



Optimizing Benefits With Smart Plan Designs

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AGENDA

- A Well-Designed Plan
- Smart Plan Design Strategies
- Bridging the Gap
- Case Study
- Key Takeaways

A Well-Design Plan

Income replacement

- The percentage of preretirement income that you want to replace in retirement.

Income target

- Participants may have a goal to replace roughly 80% of their working income in retirement.
- How much will their employer-sponsored plan replace?

Savings goal

- How much more do participants need to save to bridge any gaps?



Benefits of a Well-Designed Plan



Retirement Plan Design Considerations

Plan Type

Participation Requirements

Contribution Structure

Vesting Schedule

Retirement Plan Design Considerations

Plan Type

Is the plan intended to provide a guaranteed income, variable income, or both?

Participation Requirements

Contribution Structure

Vesting Schedule

Retirement Plan Design Considerations

Plan Type

Participation Requirements

- Is the plan mandatory or voluntary?
- Would automatic enrollment enhance the plan?

Contribution Structure

Vesting Schedule

Retirement Plan Design Considerations

Plan Type

Participation Requirements

Contribution Structure

- Are employee contributions voluntary and flexible or fixed?
- What is the employer contribution budget?
- Do the employer contributions incentivize increased participation and/or contributions from the employee?
- Would automatic escalation of contributions enhance the plan?

Vesting Schedule

Retirement Plan Design Considerations

Plan Type

Participation Requirements

Contribution Structure

Vesting Schedule

How does a vesting schedule impact your ability to hire and retain employees?

MERS Programs

Retirement

Defined Benefit

Defined Contribution
401(a)

Hybrid

457

IRA

Other Post Employment Benefits (OPEB)

Health Care Savings
Program (HCSP)

Health Care
Exchange

Retiree Health
Funding Vehicle

Other

Investment Services
Program

Group Life &
Disability

Smart Plan Design Strategies



Automatic Enrollment and Escalation

Automatic Enrollment

Helps increase participation in retirement plans by enrolling eligible employees automatically.

Escalation

Helps increase savings rates in retirement plans by increasing the contribution rate over time.



Optimizing Contributions and Savings

- **Importance of Setting Savings Goals**
 - Understanding how much to contribute and how to increase savings over time is key to building a solid retirement foundation.
- **Employer Contributions**
 - Can help increase employee contributions and savings rates, which is essential for building a strong retirement fund.
- **Maximizing Benefits**
 - Does not require increasing the level of employer contributions.
 - Using behavioral economics, matching contribution formulas are revised so participants have an incentive to increase their deferral rates



Defined Benefit, Hybrid, and Defined Contribution Plans

Different Paths to
Similar Outcomes



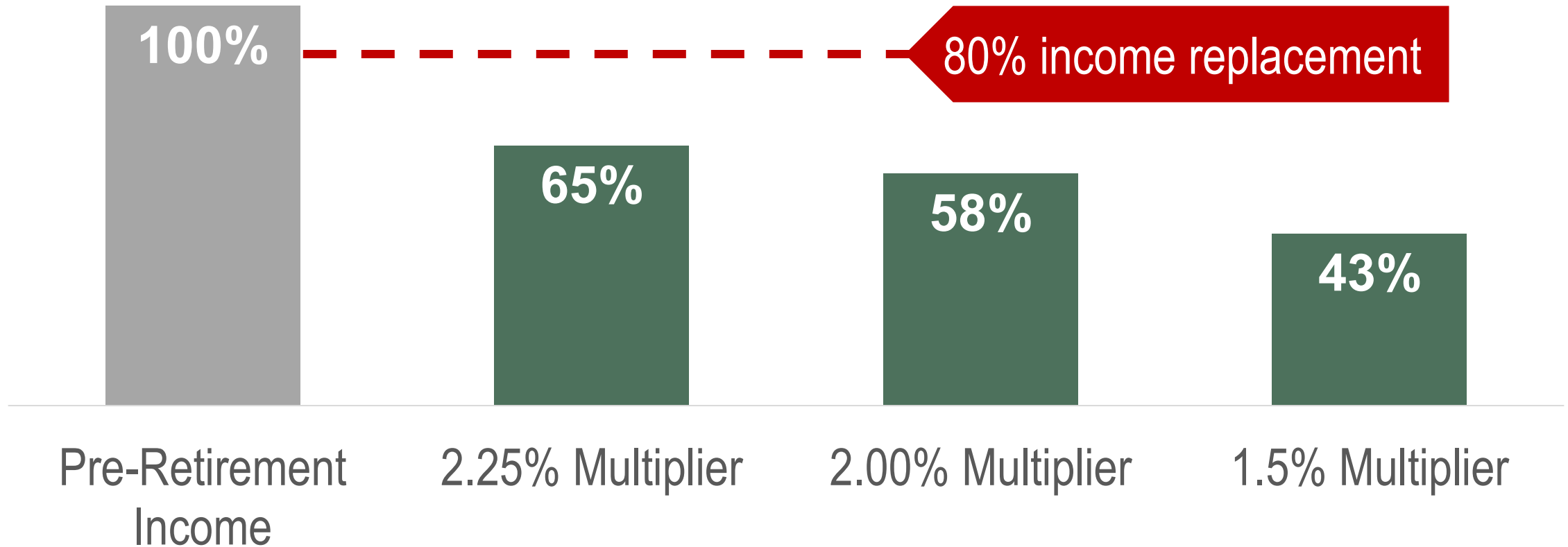
Comparing Retirement Plans

- Projections assume a 30-year-old employee earns 30 years of service credit, retires at age 60, and lives until age 90. Assumed wage inflation is 2%.
- DC projection also assumes the investment rate of return is 6% while working and 4% after retirement. The participant is assumed to take equal monthly distributions until age 90.



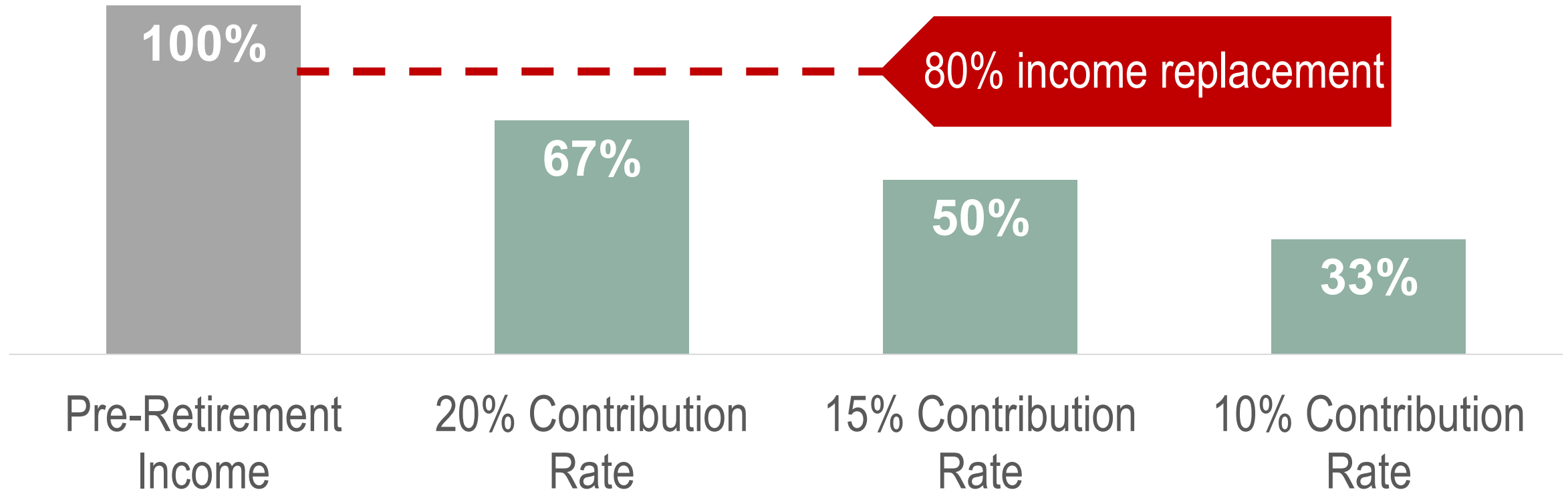
Defined Benefit Retirement Income

Projected Income Replacement Rates for Career Employees by Multiplier



Defined Contribution Retirement Income

Projected Income Replacement Rates for Career Employees by Contribution Rate



Bridging the Gap

Using Supplemental Savings Programs



MERS 457 and IRA Programs



457

IRA

Taking Aim at the Income Target

Adding a Supplemental Savings Program to Reach an 80% Desired Income Replacement Rate



Health Care Savings Program

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



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Triple Tax Advantage

Contributions go in tax-free

Assets are invested tax-free

Qualified expenses are tax-free

Employers and Employees
save on FICA taxes



Tax-Advantaged Savings

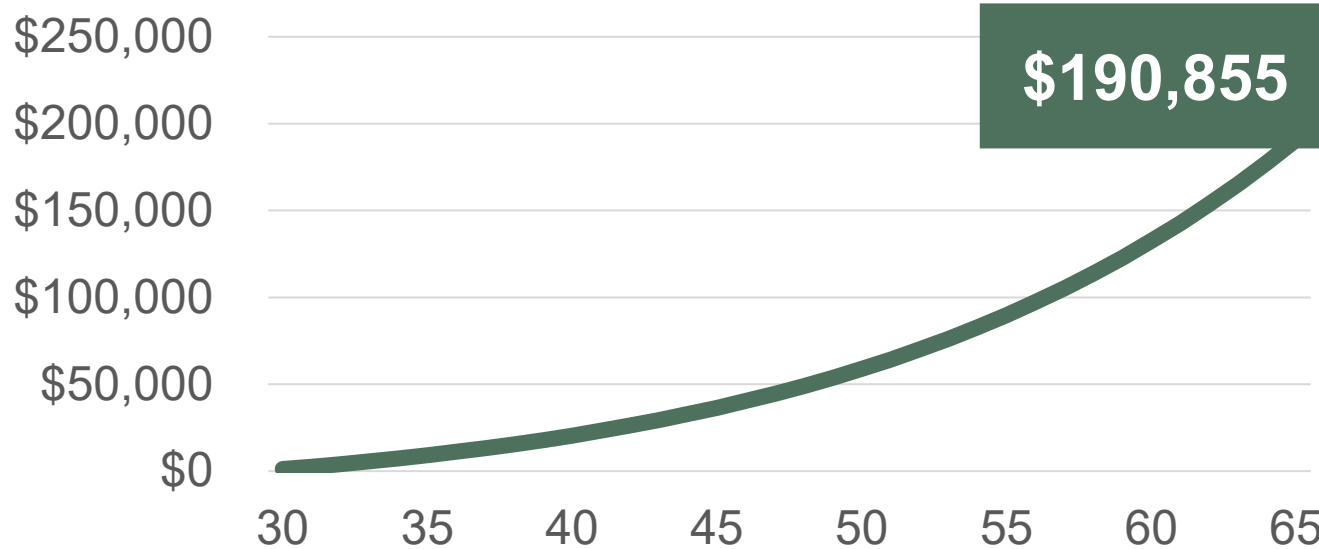
	No Deduction	HCSP	Tax-Deferred	Roth Account
Gross Wages	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00
Contributions				
Health Care Savings Program	\$0.00	\$100.00	\$0.00	\$0.00
457	\$0.00	\$0.00	\$100.00	\$0.00
Taxable	\$0.00	\$0.00	\$0.00	\$100.00
Taxes				
Federal Income Tax	\$215.10	\$195.31	\$195.31	\$215.10
State Income Tax	\$85.00	\$80.75	\$80.75	\$85.00
Social Security Tax	\$124.00	\$117.80	\$124.00	\$124.00
Medicare Tax	\$29.00	\$27.55	\$29.00	\$29.00
Take-Home Pay	\$1,546.90	\$1,478.59	\$1,470.94	\$1,446.90
Net Change	\$0.00	-\$68.31	-\$75.96	-\$100.00

*Payroll based on Filing Single with no dependents.

HCSP and Leave Conversion Contributions

Leave time that is not used may be contributed to a MERS Health Care Savings Program account, helping employees reach the income target

HCSP Balance



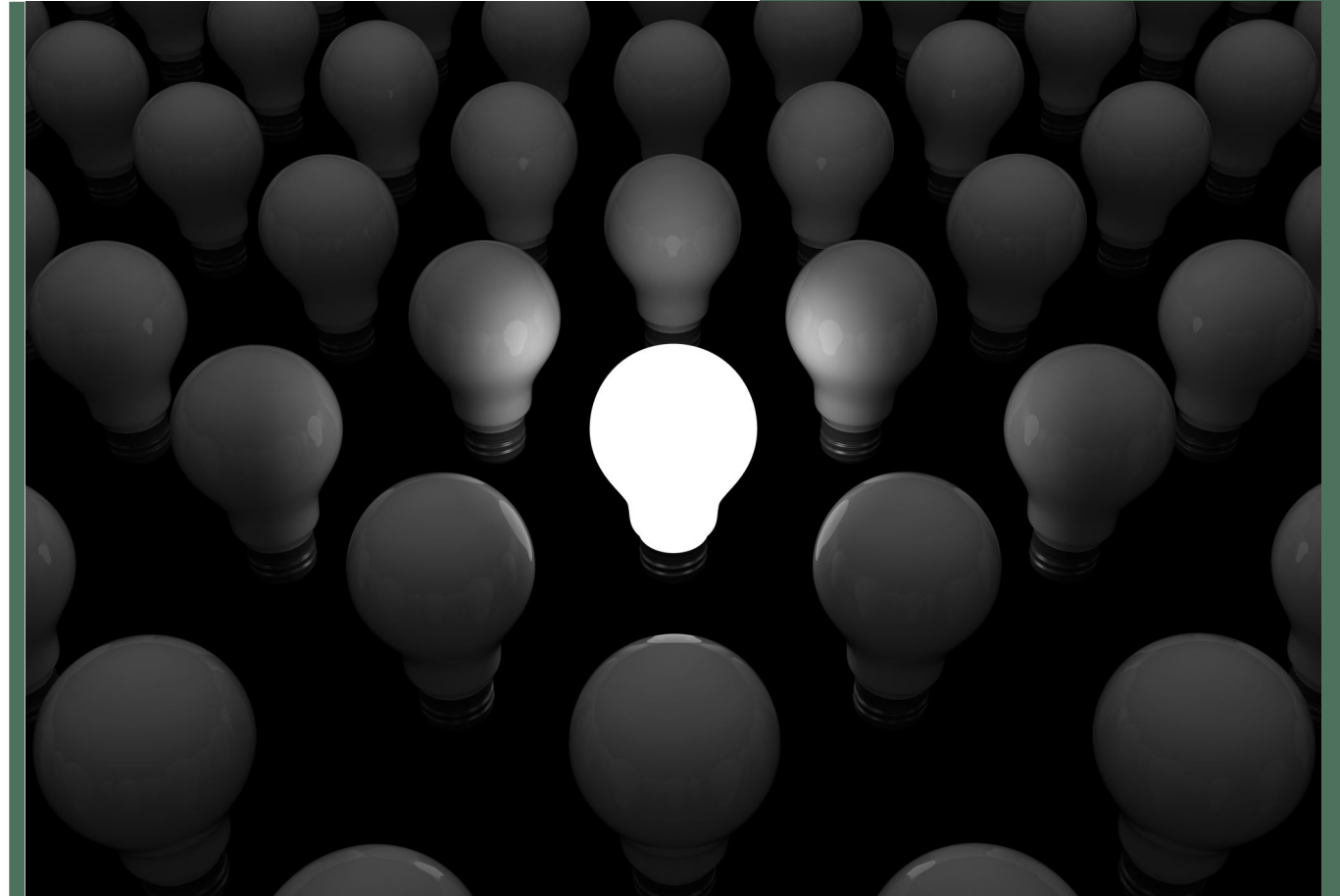
Tax Savings

Total PTO Payouts (Contributions)	\$55,284
Employer FICA Tax Savings	\$4,229
Employee Income Tax Savings	\$8,293
Employee FICA Tax Savings	\$4,229

Assumptions: Current Age, 30; Current Annual Earnings, \$52,000; Rate of Salary Increases, 2.0%; Retirement Age, 65; Ending Age, 90; Starting Balance, \$0; PTO Bank Limit, \$200; Anticipated Contribution: \$100; PTO Payout Rate, 50%; Investment Return, 6.0%; Retirement Return, 4.0%; Income Tax Rate (working), 15%; Income Tax Rate (retired), 12%; Medicare/SS Taxes, 7.65%.

More Ways to Enhance your Benefit Picture

Helps Your Retirement
Benefits Standout



Health Care Exchange

- Available to all MERS retirees and their spouses
- Reduces OPEB liability while maintaining a commitment to providing quality benefits
- Reduced administrative cost and employer challenges as compared to supporting a group plan
- Participants in the MERS Health Care Savings Program can use funds in their account to cover the cost of insurance premiums they pay to the marketplace



Group Life and Disability

- MERS has partnered with The Standard to offer more ways to protect your employees' future
- We leveraged the strength of our membership to provide you with access to group life and disability insurance at affordable group rates
- These highly-valued benefits help attract and retain high-caliber employees

**Life
Insurance**

**Long Term
Disability**

**Short Term
Disability**

Case Study



Northville Township

2024
Nominee



Enhanced retirement savings without increasing unfunded liabilities



Action

- Implemented 457 contributions of a fixed percentage to supplement the defined benefit Public Safety Department employees are accruing.

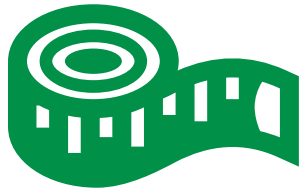
Results

- Police and Fire Departments are fully staffed, with ample candidates for vacancies from retirements. The Township leverages its benefits package and workplace culture when posting open positions.
- Received a 2024 Top Workplaces Award for Culture Excellence in the compensation and benefits category.

Key Takeaways and Resources



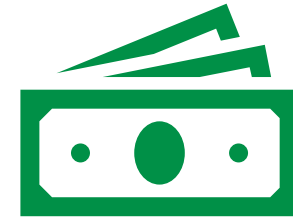
Key Takeaways



There is no one-size-fits-all retirement plan

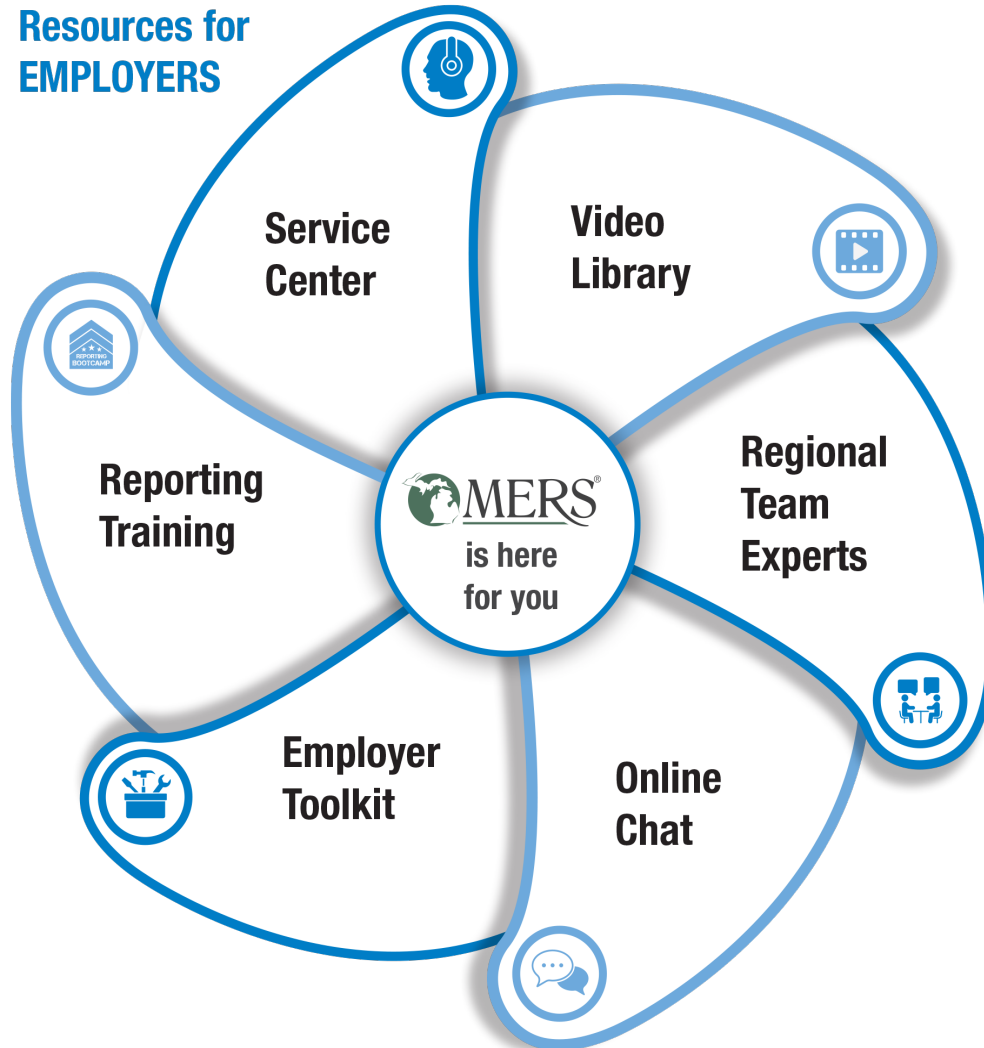


Reach out to your MERS Regional Team when considering adjustments to your retirement benefits package



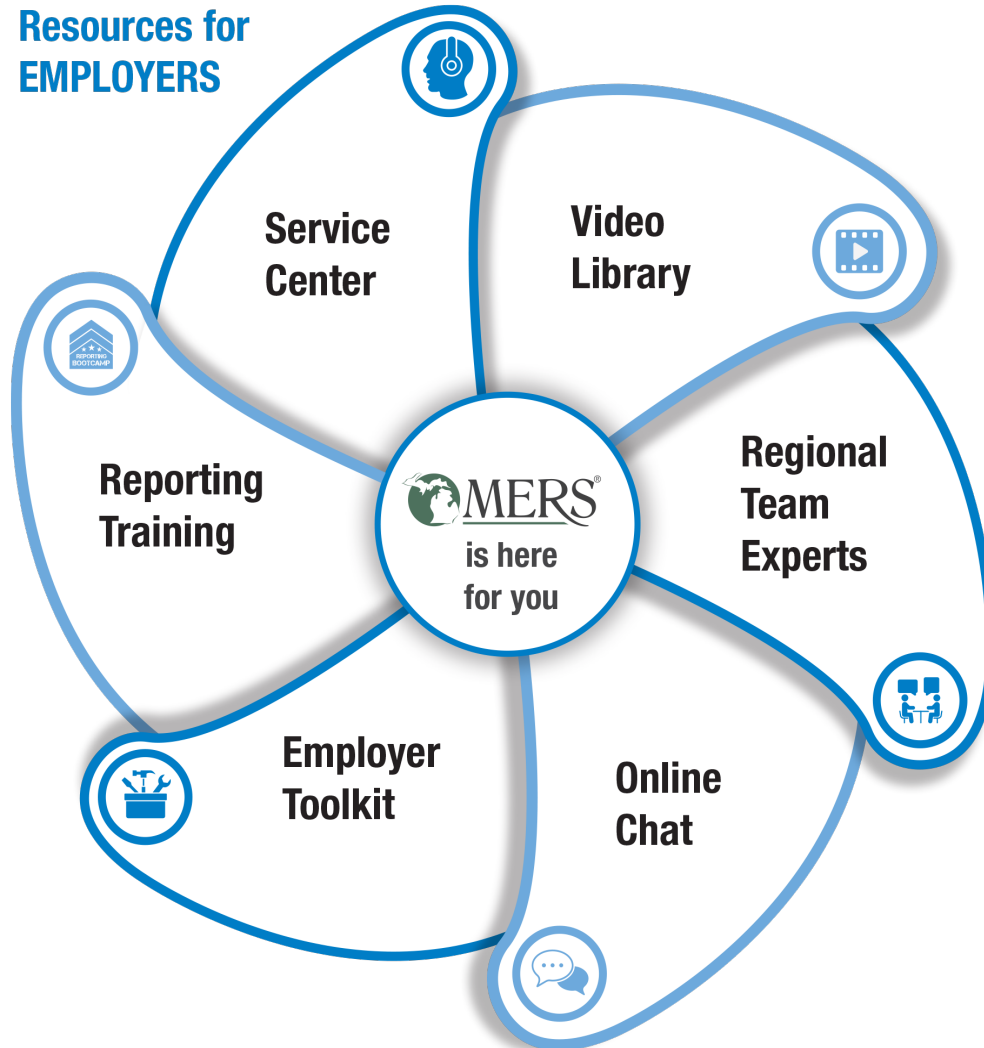
Design a plan to maximize your employees' retirement income

Resources

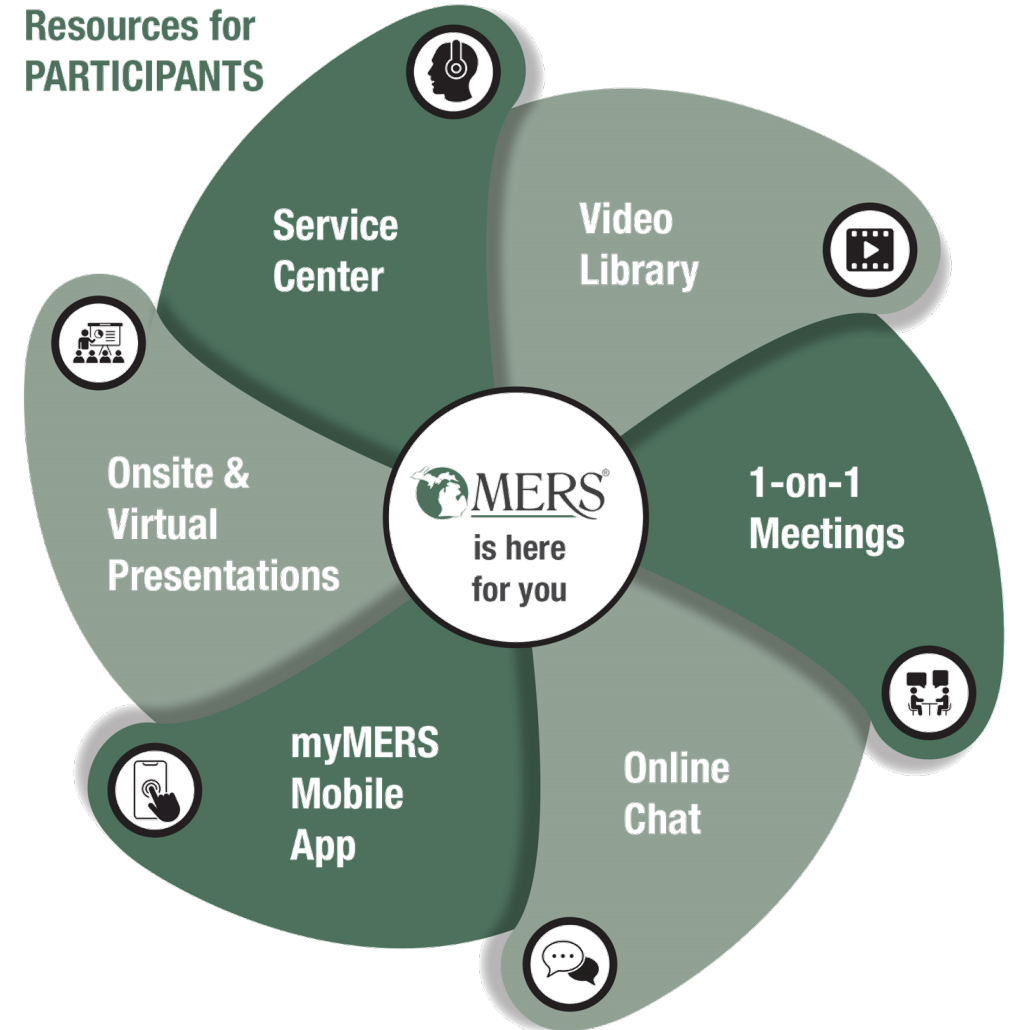


Resources

Resources for EMPLOYERS



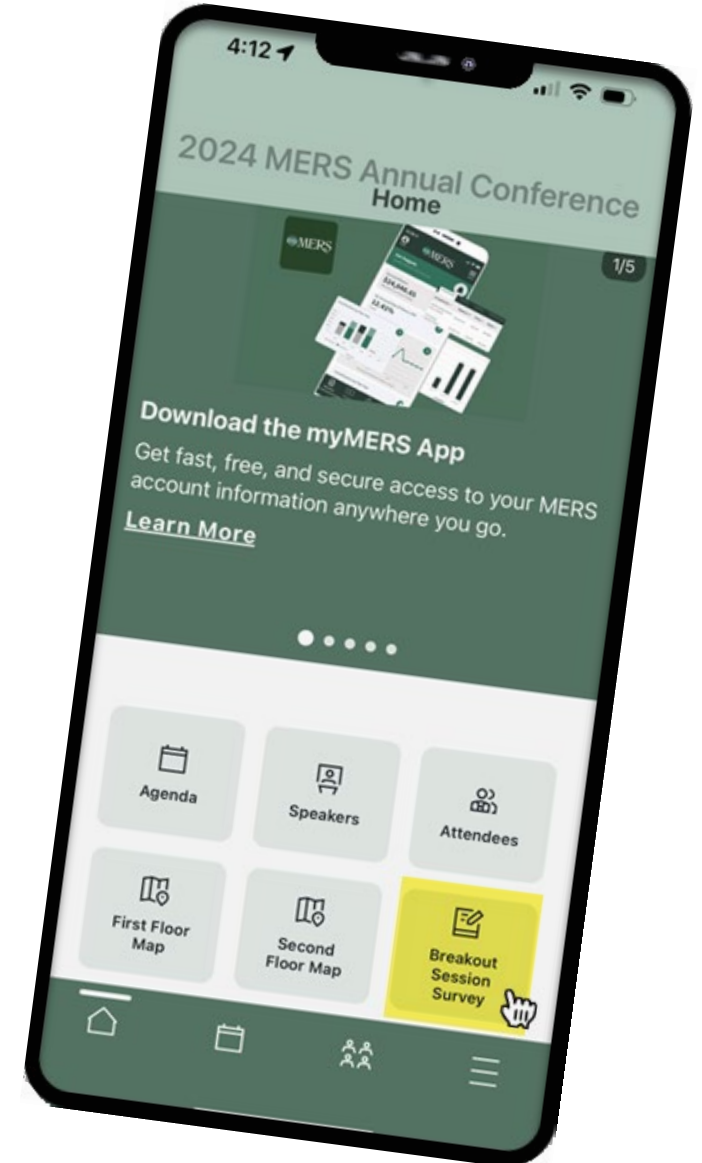
Resources for PARTICIPANTS



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