



MERS Retirement Solutions

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MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

1134 Municipal Way, Lansing, MI 48917 | (800) 767-6377 | www.mersofmich.com

About MERS

- The Municipal Employees' Retirement System of Michigan (MERS) is an independent public non-profit corporation
- We offer comprehensive employee benefit solutions to 84,000 members in over 700 municipalities statewide
 - MERS combines our members' assets for investment purposes only
 - We do not fund or borrow from one municipality's account to cover another municipality's obligation
 - This means MERS administers over 2,000 pension plans in over 700 municipalities



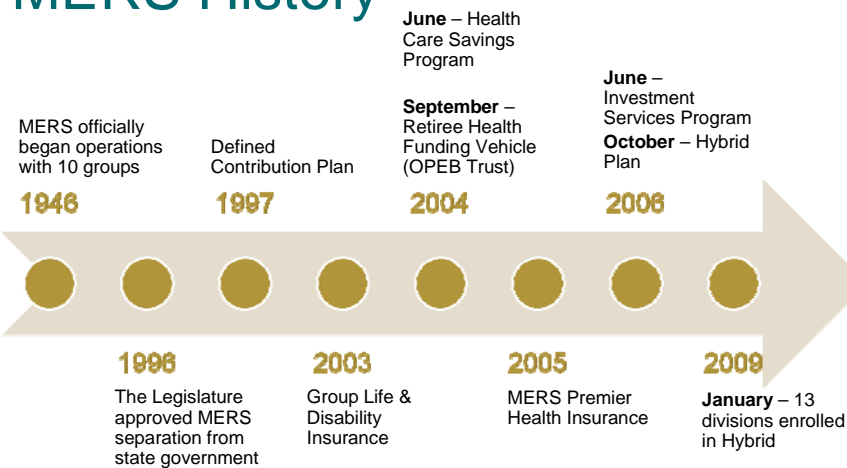
Background

- Challenging economic times
- Fiscal constraints
- Increased required employer contributions
- Michigan Constitution

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MERS History

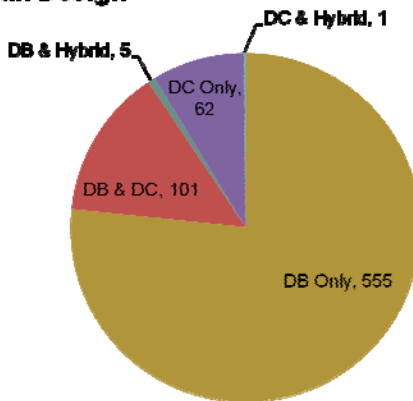


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MERS Offers Solutions

Employers by Plan Design



Numbers as of June 30, 2009



MERS Fiduciary Responsibilities - Fiduciary Fences

MERS Retirement Board is elected by the membership and serves as trustees and fiduciaries to the MERS plan

- Overall goal is for MERS to deliver the benefits to retirees that the municipality promised at the time due, consistent with state and federal law (Internal Revenue Code)
- Foster plan integrity by considering short/long term fiscal impact, actuarial and technological capability



MERS Fiscal Responsibility

- MERS has implemented minimum funding requirement of 80% to adopt increases in benefits
 - Provides “fencing” to liability
 - Preserves long term stability of plan by disallowing increases in benefits unless certain criteria is met
- Amortization Policy
 - Active DB plans
 - Closed DB plan (not available to new hires)



MERS Defined Contribution

Key Features

- Members may purchase the Stable Income Annuity
 - Gives employees a way to transition their DC account to guaranteed income payments for life (or a period of their choice)
- Allows participants access to the DB portfolio (Total Market Fund)

Implications of Switching From DB to DC

- Plan must meet minimum funding requirement
- Requires accelerated funding of any unfunded liabilities for existing employees
 - Initial cost of switching can often be too prohibitive for many organizations



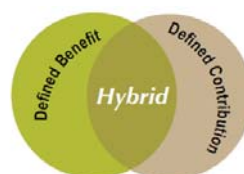
MERS Hybrid

Key Features

- Part I – Defined Benefit
 - Modest multiplier options
 - Once adopted benefits cannot be changed
 - Funded solely by the employer, no member contributions
- Part II – Defined Contribution
 - Vesting and contribution schedules can be collectively bargained
 - Rollovers are allowed
 - May be funded by both the employer and members

Implications of Switching Plans

- Defined Benefit plan must meet minimum funding requirement if offering conversions



Defined Benefit Plan Modifications

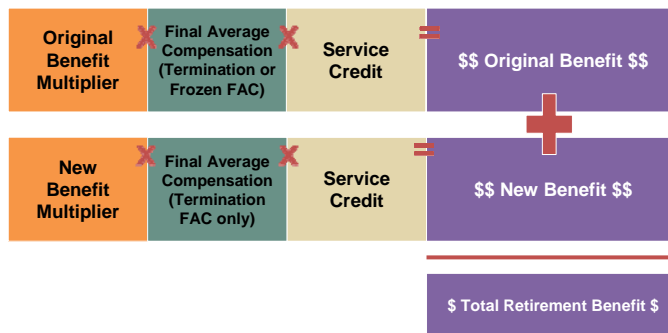
- New hires are covered by a lower tier of retirement benefits
 - New tier is linked to the old so that assets can be used to finance the benefits for members covered by both tiers
 - Reducing the employer cost without the requirement of accelerating funding



Defined Benefit Plan Modifications

Bridged Benefits

- The first part is the original benefit structure the municipality has adopted
- The second part allows for a benefit multiplier change towards the employees' future service
- The two parts are combined at retirement for the complete retirement benefit



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Conditions for Long-Term Success

- A comprehensive view of retirement – coordinating pension and health care benefits
- Sustainable benefit designs – so retirees have lifetime access to income and health care
- Equitable cost-sharing – spreading costs fairly without jeopardizing access to care
- Encourage increased employee retirement savings through tax-deferred contributions and other incentives

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Questions

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