplier

=

Annual Benefit

\$50,000

x

**30
years**

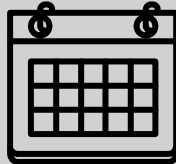
x

2.0%

=

\$30,000/yr

(\$2,500/mo)



Lifetime Benefit Stability



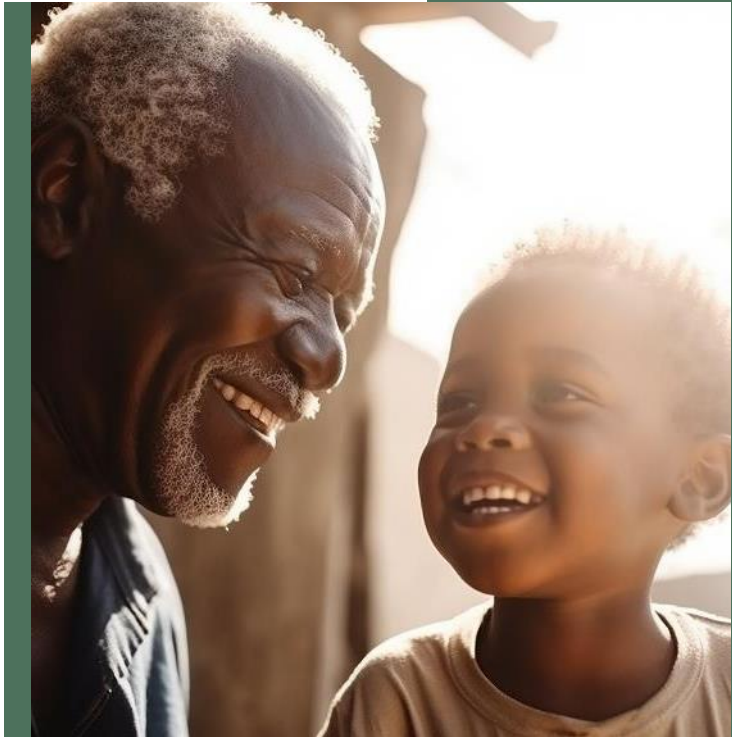


Prefunding the Benefit

Benefits are pre-funded during the employee's career through:

- Employer contributions
- Employee contributions
- Investment earnings

MERS Defined Contribution Plan and 457 Program



Offering a Defined Contribution Plan

What is it?

- Employer-sponsored
- Individual account
- 401(k)-style

MERS takes sole fiduciary responsibility

- Plan compliance
- Plan structure
- Investment menu
- Negotiating & monitoring costs

MERS Defined Contribution Plan

- Qualified 401(a) Money Purchase Plan
- Pre-tax contributions are made to an invested account managed by the employee
- Employer sets the contribution structure
- All eligible employees **must participate**
- Per IRS rules, once an employee has elected their contribution rate, it **cannot be changed**



MERS 457 Program

- Voluntary supplemental savings
- Invested account managed by employee
- Flexible contributions
- Pre-tax and Roth options available



Investment Menu

1

Do it for me

- Fully diversified target date funds that automatically adjust over time

2

Help me do it

- Prebuilt portfolios that are monitored and rebalanced quarterly

3

I'll do it myself

- Personal choice retirement account to access funds outside of MERS

Plan Feature Comparison

Plan Type	401(k)	401(a)	457(b)
Primary Purpose	Qualified Retirement Plan	Qualified Retirement Plan	Supplemental Savings Program
Available for Governmental Entities	No (post-1986)	Yes	Yes
Enrollment	Voluntary	Mandatory	Voluntary
Employee Contributions	Flexible	One-time election	Flexible
2023 Contribution Limit	\$22,500 (\$30,000 for age 50+)	Lesser of \$66,000 or 100% of compensation	\$22,500 (\$30,000 for age 50+)
Roth Option Available	Yes	No	Yes
Allows Employer Contribution	Yes	Yes	Yes (but included as employee earnings)
Allows Vesting	Yes	Yes	Varies
Penalty-Free Distributions	Age 59½	Age 59½ (or earlier depending upon age at separation from employment)	Upon separation from employment

Using the Accounts

- **Defined Contribution** eligibility
 - Age 59½ **or** at retirement beginning the year you turn age 55 (age 50 for public safety)
- **457 Program** eligibility
 - Upon separation from employment
- **Distributions**
 - Lump sum of full or partial amount
 - Periodic payments
- Participant establishes drawdown plan



Spending tool

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

MERS Hybrid Plan



Hybrid: Combines Two Plans in One

Defined Benefit

- 6-year vesting
- Choice of multiplier (1%, 1.25%, 1.5%)
- Early retirement option (if elected)
- 3-year Final Average Compensation (FAC)



Defined Contribution

- Vesting may use elapsed time or hours reported
- Vesting schedule options (Immediate, Cliff, Graded)
- Employer and employee contribution structures
- Allows loans

Other Post- Employment Benefits (OPEB)



OPEB Programs



Retiree Health Funding Vehicle



Health Care Savings Program

Retiree Health Funding Vehicle (RHFV)

- Invest assets earmarked for OPEB expenses
- Reduce required contributions and unfunded liability
- Cost-effective investment options
- Use with Health Care Savings Program



Health Care Savings Program (HCSP)

- Help participants save for health care
- Tax-free account for medical expenses
- Invested assets
- No age requirement post-employment

Triple Tax Advantage

- ✓ Contributions go in tax-free
- ✓ Assets are invested tax-free
- ✓ Qualified expenses are tax-free
- ✓ Employers save on FICA taxes too

Private Health Care Exchange

- Increased buying power
- Retiree access to low-cost plans



- Reduce OPEB liability
- Maintain quality benefits
- Based on marketplace, not group size

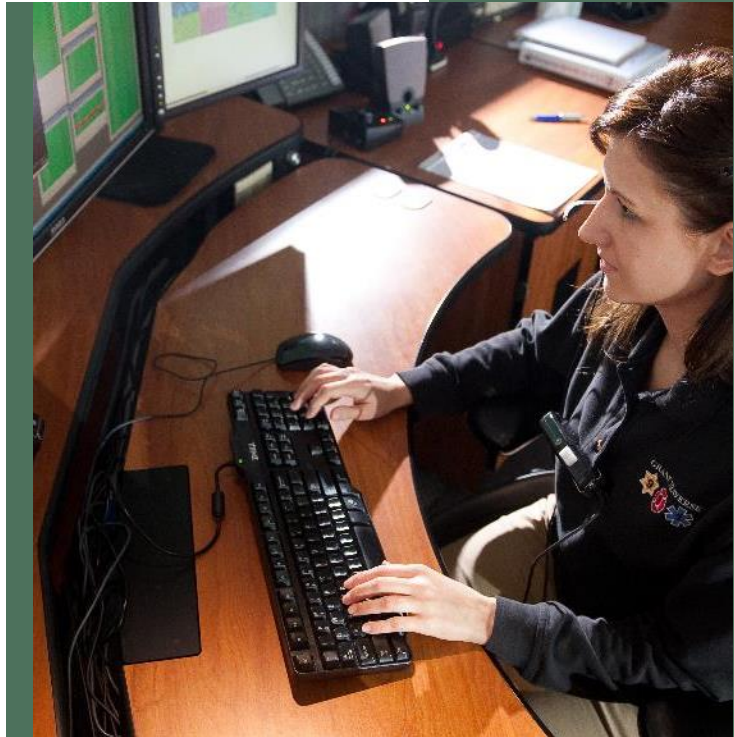


- Reduced administrative costs



Key Takeaways

and Resources



Key Takeaways

- MERS acts as **sole fiduciary** for all retirement plans
- **Defined Benefit** plans provide a lifetime benefit
- **Defined Contribution** plans are not the same as 401(k) plans
- **Combine any plan with 457** for flexibility
- MERS **listens to feedback**, offers plans to suit unique needs
- Customized **local service** and expert support

Employer Resources

Employer Meetings

- Roundtable events hosted by your Regional Team
- Conversations with MERS CEO

Annual Conference

- Education on retirement plans, health care, pension & OPEB funding, legislative updates

MERS News

- CEO Updates
- Municipal Matters
- Mailings
- Web resources

Inside MERS Investments

- Podcast with MERS Chief Investment Officer

Participant Resources

Webinars

- Live and recorded
- Finances
- Investment
- Retirement planning
- Social Security
- Medicare



Customer Support

- Phone
- Online chat



1-on-1 Scheduler

- Schedule time to speak with MERS experts about your account, benefits, or the retirement process



On-Site Education

- Customizable presentations
- In-person or virtual group meetings



Keeping You Informed

Communications Corner

- Reference to recent mailings or emails from MERS

Administrative and Policy Change Log

- Changes listed by date

The screenshot shows the MERS website homepage. At the top, there is a navigation bar with links for Home, Forms, Contact Us, and Log In. Below this is a green header with navigation tabs for PARTICIPANT, RETIREE, EMPLOYER, MEDIA, and MERS, along with a search bar. The main content area features a yellow banner for 'MERS' Response to Coronavirus (COVID-19) with links to Participant Information and Employer Information. Below this is a large blue banner for 'Inside MERS Investments' with a podcast player and a 'Find us wherever you listen to podcasts and subscribe now.' button. To the right is an 'Account Access' section for Employers & Participants with a 'LOG IN' button and links for 'Create myMERS account', 'Forgot Username?', 'Forgot Password?', and 'Need help?'. Below these are three circular icons: 'CentsAbility Blog' (with a circular arrow icon), 'Video Library' (with a play button icon), and 'Financial Wellness' (with a checklist icon). Each icon has a brief description of its content. At the bottom, there are two green boxes: 'Communications Corner' with a speech bubble icon and a link to 'View Communications Sent', and 'Administrative & Policy Changes' with a warning triangle icon and a link to 'View changes over time'.

Your Regional Manager



Region 1

Terra Langham
tlangham@mersofmich.com
517.703.9742



Region 4

Veronica LaBar
vlabar@mersofmich.com
517.703.1310



Region 6

Marne Daggett
mjdaggett@mersofmich.com
517.703.1213



Region 3

Tony Radjenovich
tradjenovich@mersofmich.com
517.703.9741



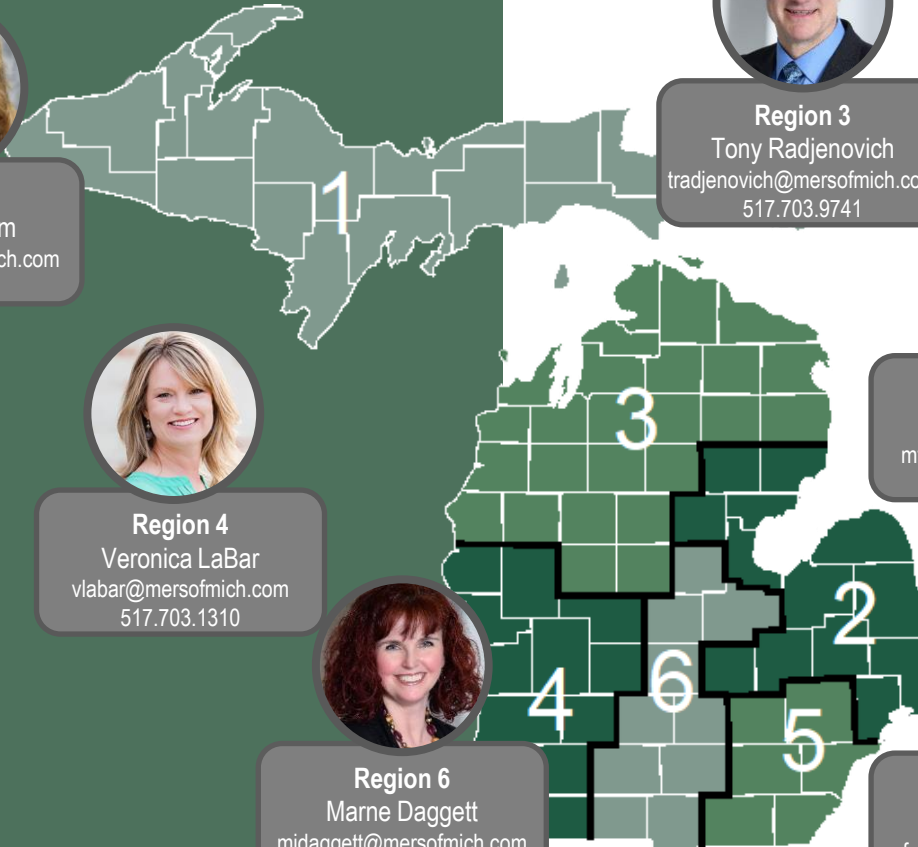
Region 2

Matt Taylor
mtaylor@mersofmich.com
517.703.1216



Region 5

Sue Feinberg
sfeinberg@mersofmich.com
517.703.9030



MERS of Michigan

1134 Municipal Way
Lansing, MI 48917

800.767.6377

www.mersofmich.com



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.

