



# Grand Traverse County *MERS Overview*

*January 23, 2019*

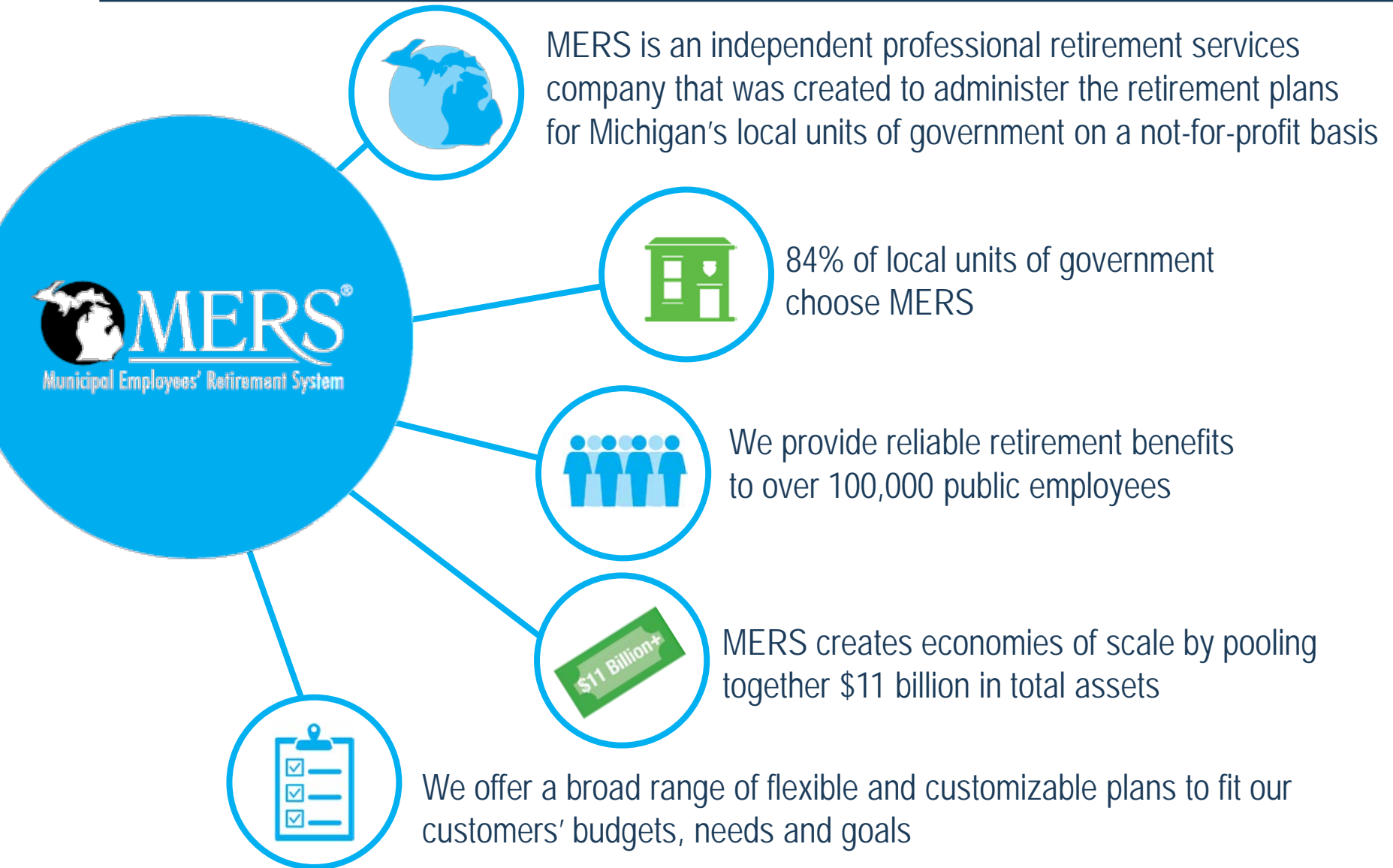


# Agenda

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- Welcome and Introductions
- About MERS
- Investment Governance and Oversight
- Overview of Plans
  - Defined Benefit Plan
  - Defined Contribution Plan
- Resources and Education

# MERS of Michigan



# An Independent Elected Board

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- MERS is governed by an elected board that operates without compensation
- Our board is committed to accountability and transparency, holding the line on costs, and watching out for the best interest of our members
- MERS provides customers with peace of mind because the ***MERS Retirement Board takes on the sole fiduciary responsibility of the plan***



## **MERS Retirement Board**

is responsible for administration of the system with fiduciary responsibility for the investment of assets and oversight.

# 2020 MERS Vision

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**MERS will deliver superior value to our customer by:**

## YOUR NEEDS

Achieving a deeper understanding of **your needs**

## INTUITIVE

Consistently **delivering** services through **intuitive** processes and systems

## PARTNER

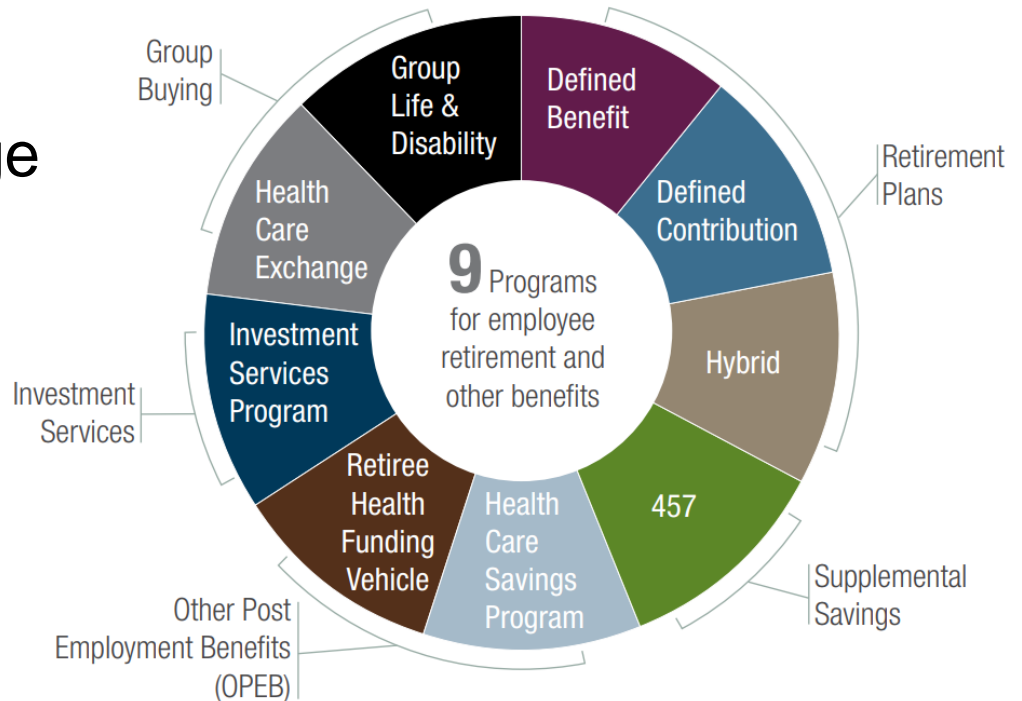
Proactively **partnering** with you to provide options and information that help meet unique workforce and financial needs

## FINANCIAL WELLNESS

Significantly increasing resources and awareness that help participants improve **financial wellness** to be ready for retirement

# One Size Does Not Fit All

- Each municipality has unique needs
- We offer a broad range of customizable plans and services
- We listen to our members and continuously add new products and tools to meet their needs





# Investment Governance and Oversight



# Roles and Responsibilities

## MERS BOARD

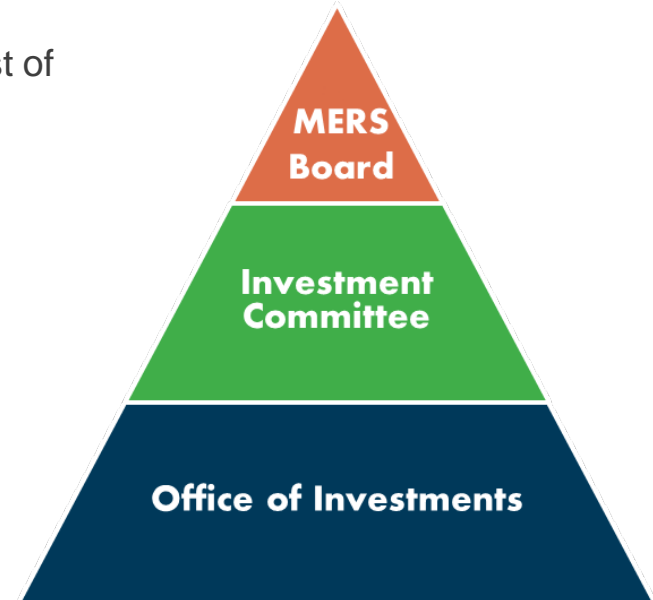
- Functions as sole fiduciary, acting exclusively in the interest of providing benefits to participants and their beneficiaries
- Sets general investment policy, responsible for managing costs, and diversifying the investments

## INVESTMENT COMMITTEE

- Serves as the Board's investment policy development arm
- Approves recommendations to hire and fire core mandate managers

## OFFICE OF INVESTMENTS

- Internal decision making group
- Makes recommendations to Investment Committee
- Responsible for day-to-day investment management activities



## LAW AND REGULATION

- MERS follows Michigan state law and prudent person standards of diligence
- We maintain strict oversight and management with quarterly compliance reviews
- Our assets are invested in accordance with the Public Employee Retirement System Investment Act (PERSIA)

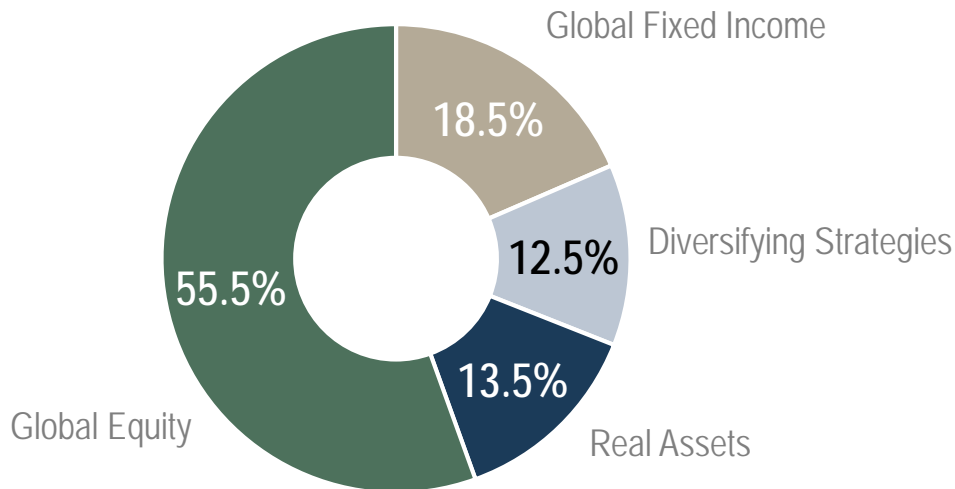


# Investment Policy

## INVESTMENT POLICY STATEMENT

- Outlines the investment goals, objectives and policies of the plan
- Assists in effectively monitoring investments and offers a map to assist in making prudent and informed investment decisions

## 2018 ASSET ALLOCATION POLICY



## PRIMARY INVESTMENT OBJECTIVES

- Exceed the actuarial investment assumption on a long-term basis (7.75% currently)
- Earn a minimum real rate of return of at least 3.5% per year above inflation
- Maintain adequate liquidity to pay benefits
- Adopt a strategic asset allocation plan that reflects current and future liabilities, minimizes volatility and maximizes the long-term total rate of return
- Minimize costs associated through efficient use of internal and external resources

# Investment Philosophy

## OUR PHILOSOPHY

- Capital preservation is paramount — avoiding losses is more important than achieving gains
- Markets are inefficient — they are driven by human emotion which can often be exploited by taking a contrarian, long-term perspective
- Keep it simple — if it cannot be understood, do not invest in it
- Volatility is not a true measure of risk — permanent impairment of capital or shortfall is risk
- Diversification is critical to reduce risk
- Mean reversion drives markets — it is helpful to remember that most investments go through cycles, and cycles imply reversion
- Focus should be on risk-adjusted returns — returns cannot be evaluated without considering the risk taken to achieve those returns



### Performance

MERS consistently **outperforms its benchmarks** and market averages, with a prudent, long-term approach designed to provide downside protection and upside market participation.



For over 20 years, **more than half** of retirement benefits paid have come from MERS' investment earnings, not taxpayer dollars.

# External Investment Managers

## DUE DILIGENCE & SELECTION

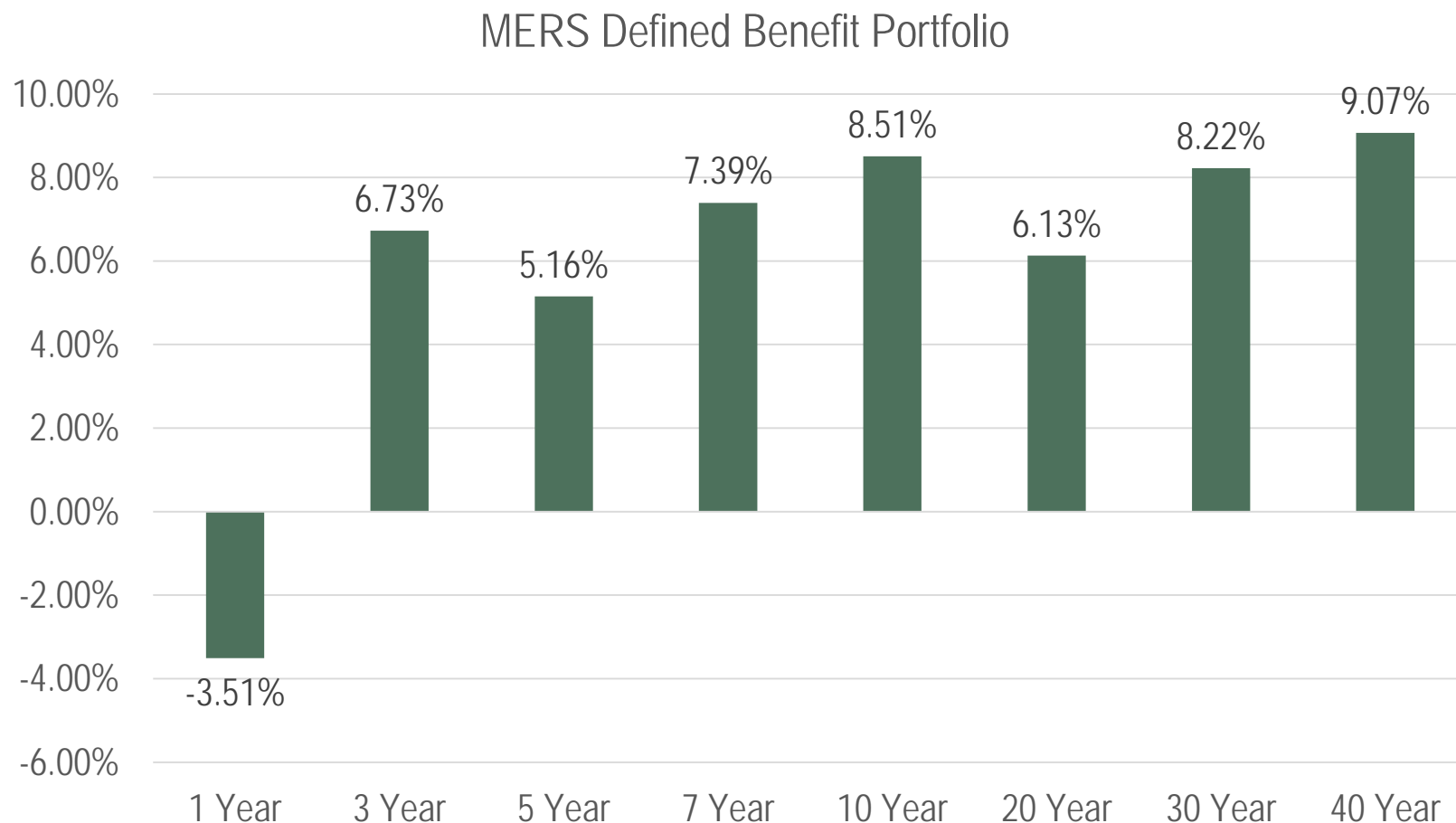
- The goal is to provide a consistent, systematic framework for investment manager due diligence and selection
- Results in hiring best-in-class investment teams
- Seeks to identify what will likely contribute to poor performance before it happens
- Identifies managers that have a great likelihood of repeating success
- Results in true partnership which provides invaluable market insight
- Qualitative assessment focuses on organizational and staff stability, adherence to investment philosophy and process
- Quantitative assessment focuses on performance versus benchmark, peer comparison, and risk analysis

## CRITERIA FOR MANAGER SELECTION

Criteria for Manager Selection	Importance
<b>Organization</b> <i>Structure, size, financial condition, client base</i>	<b>Moderate</b>
<b>People</b> <i>Investment professionals, experience, compensation</i>	<b>Highest</b>
<b>Process</b> <i>Investment philosophy, style, portfolio construction, sell discipline</i>	<b>Highest</b>
<b>Procedures</b> <i>Trading, risk management, compliance, reporting</i>	<b>High</b>
<b>Performance</b> <i>Results relative to an appropriate benchmark and peers</i>	<b>High</b>
<b>Price</b> <i>Investment management fees</i>	<b>Moderate - High</b>

# MERS Long-Term Investment Returns

*As of December 31, 2018*



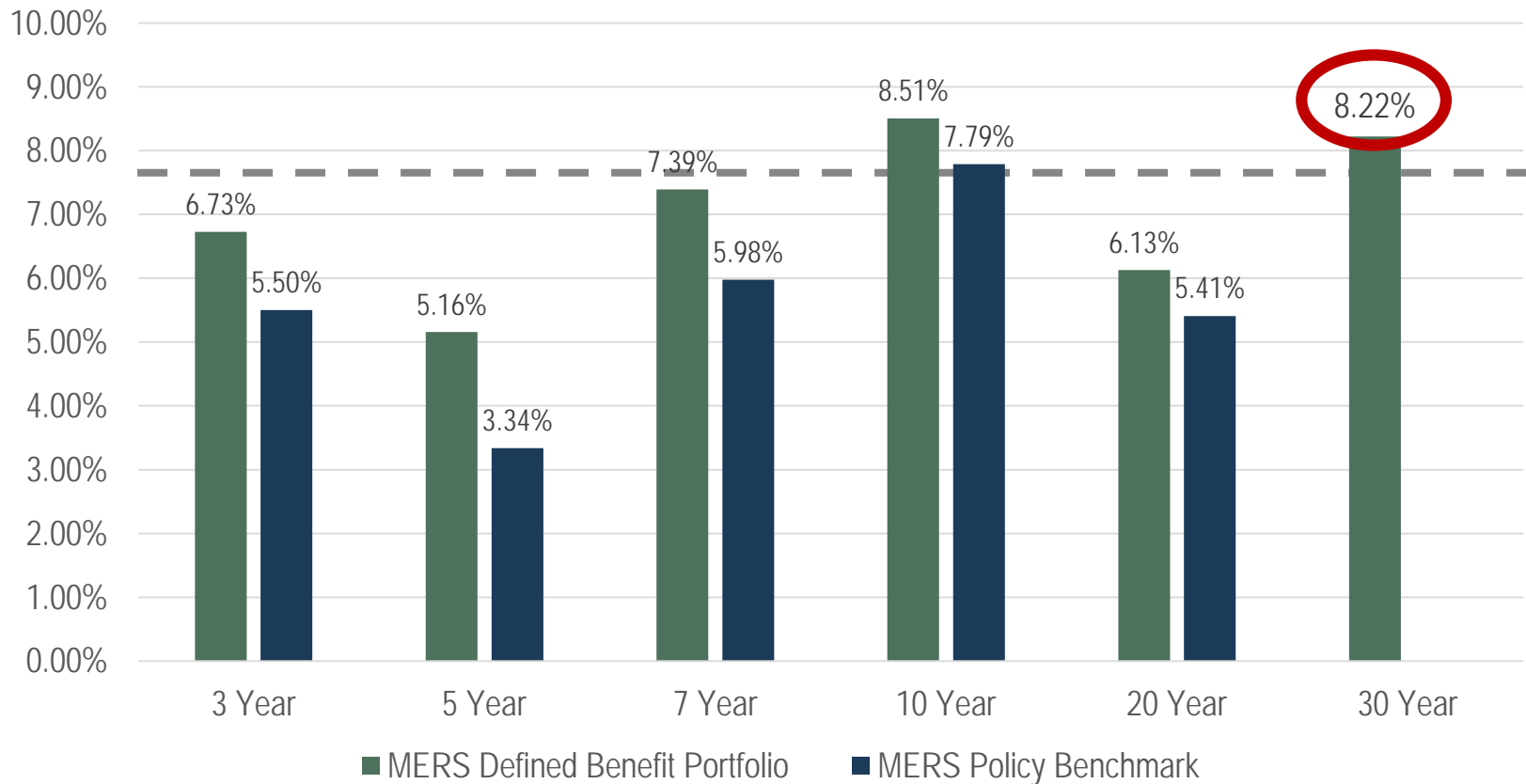
*All rates are shown as gross of fees*

# Year-by-Year Returns (1977-2018)

Year	Rate of Return	Year	Rate of Return	Year	Rate of Return
2018	-3.51	2004	14.90%	1990	2.94%
2017	13.40%	2003	24.72%	1989	19.11%
2016	11.10%	2002	-8.34%	1988	11.19%
2015	-0.85%	2001	-1.91%	1987	5.50%
2014	6.68%	2000	-2.76%	1986	13.55%
2013	15.00%	1999	17.01%	1985	24.33%
2012	11.39%	1998	14.20%	1984	9.33%
2011	2.30%	1997	14.43%	1983	10.64%
2010	14.43%	1996	12.68%	1982	26.69%
2009	17.31%	1995	23.95	1981	3.65%
2008	-24.79%	1994	0.50%	1980	7.62%
2007	8.58%	1993	9.69%	1979	6.26%
2006	13.61%	1992	8.05%	1978	3.89%
2005	6.78%	1991	22.14%	1977	0.95%

# Defined Benefit Portfolio Investment Performance

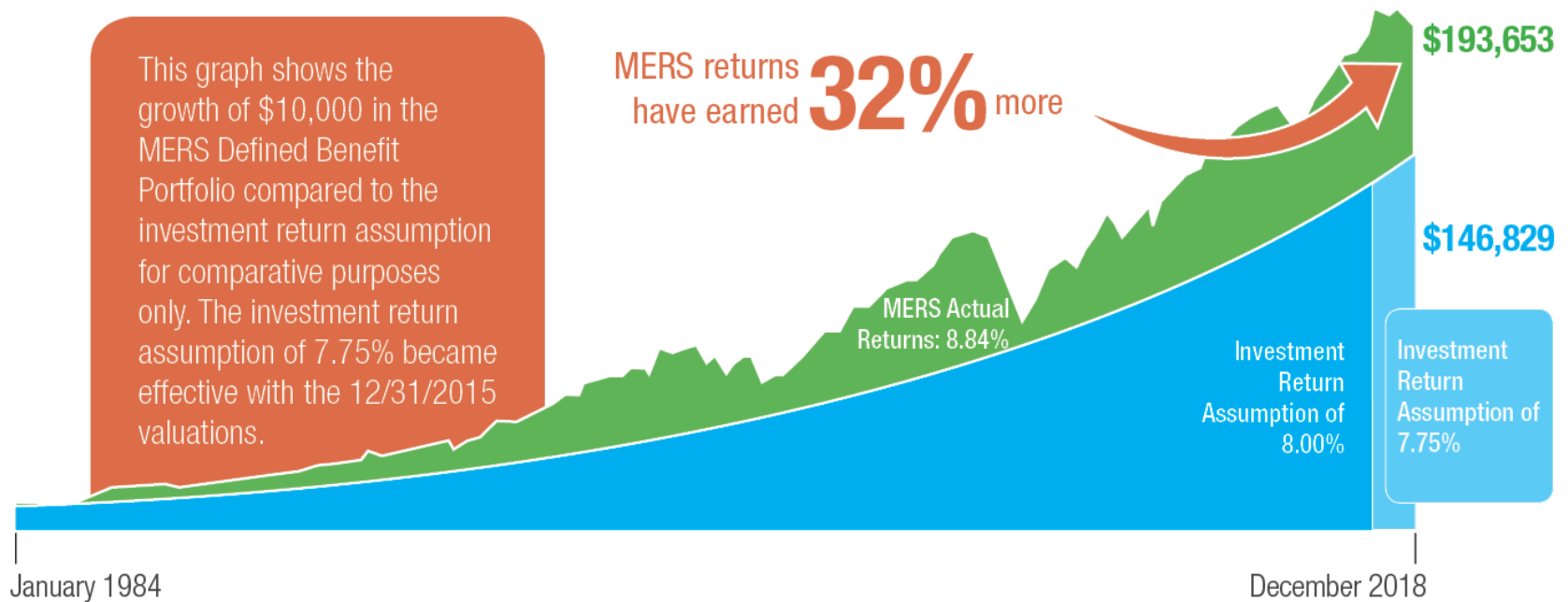
*As retirement plans operate over long-term time horizons, it's important to focus on long-term rates rather than any single year*



*As of December 31, 2018*

# Long-Term Investment Returns

*Actual returns have outperformed the actuarial assumption*

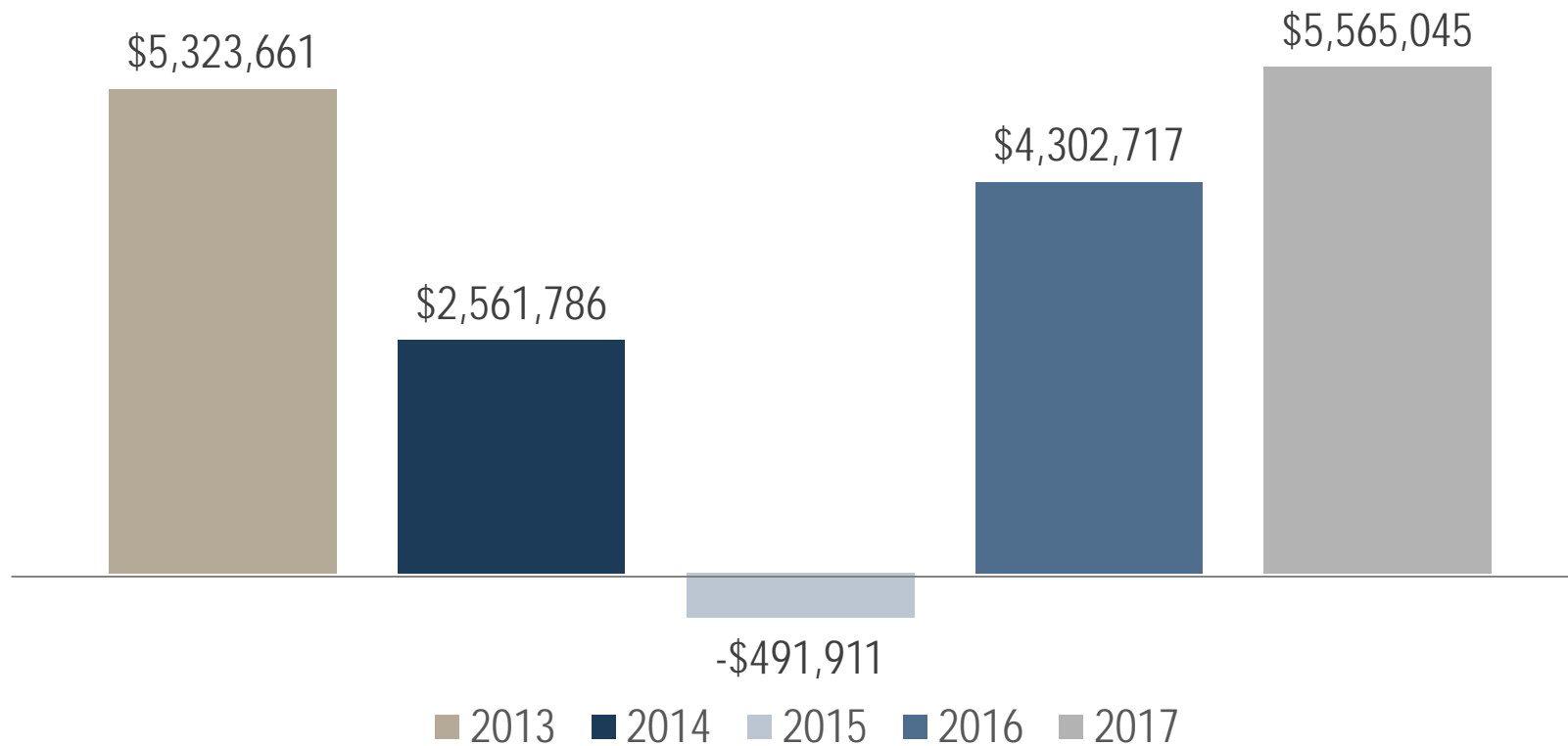




# Investment Returns

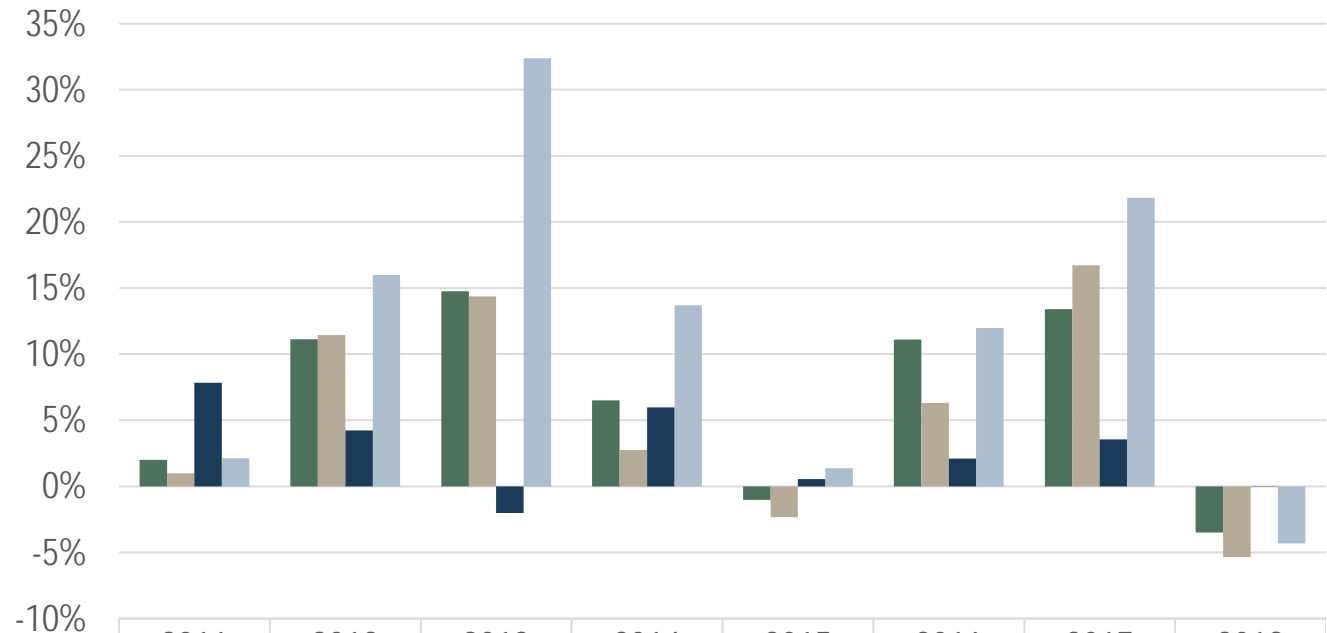
*5-Year History*

## Grand Traverse County Defined Benefit Plan Investment Returns



# Market Benchmarks

## *Calendar Year Returns*

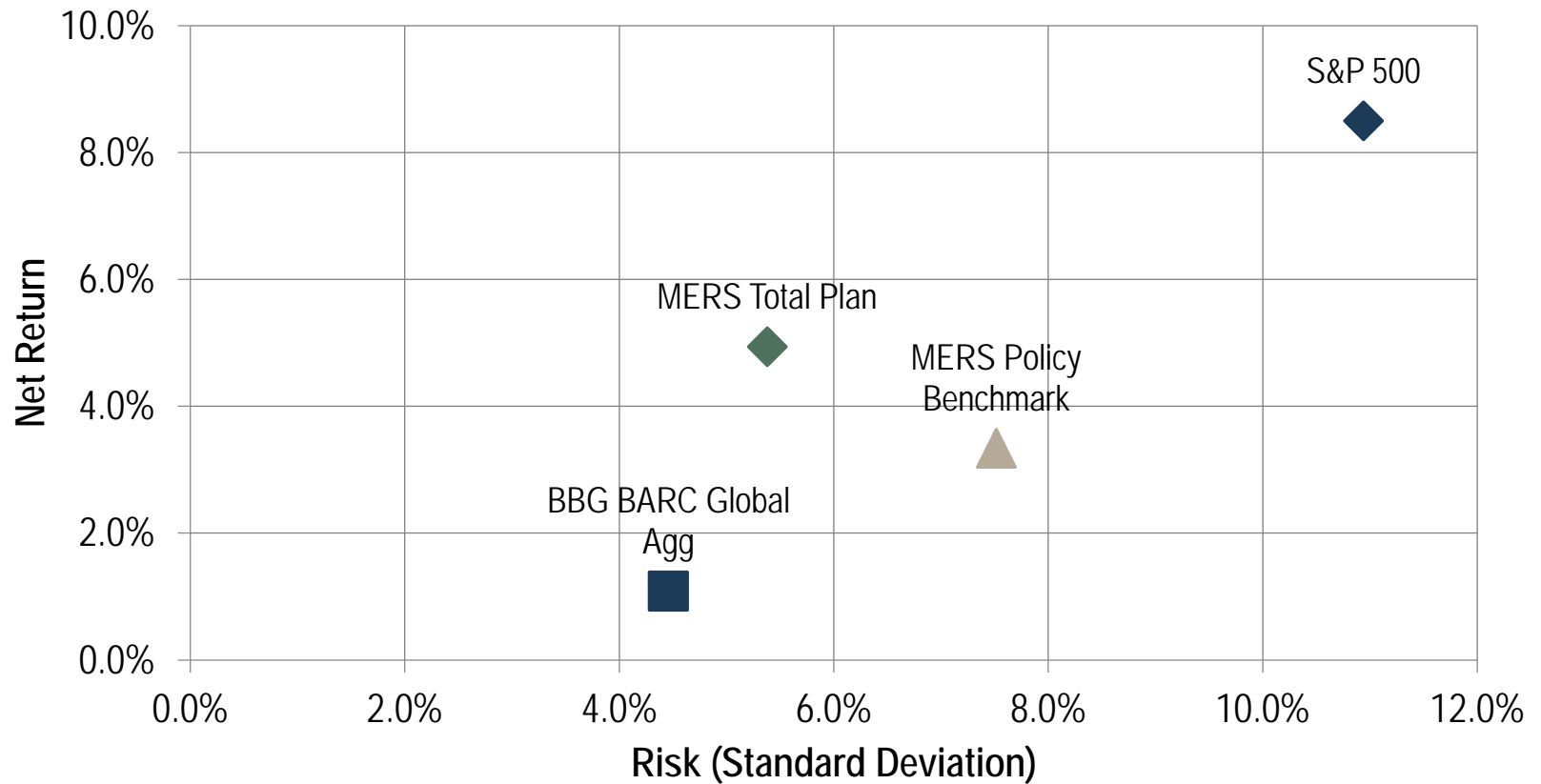


	2011	2012	2013	2014	2015	2016	2017	2018
■ MERS DB Portfolio	2.00%	11.12%	14.75%	6.50%	-1.03%	11.10%	13.40%	-3.51%
■ MERS Policy Benchmark	0.98%	11.43%	14.36%	2.74%	-2.33%	6.30%	16.72%	-5.36%
■ Bloomberg Barclays Global Aggregate	7.84%	4.22%	-2.02%	5.97%	0.55%	2.09%	3.54%	0.01%
■ S&P 500	2.11%	16.00%	32.39%	13.69%	1.38%	11.96%	21.83%	-4.31%

# Market Benchmarks

*5-Year Risk / Return Comparison (Returns Are Net of Fees Through 12/31/2018)*

## 5 Year Risk / Return Comparison





# Defined Benefit Plan

## *How It Works*

# Defined Benefit Plan

Final Average Compensation	X	Service Credit	X	Benefit Multiplier	=	\$ Annual Benefit
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- The benefit formula is comprised of three components:
  - Final Average Compensation (FAC) is average of the highest consecutive wages over a period of time
  - Service Credit is earned for each month of work that meets the employer's requirements
  - Benefit Multiplier is a specific percentage adopted by the employer and typically ranges from 1.0% to 2.5%
- Because in Defined Benefit plan the *benefit is defined*, the *contributions vary* and are determined each year by an actuarial report called and Annual Actuarial Valuation

The County has 14 Defined Benefit divisions, each with unique benefits:

- FAC periods range from 3 to 5 years
- Vesting schedules range from 6 to 10 years
- Benefit multipliers range from 1.25% to 2.8% (which is a non-standard)

Plan participants:\*

- 58 active employees
- 41 vested former employees
- 297 retirees / beneficiaries drawing a pension

\* As of 12/31/2017

# Annual Actuarial Valuation

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- Important tool to help budget for your municipality's retirement benefits
- Prepared by MERS' actuary in conformity with:
  - Generally recognized actuarial principles and practices
  - The Actuarial Standards of Practice issued by the Actuarial Standards Board
  - Compliance with Act No. 220 of the Public Acts of 1996
  - MERS Plan Document
- An Experience Study is conducted every 5 years to compare current assumptions to plan experience
  - The MERS Board is currently reviewing the economic assumptions, with changes likely
  - Review of the demographic assumptions is planned for the Fall of 2019
  - MERS is committed to ensuring customers are provided advanced notice of changes that will impact contributions

## Other Plan Information


- Quarterly Statement of Fiduciary Net Position
- Recent Experience Study, including projected impacts
- Investment Policy Statement
- Investment Performance and Cost
- Plan Handbooks
- Comprehensive Annual Financial Report (CAFR)

# Plan Costs

- Defined Benefit Plan costs vary by each municipality and depend largely on the benefit plan design selected by the municipality
- There are associated MERS administrative and investment costs, which are found on your annual and quarterly statements

## Administrative Costs:

- Plan governance
- On-staff auditor
- Legal counsel
- State and Federal legislative advocacy
- Financial reporting
- Administration of benefits (life changes, participant statements, retirement processing, tax administration, death & disability, etc.)
- Actuarial services
- Participant education and resources



1134 Municipal Way

Lansing, MI 48917

(800) 767-6377

Dean Bott

Grand Traverse County

400 Boardman Ave

Traverse City, MI 49684

Customer Number: 280301

Statement of Fiduciary Net Position  
For the Year Ending 12/31/2017

Reserve for Employee Contributions

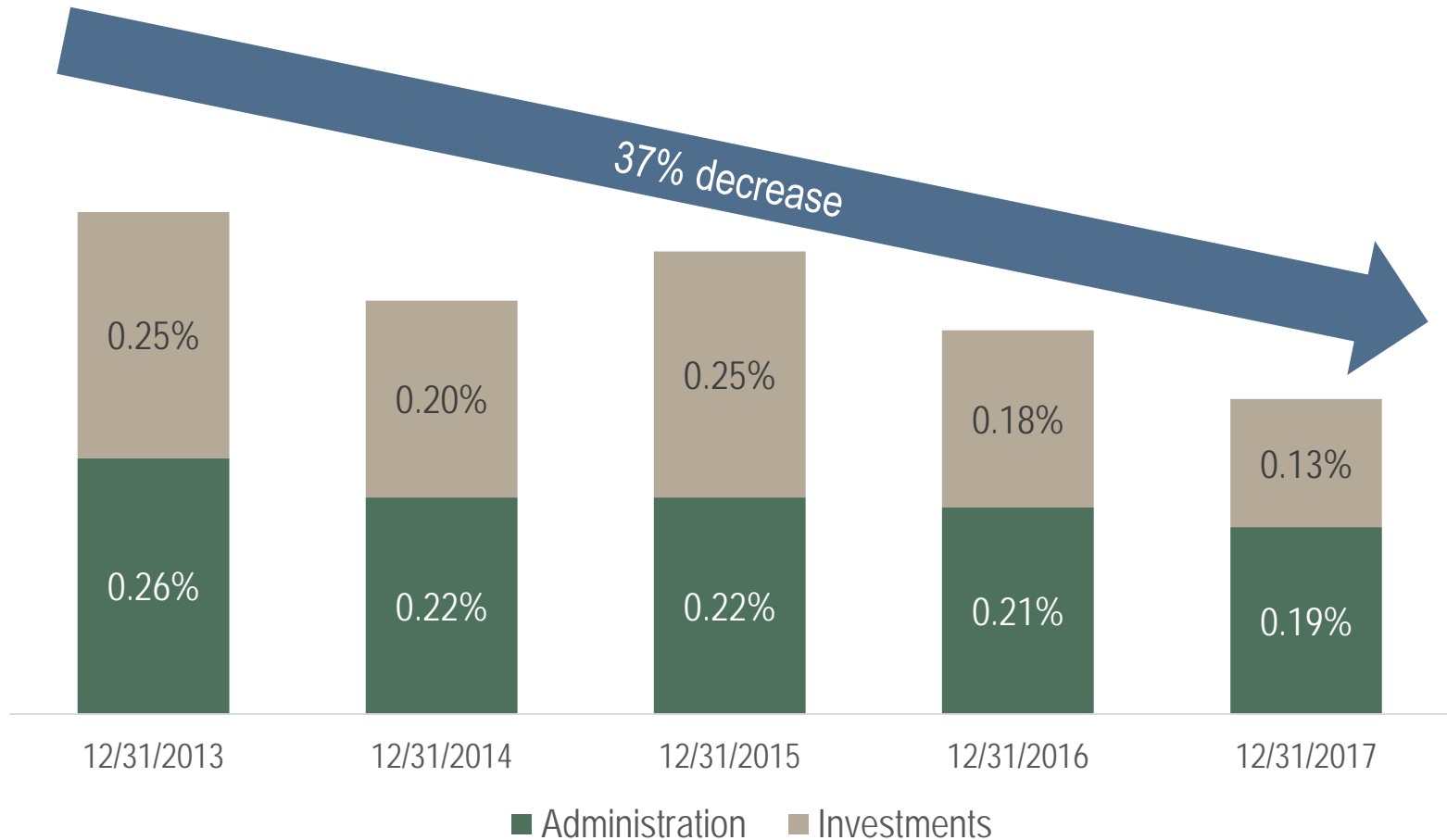
Bargaining Unit	Balance as of 12/31/2016	Invoiced & Other Contributions	Transfers	EE Refunds	Interest on EE Balance	Balance as of 12/31/2017	
28030101	\$55.71	\$1,485.71	(\$944.33)	\$0.00	\$0.98	\$598.07	
28030102	\$95,425.13	\$4,815.29	\$0.00	\$0.00	\$1,679.48	\$101,919.90	
28030110	\$0.00	\$9,813.43	\$0.00	\$0.00	\$0.00	\$9,813.43	
28030111	\$7,873.68	\$5,918.00	(\$7,873.68)	\$0.00	\$0.00	\$5,918.00	
28030112	\$0.00	\$2,971.55	(\$406.39)	\$0.00	\$0.00	\$2,565.16	
28030113	\$1,802.33	\$0.00	(\$1,802.33)	\$0.00	\$0.00	\$0.00	
28030185	\$0.00	\$7,400.00	\$7,107.00	\$0.00	\$2,504.50	\$9,997.37	
28030186	\$0.00	\$521.00	\$129,038.88	\$0.00	\$1,660.61	\$131,202.19	
28030186	\$0.00	\$6,837.00	\$995,639.69	\$0.00	\$12,889.74	\$1,015,224.36	
280301S1	\$0.00	\$243,013.50	\$0.00	\$0.00	\$10,086.91	\$252,985.75	
Total	\$40,266,034.50	\$11,014,004.50	\$9,547.74	(\$7,186,264.11)	\$5,483,208.24	(\$85,820.36)	
Combined Reserves							
	Balance as of 12/31/2016	Invoiced & Other Contributions	Transfers	Benefits Paid	Net Investment Income	Admin Expenses	Balance as of 12/31/2017

Annual Statement of Fiduciary Net Position



# Defined Benefit Plan Costs

*5-year History*



# Prefunding the Benefit

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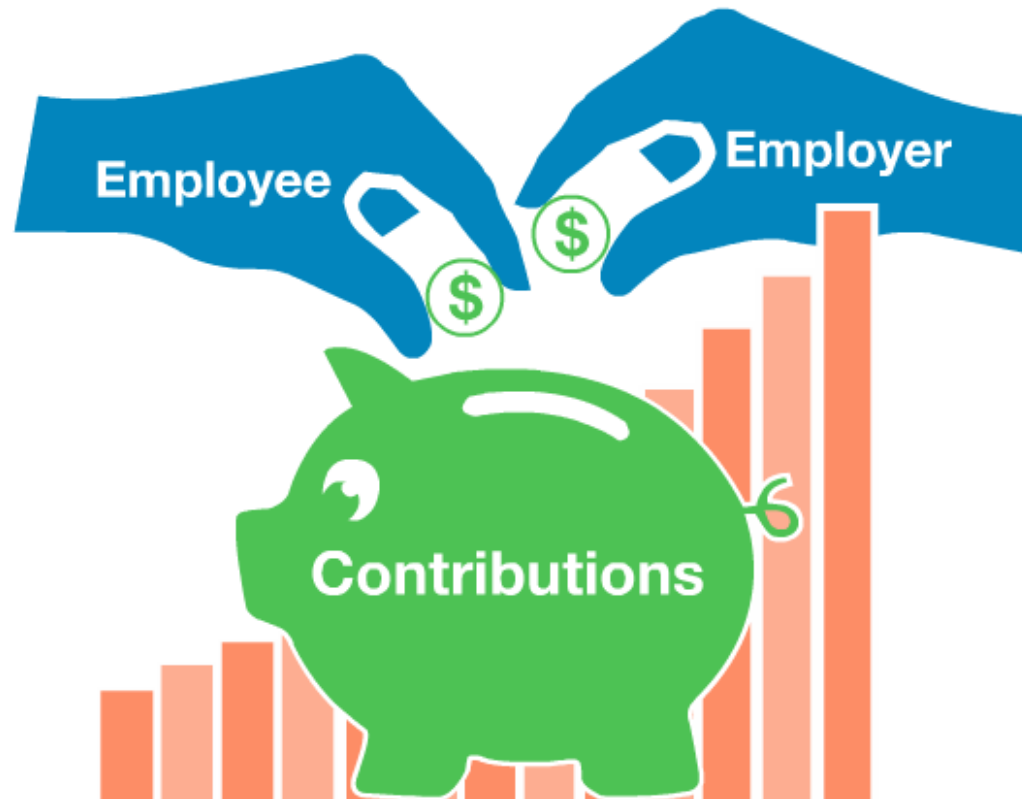
- Defined benefit plans are pre-funded during the employee's career
- Contributions are typically made by both the employee and employer



# Contributions are Invested Long-Term

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MERS strategically invests the contributions with a prudent long-term approach to provide downside protection with upside participation



# Required Employer Contributions

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- Your required employer contribution is calculated using a combination of:
  - The market value of assets
  - Grand Traverse County's benefits
  - Member data
  - Applying amortization and actuarial assumptions and methods

## Grand Traverse County Funded Level

	12/31/2017 *	12/31/2016
<b>Funded Ratio</b>	52%	45%

\* Reflects assets from Surplus divisions, if any.

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# Employer Contributions

Employer contributions are made up of two parts:

**Employer Normal Cost** – Present value of benefits allocated to the current plan year less any employee contributions

**Amortization Payment of Unfunded Accrued Liability** – Payment to reduce any shortfall between liability for past service and assets

*The County's Amortization Extension agreement has an annual contribution of \$5.9M, unless the minimum required contribution is greater*

\* The most recent changes to Division 84 plan design were not reflected in the 2017 AAV.

Employer Contribution Details For the Fiscal Year  
Beginning January 1, 2019

Table 1

Division	Total Normal Cost	Employee Contribut. Rate	Employer Contributions <sup>1</sup>			Computed Employer Contribut. No Phase-In	Computed Employer Contribut. With Phase-In
			Employer Normal Cost	Payment of the Unfunded Accrued Liability <sup>4</sup>			
Percentage of Payroll							
01 - Gnrl Tmstr	6.98%	6.00%	-	-	-	-	-
02 - Deputies POAM	14.01%	2.00%	-	-	-	-	-
10 - Elctd Empl	7.77%	6.00%	-	-	-	-	-
11 - Gnrl NonCntrct	7.13%	6.00%	-	-	-	-	-
12 - AFSCME	6.27%	6.00%	-	-	-	-	-
13 - Circuit Ct	14.08%	0.00%	-	-	-	-	-
14 - Hlth Dept Un	6.21%	6.00%	-	-	-	-	-
15 - Dist Crt Tmstr	6.19%	6.00%	-	-	-	-	-
16 - TPOAM	5.25%	3.00%	-	-	-	-	-
17 - Cirt Crt Spvs	12.31%	0.00%	-	-	-	-	-
18 - Exempt	7.48%	6.00%	-	-	-	-	-
20 - Teamstrs Cmmdnd	15.41%	0.00%	-	-	-	-	-
21 - Dispatch Unit	0.00%	0.00%	-	-	-	-	-
23 - COAM Srgts	13.41%	0.00%	-	-	-	-	-
81 - COA from div 11	0.00%	6.00%	-	-	-	-	-
82 - COA from div 12	0.00%	6.00%	-	-	-	-	-
83 - COA from div 18	0.00%	6.00%	-	-	-	-	-
84 - DPW from div 01	12.03%	0.00%	-	-	-	-	-
85 - DPW from div 11	0.00%	6.00%	-	-	-	-	-
86 - DPW from div 18	7.14%	6.00%	-	-	-	-	-
<b>Estimated Monthly Contribution<sup>3</sup></b>							
01 - Gnrl Tmstr			\$ 71	\$ 38,537	\$ 38,608	\$ 36,772	
02 - Deputies POAM			2,502	49,232	51,734	49,862	
10 - Elctd Empl			170	28,566	28,736	27,570	
11 - Gnrl NonCntrct			98	11,154	11,252	10,818	
12 - AFSCME			11	6,170	6,181	5,889	
13 - Circuit Ct			13,136	26,588	39,724	37,994	
14 - Hlth Dept Un			19	13,815	13,834	12,888	
15 - Dist Crt Tmstr			9	17,051	17,060	16,292	
16 - TPOAM			84	5,532	5,616	2,998	
17 - Cirt Crt Spvs			1,425	7,547	8,972	8,666	
18 - Exempt			274	57,308	57,582	55,508	
20 - Teamstrs Cmmdnd			1,809	43,102	44,911	43,383	
21 - Dispatch Unit			0	2,507	2,507	2,435	
23 - COAM Srgts			3,832	17,490	21,322	20,210	
81 - COA from div 11			0	(617)	0	0	
82 - COA from div 12			0	(23)	0	0	
83 - COA from div 18			0	(821)	0	0	
84 - DPW from div 01			1,274	6,322	7,596	7,226	
85 - DPW from div 11			0	137	137	109	
86 - DPW from div 18			41	4,989	5,030	4,754	
<b>Total Municipality</b>			<b>\$ 24,755</b>	<b>\$ 334,586</b>	<b>\$ 360,802</b>	<b>\$ 343,374</b>	
<b>Estimated Annual Contribution<sup>3</sup></b>			<b>\$ 297,060</b>	<b>\$ 4,015,032</b>	<b>\$ 4,329,624</b>	<b>\$ 4,120,488</b>	

# Amortization Extension Projection

## Municipal Employees Retirement System of Michigan Grand Traverse Co (2803) - All Divisions Projection of Employer Contributions and Funded Ratios

Valuation Year Ending December 31,	Fiscal year Beginning January 1	Baseline: Bridge and Assume Immediate Retirement for Divisions 10, 11, and 18				Proposed: 16 Year Amortization (Reflects FY17 Additional Contribution of \$5.6MM)				
		Actuarial Accrued Liability	Valuation Assets	Funded Ratio	Minimum Employer Contribution Dollars	Actuarial Accrued Liability	Valuation Assets	Funded Ratio	Employer Contribution Dollars	Difference in Employer Contribution
2015	2017	95,953,788	43,314,958	45%	5,239,000	95,953,788	43,314,958	45%	10,737,000	5,498,000
2016	2018	97,050,000	43,407,000	45%	5,782,000	97,050,000	43,407,000	45%	5,900,000	118,000
2017	2019	97,873,000	43,625,000	45%	6,351,000	97,873,000	49,766,000	51%	5,900,000	(451,000)
2018	2020	98,442,000	44,109,000	45%	6,933,000	98,442,000	50,658,000	51%	5,900,000	(1,033,000)
2019	2021	98,777,000	44,924,000	46%	7,495,000	98,777,000	51,286,000	52%	5,900,000	(1,595,000)
2020	2022	98,914,000	47,488,000	48%	7,762,000	98,914,000	53,233,000	54%	5,900,000	(1,862,000)
2021	2023	98,855,000	50,570,000	51%	8,053,000	98,855,000	55,067,000	56%	5,900,000	(2,153,000)
2022	2024	98,545,000	54,263,000	55%	8,319,000	98,545,000	57,175,000	58%	5,900,000	(2,419,000)
2023	2025	97,968,000	58,333,000	60%	8,596,000	97,968,000	59,234,000	60%	5,900,000	(2,696,000)
2024	2026	97,139,000	62,814,000	65%	8,882,000	97,139,000	61,272,000	63%	5,900,000	(2,982,000)
2025	2027	96,086,000	67,797,000	71%	9,180,000	96,086,000	63,335,000	66%	5,900,000	(3,280,000)
2026	2028	94,766,000	73,307,000	77%	9,493,000	94,766,000	65,402,000	69%	5,900,000	(3,593,000)
2027	2029	93,187,000	79,425,000	85%	1,492,000	93,187,000	67,500,000	72%	5,900,000	4,408,000
2028	2030	91,352,000	86,235,000	94%	1,246,000	91,352,000	69,654,000	76%	5,900,000	4,654,000
2029	2031	89,273,000	85,182,000	95%	1,009,000	89,273,000	71,897,000	81%	5,900,000	4,891,000
2030	2032	86,970,000	83,749,000	96%	994,000	86,970,000	74,269,000	85%	5,900,000	4,906,000
2031	2033	84,434,000	81,922,000	97%	969,000	84,434,000	76,788,000	91%	879,000	(90,000)
2032	2034	81,647,000	79,897,000	98%	995,000	81,647,000	79,461,000	97%	901,000	(94,000)

### Notes:

- (1) The Actuarial Accrued Liability, Valuation Assets, and Funded Ratio are calculated as of December 31.
- (2) Contributions are calculated for the applicable fiscal year.
- (3) The impact of the assumption changes is phased-in over a 5 year period. This phase-in is reflected in only the Baseline scenario.
- (4) The Proposed Scenario reflects a phase-in minimum of \$5,136,732 and an additional contribution of \$5,600,000 during Fiscal Year 2017.
- (5) The Proposed Scenario uses 16 year amortization periods for all divisions except divisions 13 and 17.

# Employee Contributions

Valuation Date:	Employee Contribution Rate	
	12/31/2017	12/31/2016
<b>Division</b>		
01 - Gnrl Tmstr	6.00%	0.00%
02 - Deputies POAM	2.00%	2.00%
10 - Elctd Empl	6.00%	10.00%
11 - Gnrl NonCntrct	6.00%	10.00%
12 - AFSCME	6.00%	0.00%
13 - Circuit Ct	0.00%	0.00%
14 - Hlth Dept Un	6.00%	0.00%
15 - Dist Crt Tmstr	6.00%	0.00%
16 - TPOAM	3.00%	0.67%
17 - Cirt Crt Spvs	0.00%	0.00%
18 - Exempt	6.00%	10.00%
20 - Teamstrs Cmmnd	0.00%	0.00%
21 - Dispatch Unit	0.00%	0.00%
23 - COAM Srgts	0.00%	0.00%
81 - COA from div 11	6.00%	0.00%
82 - COA from div 12	6.00%	0.00%
83 - COA from div 18	6.00%	0.00%
84 - DPW from div 01	0.00%	0.00%
85 - DPW from div 11	6.00%	0.00%
86 - DPW from div 18	6.00%	0.00%

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As of 12/31/2018:

- 73% of MERS municipalities require employee contributions
- For municipalities that do:
  - The average employee contribution rate is 5.2%
  - For divisions that have a 2.5% multiplier, the average is 5.3%
  - For divisions with a 2.8% multiplier, the average is 6.3%

*Effective January 1, 2019, divisions 2, 20, 21 and 23 have a 3% employee contribution rate.*



# Alternative Scenarios

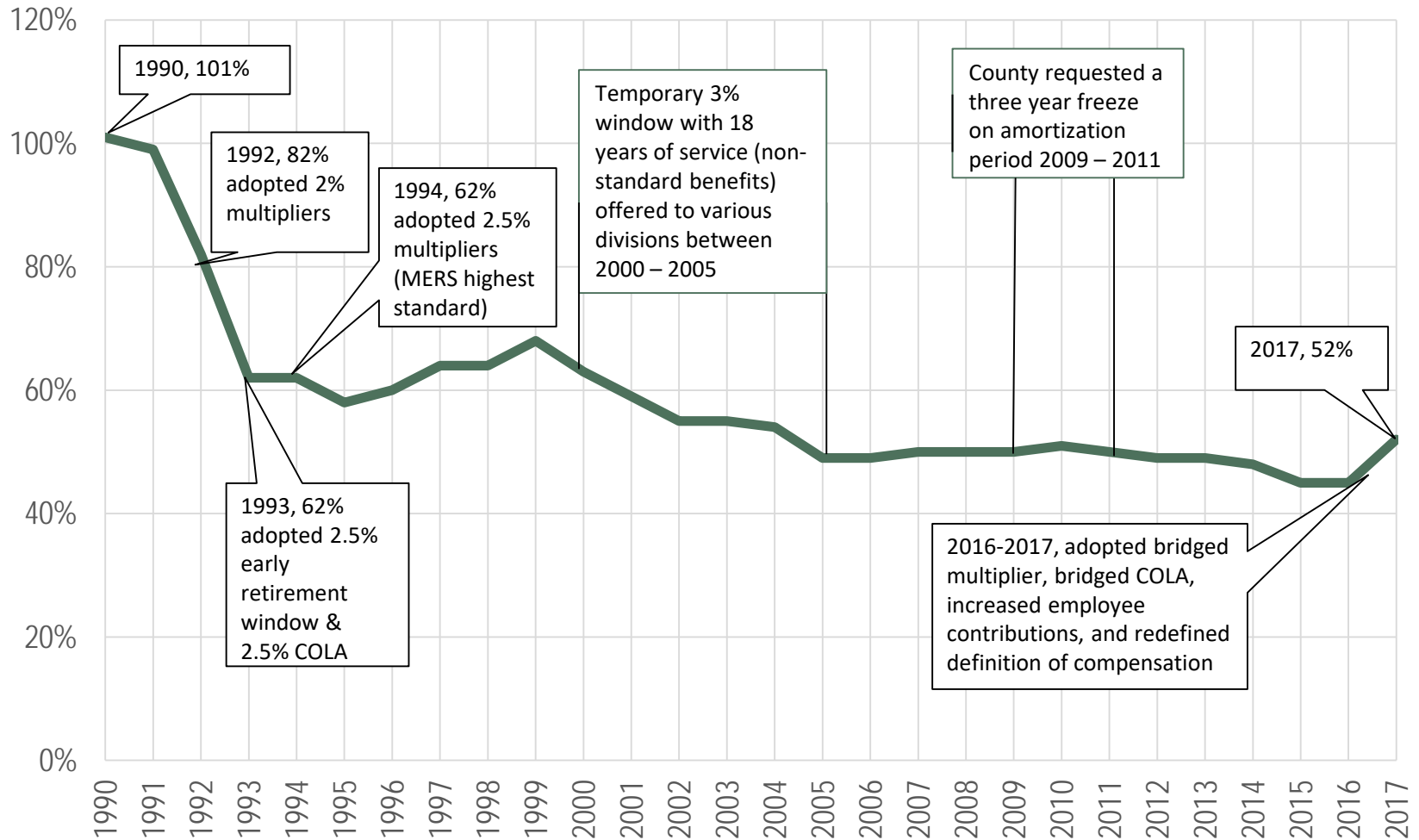
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## Projections

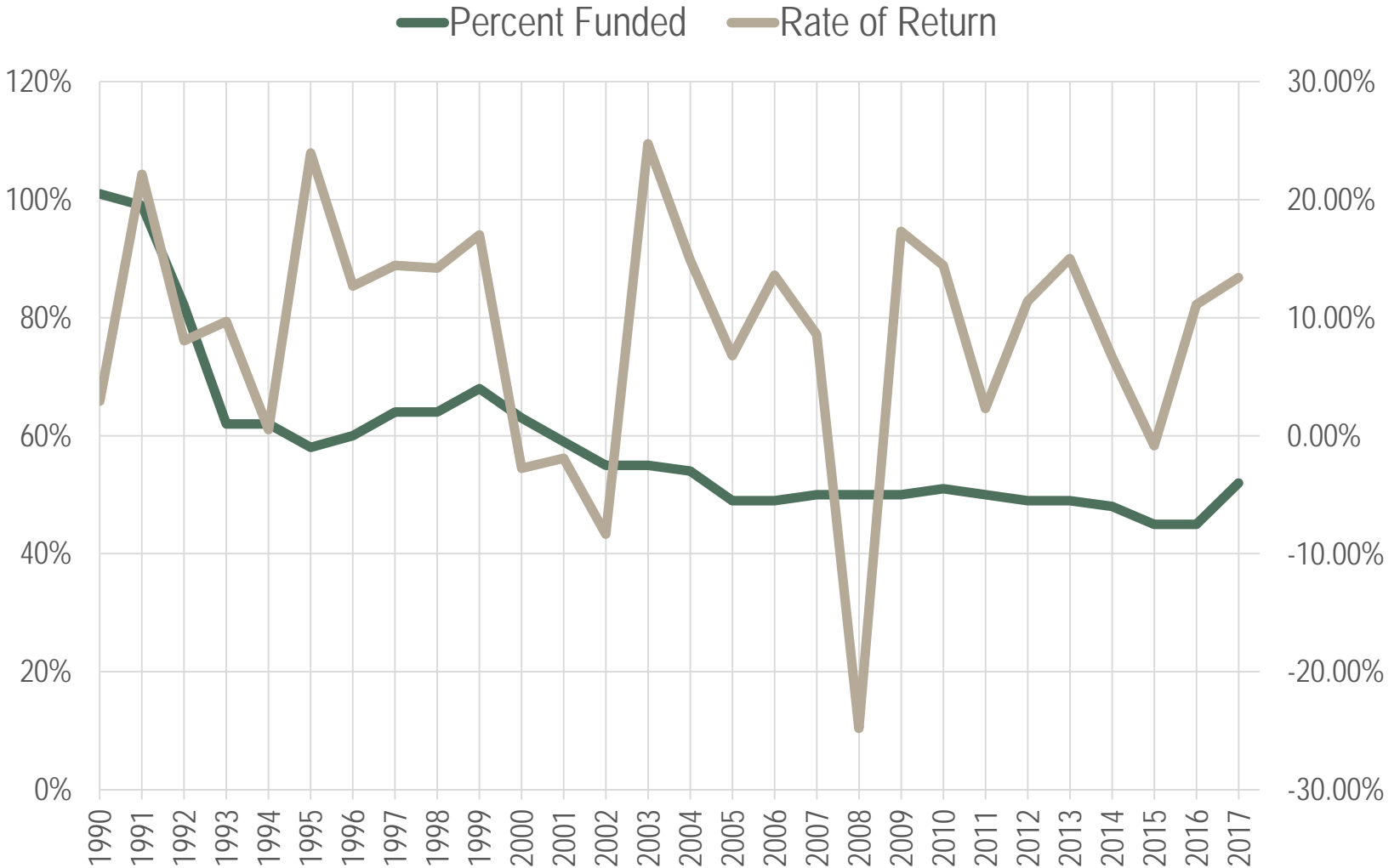
- MERS strongly encourages employers to contribute more than the minimum required contributions
- Currently GTC has an amortization extension agreement that states GTC will contribute a minimum of \$5.9 million or the actuarial determined contribution, whichever is greater
- MERS is currently compiling projections using three assumed rates of return – 7.75%, 6.75% and 5.75%
- This alternative scenario tool will project the circumstances under which the actuarial determined contribution may exceed the current \$5.9 million required contribution

# Defined Benefit Plan Provisions and Funding History

Grand Traverse Funding History



# Defined Benefit Plan Funding and Rate of Return History



*Investment rate of return is gross of fees.*

# Recent Changes to Plan Design

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The County has made several plan design changes, which provide some long-term and immediate cost savings.

## Defined Contribution Plan

- For new hires beginning in 2000
- The last division transitioned in 1/1/2016
- Employer contributions range from 3%-9%

## Bridging Benefits

- Implemented in 2017 for four divisions
- The multiplier was reduced from 2.5% to 1.25% going forward for active employees

## Plan Structure Changes

- COA and DPW carve-out divisions were created 1/1/2018
- COA divisions were fully funded at the time they were created
- 12/1/2017 definition of compensation amended for divisions 01, 12, 14, 15, 82 and 84

# Recent Changes that Impact Funding

The County and MERS also worked together to develop several funding strategies for retirement plan and other post-employment benefits.

## Amortization Period

- Extended from 12 to 16 years for 12 divisions effective 1/1/2017
- One-time contribution of \$5.6 M, and annual contributions of \$5.9 M required each year until 2032
- Excess payments above annual minimum required contribution will be deposited into a surplus division

## Cost Sharing

- Adopted 6% employee contributions, effective 1Q 2017, for those divisions that bridged
- Adopted a 3% employee contribution rate for divisions 2, 20, 21 and 23; effective 1/1/2019

## OPEB

- Adopted MERS Retiree Health Funding Vehicle as a means to pre-fund other post-employment benefits (OPEB)
- The County determines level of annual contributions
- Funds are invested under the MERS Investment Menu



# Defined Contribution Plan

## *How It Works*

# Defined Contribution Plan

Employer Contributions	+	Employee Contributions	+	Earnings or Losses in the Market	-	Fees	=	\$ Account Balance
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- As a qualified retirement plan under Section 401(a) of the Internal Revenue Code, employees are not taxed on contributions or earnings until assets are withdrawn
- All eligible employees must participate in the plan
- The employer establishes the contribution structure
- Once elected, employees cannot change their contributions to the plan

The County has three Defined Contribution divisions, each with unique benefits:

- Employer contributions range from 3%-6%, with an additional match of 3% available
- Employee contributions are not required, but employees can elect to contribute 3% to earn the employer match
- Vesting schedule:
  - 3 years = 25%
  - 4 years = 50%
  - 5 years = 75%
  - 6 years = 100%
- Loans are allowed

Plan participants

- 425 active employees



# Investment Menu Oversight

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- Our streamlined investment menu is a sophisticated set of options selected by our experienced investment professionals
- MERS performs the necessary research, due diligence and monitoring to ensure high-quality options
- Our pre-built portfolio funds use outside institutional investment managers that are selected and monitored by the MERS Office of Investments and MERS Retirement Board

# Is a Bigger Investment Menu Better?

Psychologists have concluded that an overload of options can paralyze people or push them into decisions that are against their own best interest



## When Less is Actually More

A study on shopping behavior experimented with jam displays. One table held 24 varieties of gourmet jam; the other held only 6 varieties. The large display attracted more interest, but people were 1/10<sup>th</sup> as likely to buy from the large display as from the small display.

The same principle of “less is more” was found to apply to participation rates in retirement programs. A large number of fund choices actually *discourages participation* amongst even well informed participants.<sup>1, 2</sup>

<sup>1</sup> Mottola, Gary and Utkus, Stephen. “Can There Be Too Much Choice In a Retirement Savings Plan?” The Vanguard Center for Retirement Research, June 2003

<sup>2</sup> Schwartz, Barry. “More Isn’t Always Better.” Harvard Business Review, 01 June 2006. Web. 24 Feb. 2016

# Simplified Investment Options

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- Understanding the decision-making process has helped us design a strategic investment menu
- Grouping investment options into logical categories helps participants easily create fully diversified portfolios

## Investment Categories



### *"Do it for me"*

Fully diversified target date funds that automatically adjust over time



### *"Help me do it"*

Prebuilt portfolios that are monitored and rebalanced quarterly

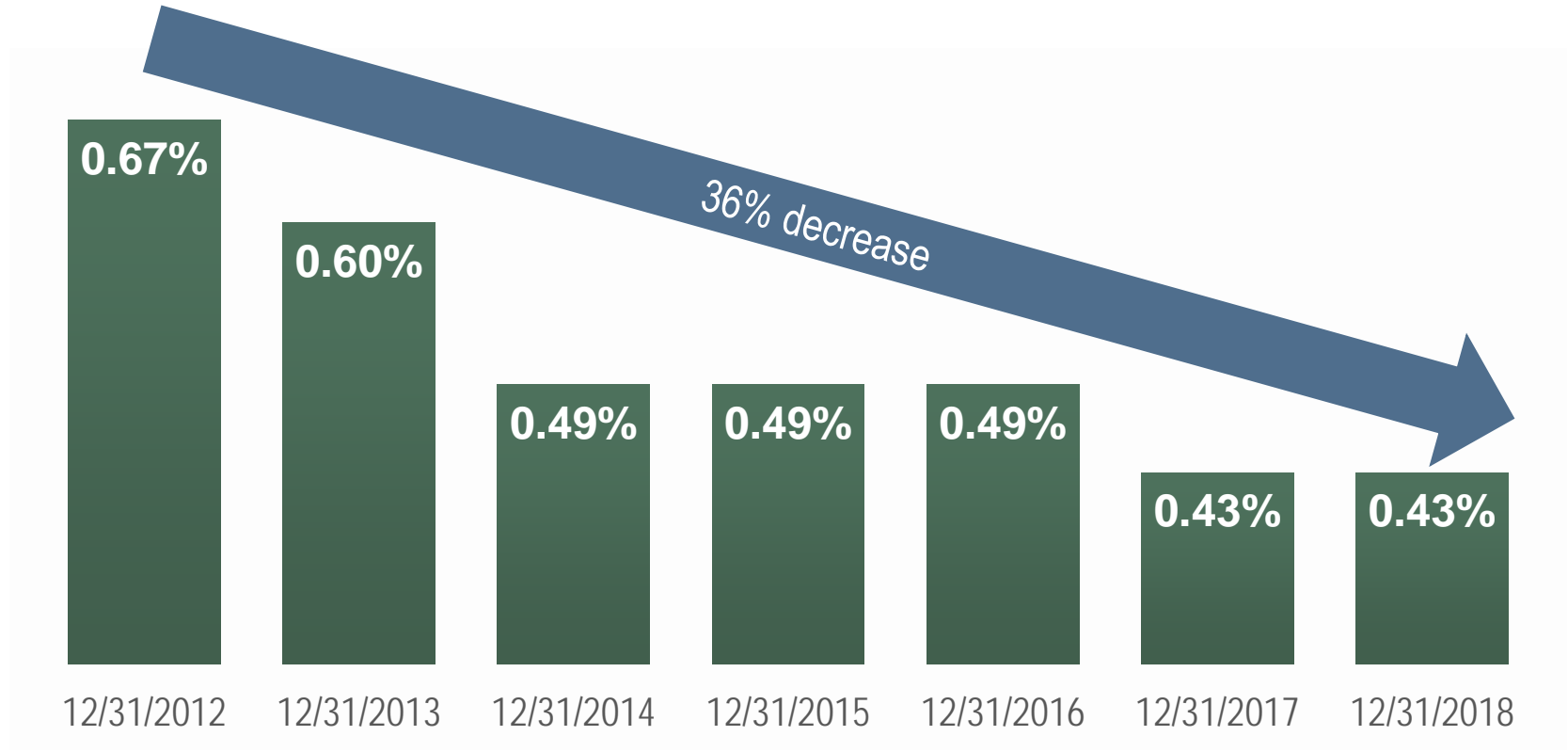


### *"I'll do it myself"*

Self-Directed Brokerage Account to access funds outside of MERS\*

# A History of Cost Reduction

*Weighted Average Fund Expense*



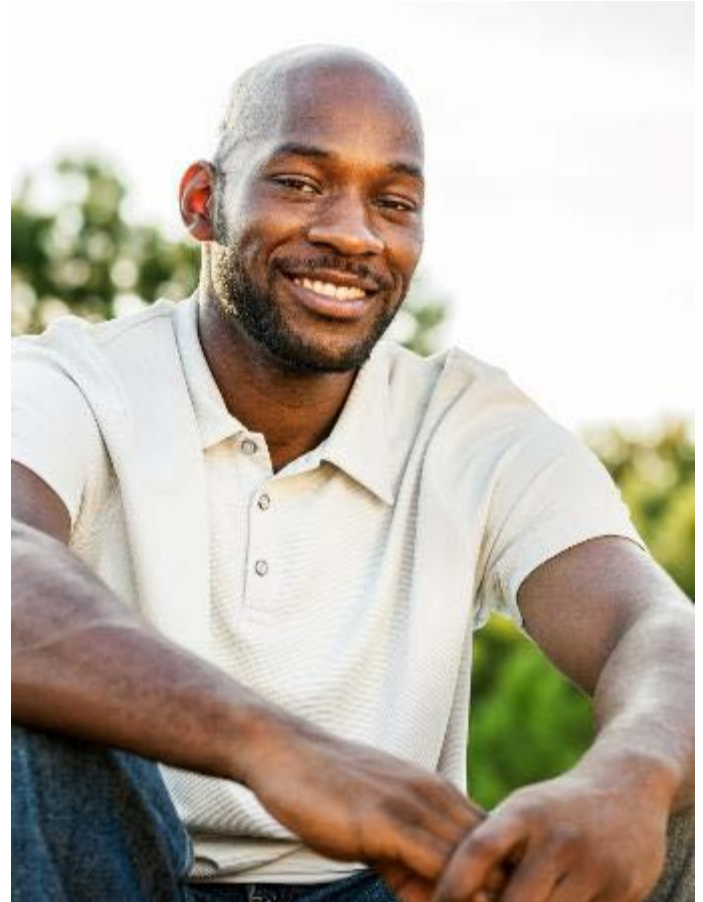
The MERS weighted average fund cost is determined by the percentage of assets participants invest in each fund offered on the MERS Defined Contribution Plan and MERS 457 Program Investment Menu.

# Why Fund Costs Matter

*How much impact can a 1% difference have on retirement income?*

## Meet John

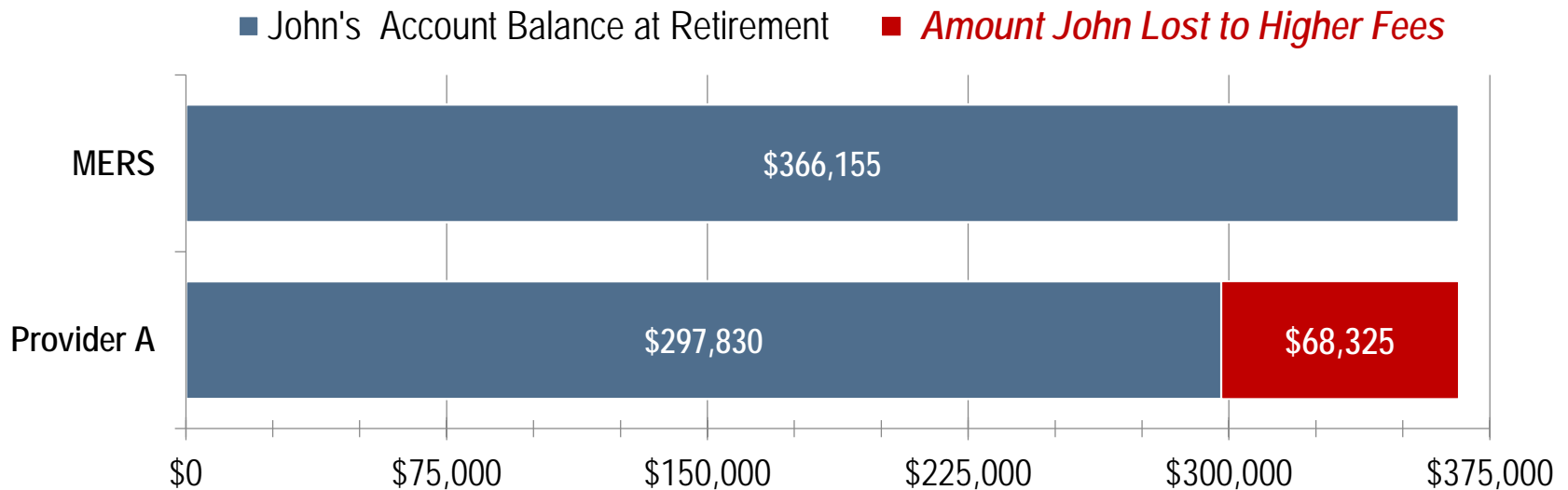
- John is 30 years old
- He currently makes \$48,000/year, and anticipates a 2% annual salary increase
- John makes bi-weekly contributions of 5% of his salary into his retirement account
- His account currently has a \$5,000 balance
- He expects a 7% investment return *before factoring in investment expenses*
- John plans to retire at age 62
  - He plans to receive equal monthly payments over 28 years (until age 90)
  - He anticipates a lower investment return of 5% during his retirement *before factoring in investment expenses*



# Comparing Providers *Balance at Retirement*

A comparison report can help an employer gauge the impact of higher costs during the ***accumulation phase*** of an average employee.

A 1% difference in fund expenses would provide John with  
**23% more at retirement!**

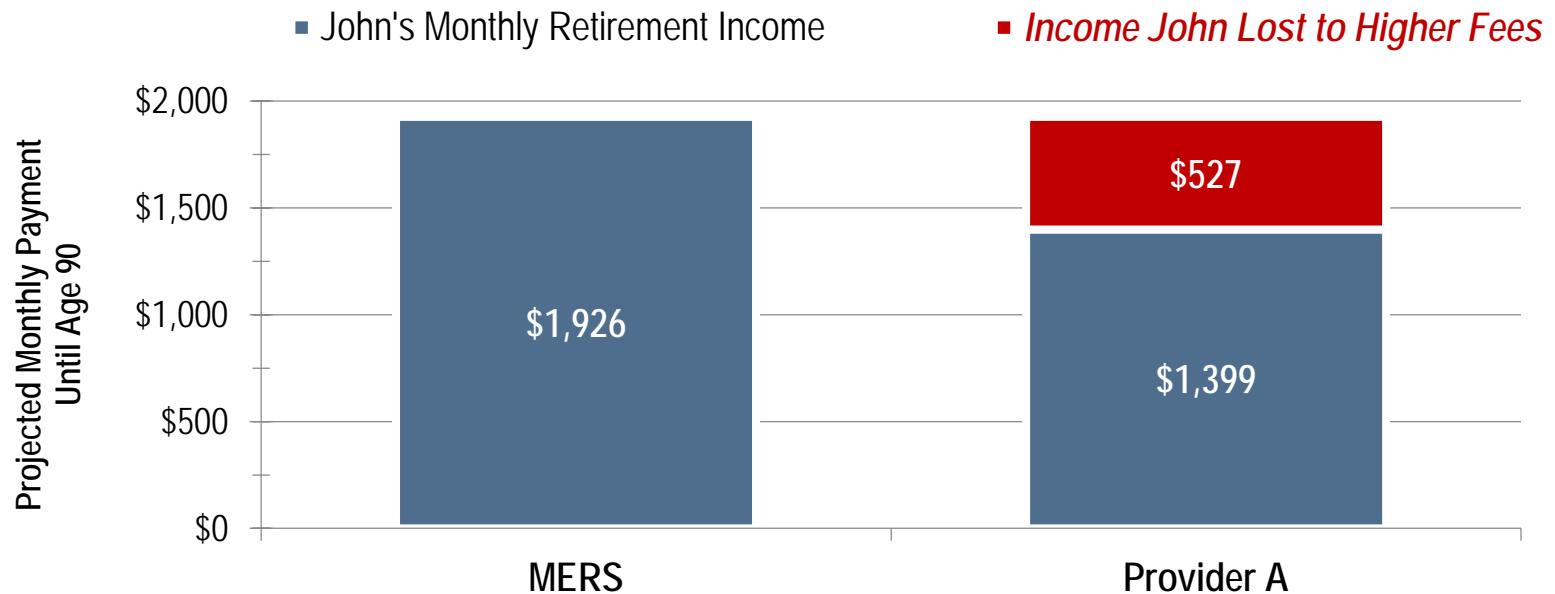


Weighted Average Expense Ratios: MERS – 0.43% and Provider A – 1.43%.

# Comparing Providers *Monthly Income in Retirement*

The comparison report can also help an employer gauge the impact of higher costs during the ***distribution phase*** of an average retiree.

A 1% difference in fund expenses would provide John with **38% more in monthly income during retirement!**



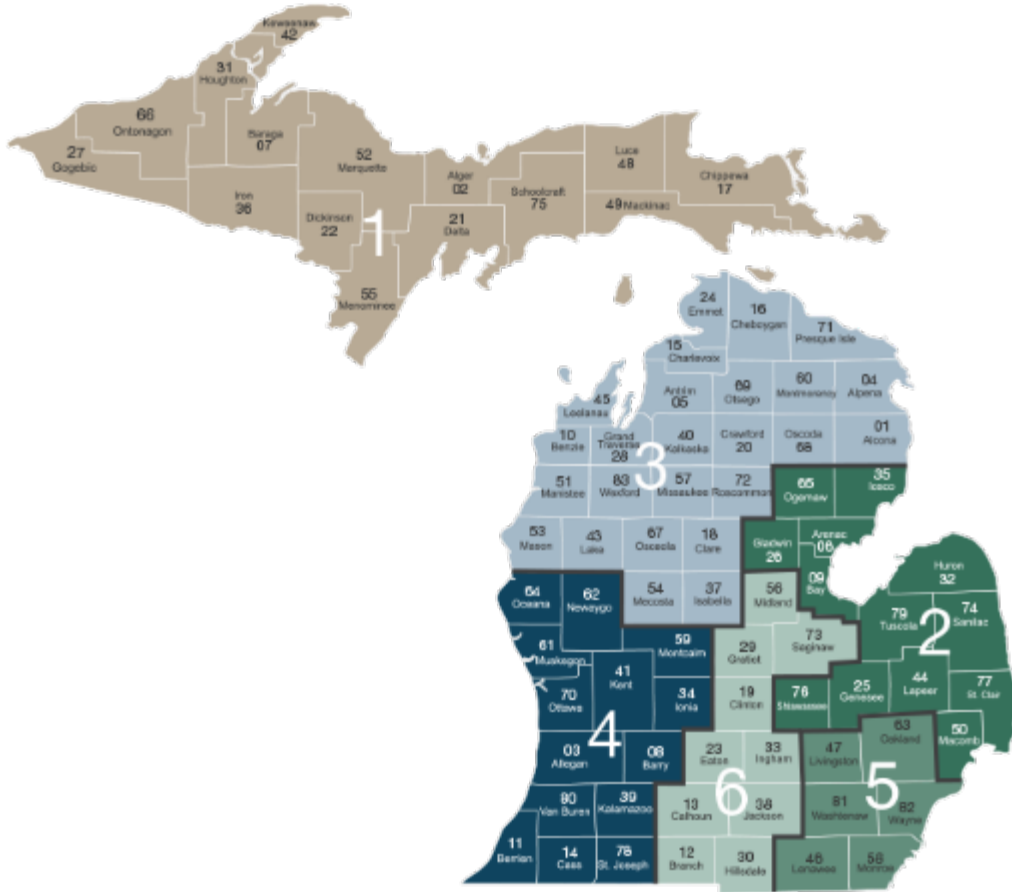
Weighted Average Expense Ratios: MERS – 0.43% and Provider A – 1.43%.



# Resources and Education for the County and Your Employees



# MERS Regional Teams



- Our Regional Teams provide local service throughout the state
- Your team consists of four members:
  - Regional Manager
  - Benefit Plan Advisor
  - Benefit Plan Coordinator
  - Benefit Education Specialist

# Resources for the County

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## Employer Meetings

- Informal, roundtable discussions held at local municipalities across the state
- Morning Breaks, HR Roundtable, Employer Feedback Forum, Employer Reporting/Training



## CEO Meetings

- Meeting held at local municipalities across the state each year
- Informal conversation with MERS CEO on what's happening at MERS and how it affects you



## Annual Conference

- 2019 Conference is October 3-4 in Acme, MI
- Educational sessions on retirement plans, retiree health care, managing pension and OPEB UAL, financial wellness, legislative updates and more



## Communications from MERS

- Municipal Matters emails from your Regional Manager, and CEO updates
- Communications Corner available on our website, listing all recent mailings or emails sent by MERS

# Finding Employer Resources by Role

**MERS**  
Municipal Employees' Retirement System

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## Employer

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### Products

- [Defined Benefit Plan](#)
- [Defined Contribution Plan](#)
- [Hybrid Plan](#)
- [457 Program](#)
- [Stable Income Annuity](#)
- [Retiree Health Funding Vehicle](#)
- [Health Care Savings Program](#)
- [MERS Premier Advantage](#)
- [Investment Services Program](#)
- [Group Life & Disability Insurance Program](#)

### Learn By Your Role

- [Primary Contact](#)
- [HR Contact](#)
- [Finance Contact](#)
- [Reporting Contact](#)
- [Elected Official & Boards](#)

### Trending Topics

- [Annual Actuarial Valuations \(AAV\)](#)
- [Changing to MERS Defined Contribution Plan](#)
- [Fiduciary Responsibility](#)
- [GASB 68/75](#)
- [Other Post-Employment Benefits \(OPEB\)](#)
- [Unfunded Liability](#)

### Resources For Primary Contacts

**Primary**

As your municipality's Primary Contact with MERS, you are the main point of contact for all plan administration and information. This page provides you with important resources and information that will help you navigate your role.

### New to Your Role?

- Who is MERS?
- Your MERS Team
- Your MERS Benefits

### Important Topics for Your Role

- GASB
- Unfunded Liability
- MERS Financial Reports
- Annual Actuarial Valuations
- Other Post Employment Benefits
- Investments

### Other Helpful Information

### Resources

[Forms](#) [Legal](#)

## Learn by Your Role

MERS has organized helpful resources by employer role, making it easy to find just what you need

# Participant Resources



## One Click Away

- To keep up with trending information related to retirement follow us on Facebook, Twitter, LinkedIn and YouTube
- Our website provides helpful calculators and sound advice via our CentsAbility blog



## Quick Bite Webinars

- Our webinar series delivers online education
- Participants can tune in live and ask questions or view recorded sessions from the library of topics any time



## Pizza & Planning

- Free, local education for employees held after traditional work hours
- Hosted at various locations throughout the state
- Grand Traverse County Pavilions is hosting the next Pizza & Planning on April 16



## On-site education

- Group presentation can be held at your location during work hours or whenever is convenient for your employees
- MERS held six on-site employee education meetings in 2018
- Available to attend benefit fairs
- One-on-one meetings for all MERS programs



# Retirement Readiness Reports

- Retirement readiness reports provide individual guidance at no additional cost to the County or your employees
- Employees can then go online and create their Full Picture Report, a free interactive online tool that allows them to develop a comprehensive picture of their retirement readiness
- Using *Guidance Plus*, the report identifies an employee's risk tolerance and provides customized suggestions to improving their preparedness
- Easy-to-use action plans help participants change deferral rates or investment allocations right within the tool

## Retirement Readiness Snapshot Reports



# Financial Wellness

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- Financial wellness is a program or set of programs designed to improve employees' financial behavior and outcomes while also driving business impact
- MERS offers holistic support to employees so they can meet short-term needs while working toward long-range goals



# Private Health Care Exchange

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*MERS has partnered with Mercer Marketplace 365 to offer our members access to a best-in-class private health care exchange*

## MERCER MARKETPLACE 365<sup>SM</sup>

- Superior customer service delivered to retirees through a single point of contact
- 40+ options for pre-65 retirees
- 60+ options for Medicare-eligible retirees
- Dental and vision insurance
- Midwest-based call center
- Non-commissioned counselors assist with evaluating plan options
- Proactive outreach to educate each retiree about changes to their health care plan
- Coordination with the MERS Health Care Savings Program

# MERS IRA

- Available to **ALL** current and former employees (and their spouses) of municipalities with a MERS retirement product
  - 401(a) Plan (Defined Benefit, Defined Contribution & Hybrid)
  - 457 Program
- Roth and Traditional options
- Invest in low-cost funds on the MERS Investment Menu
- Employer not adoption required





# Contacting MERS of Michigan

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## **MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

1134 Municipal Way  
Lansing, MI 48917

800.767.MERS (6377)

[www.mersofmich.com](http://www.mersofmich.com)

