

WELCOME TO THE



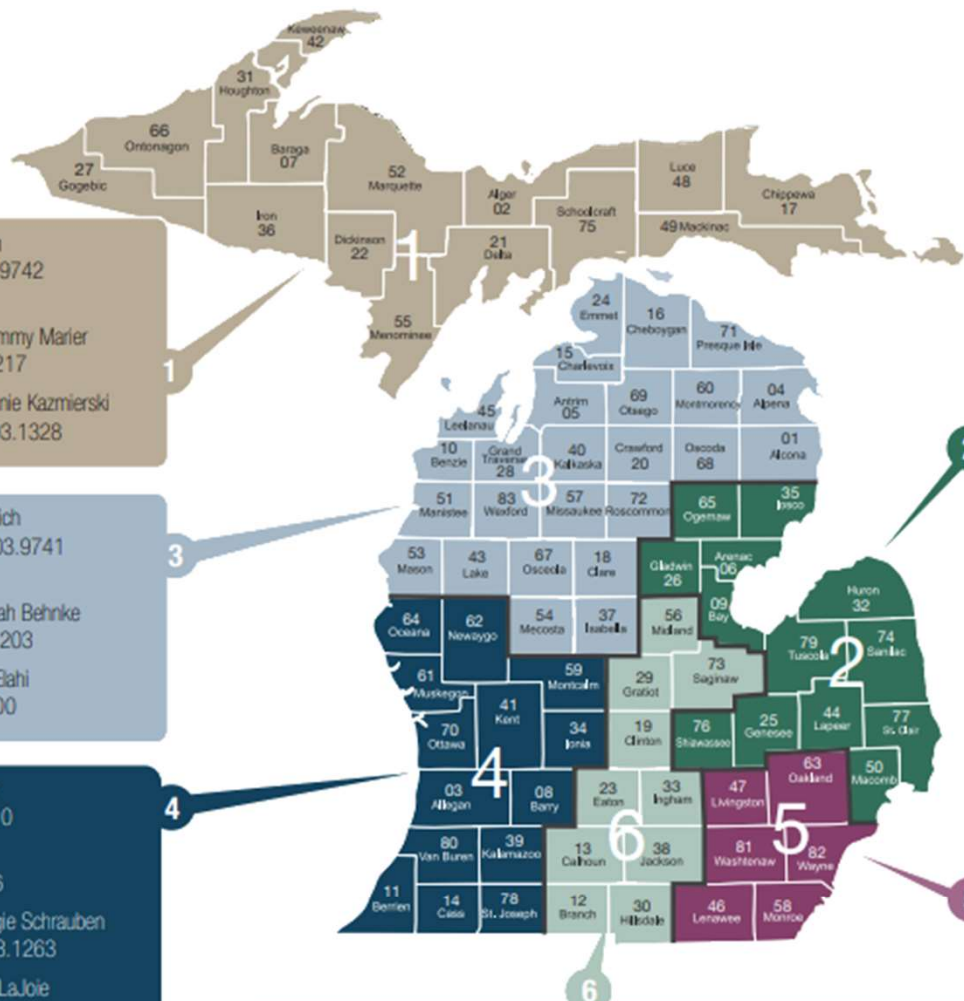
**Michigan
Municipal
Executives**

2025 Winter Institute



Employee Benefit Best Practices to Recruit and Retain Talent

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Agenda

- Benefits as a Tool for Attraction and Retention
- Smart Plan Design Strategies
- Bridging the Gap with Supplemental Savings Programs
- Additional Benefit Enhancements to Consider
- Key Takeaways

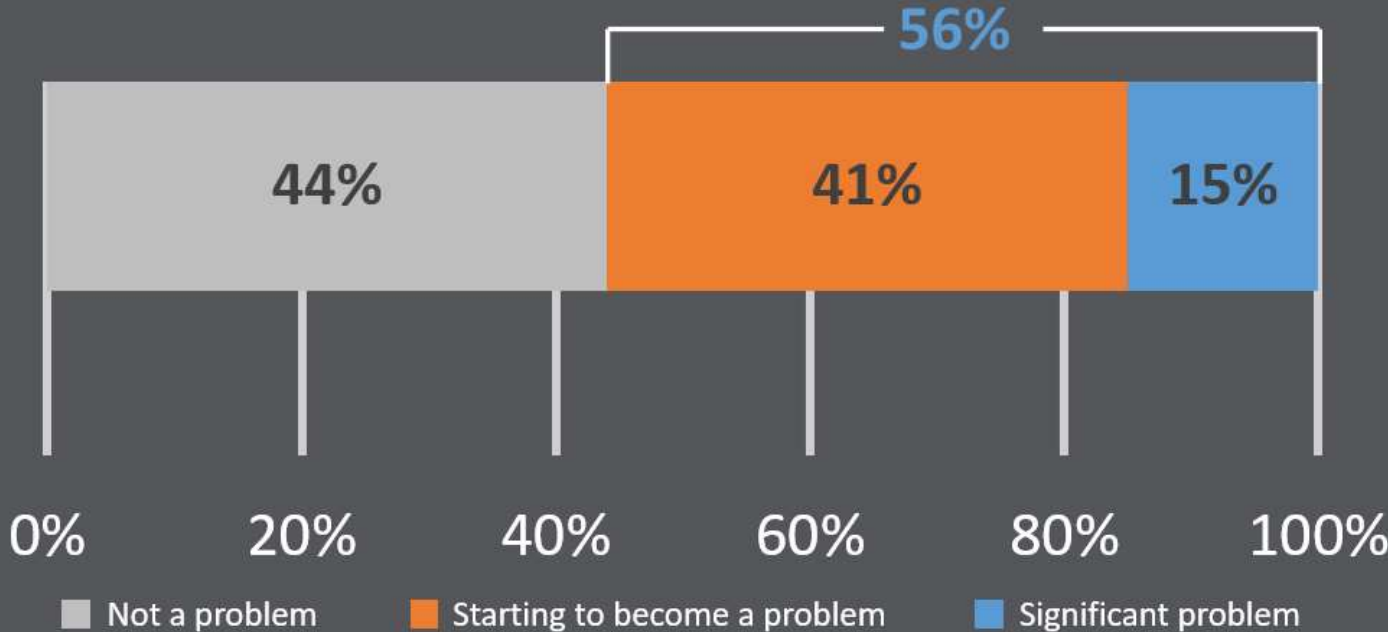


Benefits as a Tool for Attraction and Retention



The Ability to Attract and Retain

Percentage of MERS' employers that say recruiting and retaining talent is a problem





A Particular Problem for Police

72%

Percentage of Michigan's local governments that say **recruiting** law enforcement personnel is a problem

48%

Percentage of Michigan's local governments that say **retaining** law enforcement personnel is a problem

>50%

of Michigan's police chiefs and county sheriffs say their workforce size is insufficient to deliver needed services in the community

Source: Michigan Public Policy Survey, September 2024. Center for Local, State, and Urban Policy Gerald R. Ford School of Public Policy, University of Michigan.



A Silver Lining

79%

of employees said retirement benefits impact their decision to accept a new job or stay with a job.





Benefits Help You Meet Your Employment Goals

Attracting Top Talent

Offering competitive benefits packages can be an effective way to attract top talent to your organization

Retaining Employees

By providing a culture of wellness and security, you can retain employees for longer periods

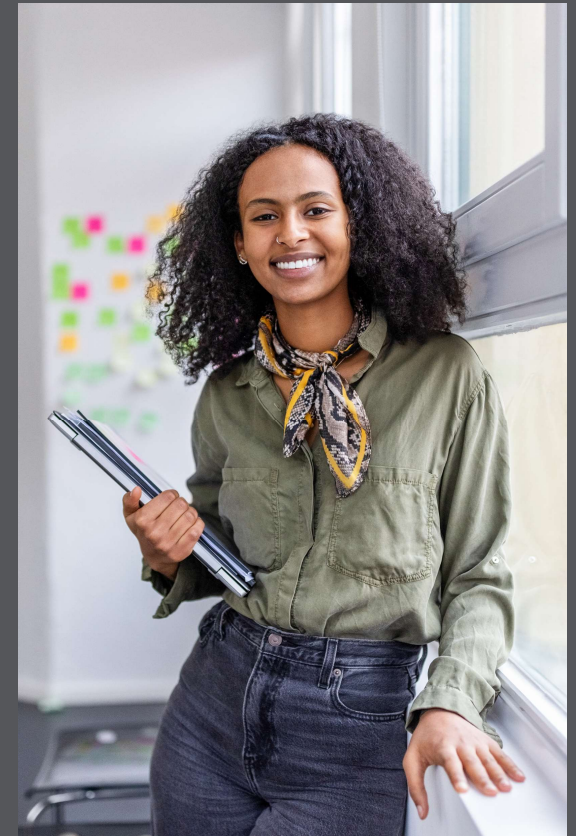


Different Paths to Retirement Success

Comparing Retirement Plans



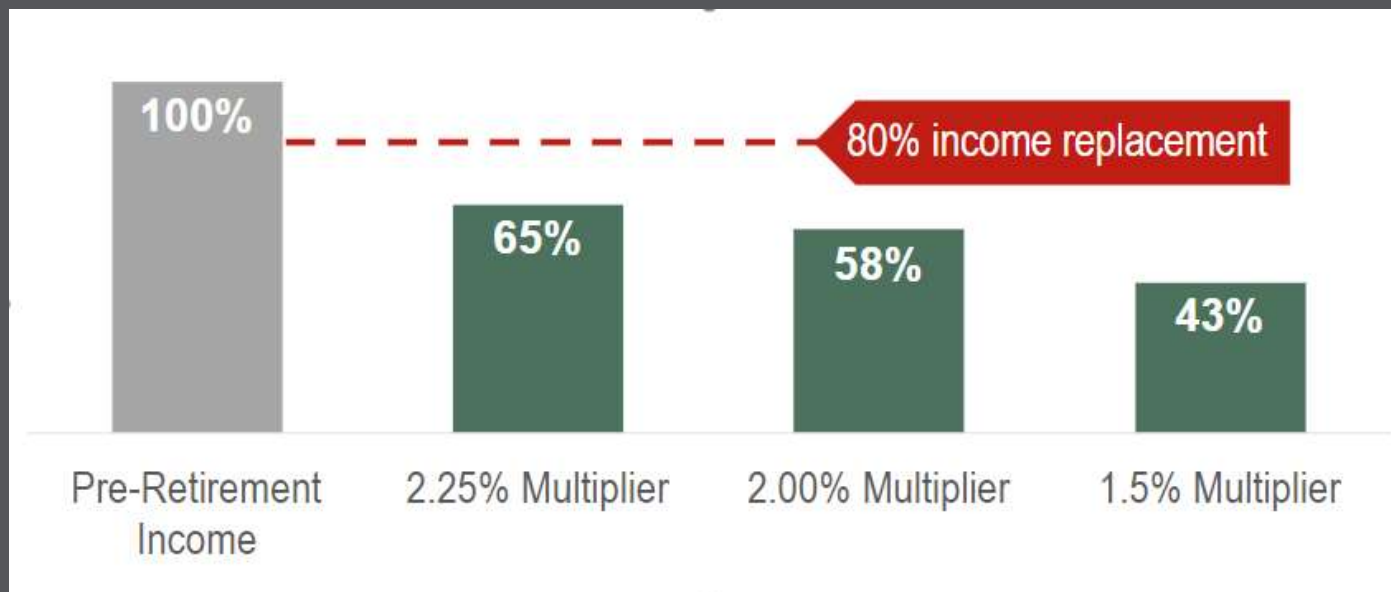
- Projections assume a 30-year-old employee earns 30 years of service credit, retires at age 60, and lives until age 90. Assumed wage inflation is 2%.
- DC projection assumes the investment rate of return is 6% while working and 4% after retirement. The participant is assumed to take equal monthly distributions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





Defined Benefit Retirement Income

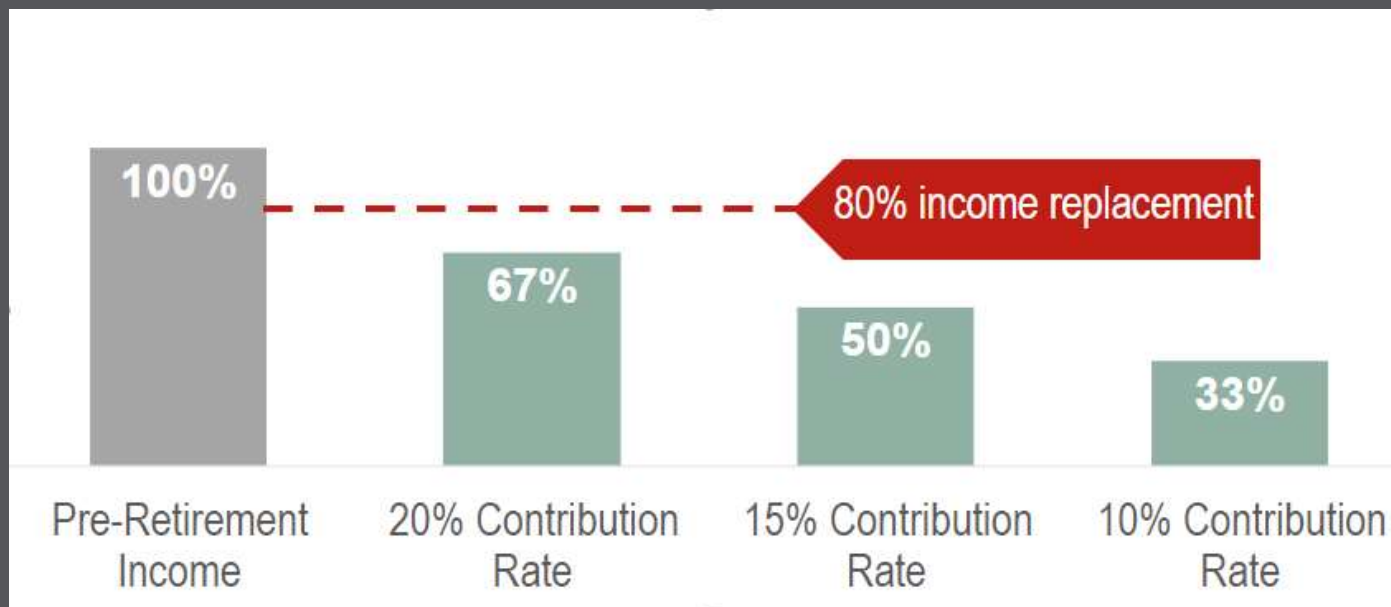
Projected Income Replacement Rates for Career Employees by Multiplier



Defined Contribution Retirement Income



Projected Income Replacement Rates for Career Employees by Contribution Rate

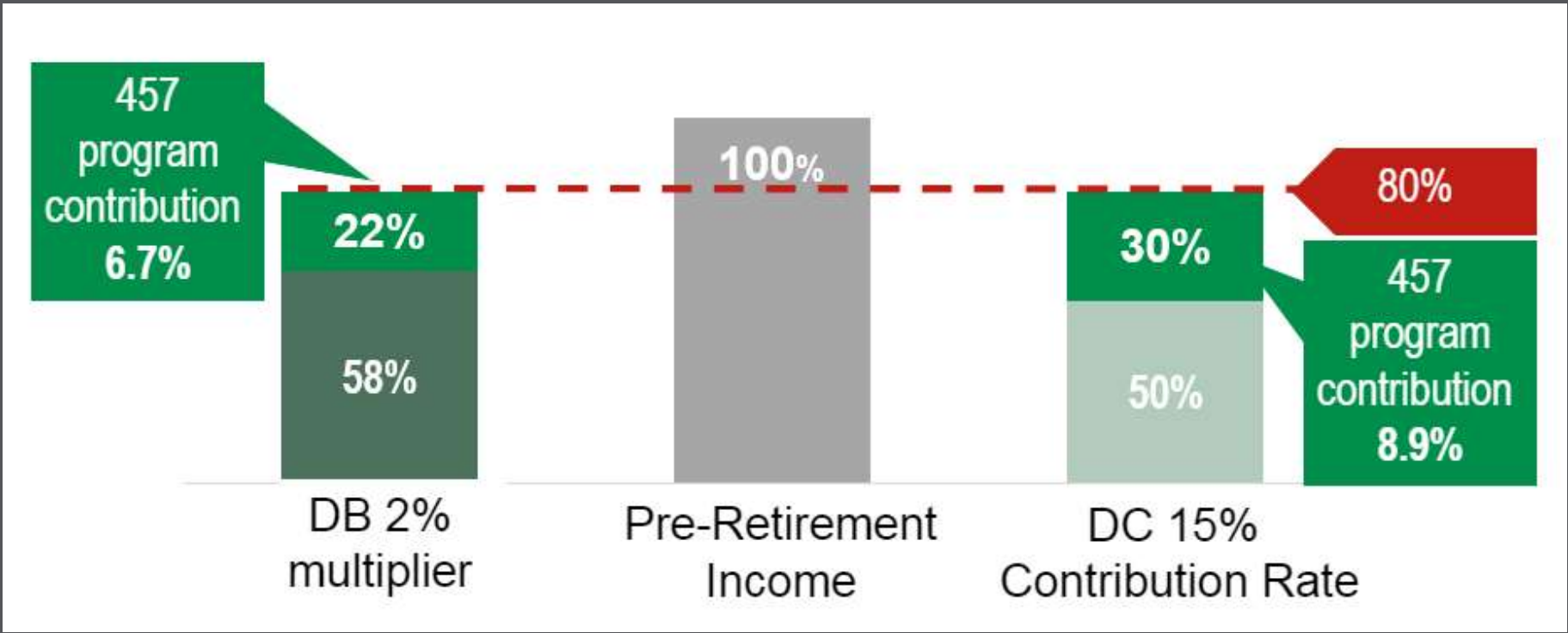




Bridging the Gap with Supplemental Savings Programs



Adding a 457 Program



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.



Health Care Savings Program

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



Triple Tax Advantage

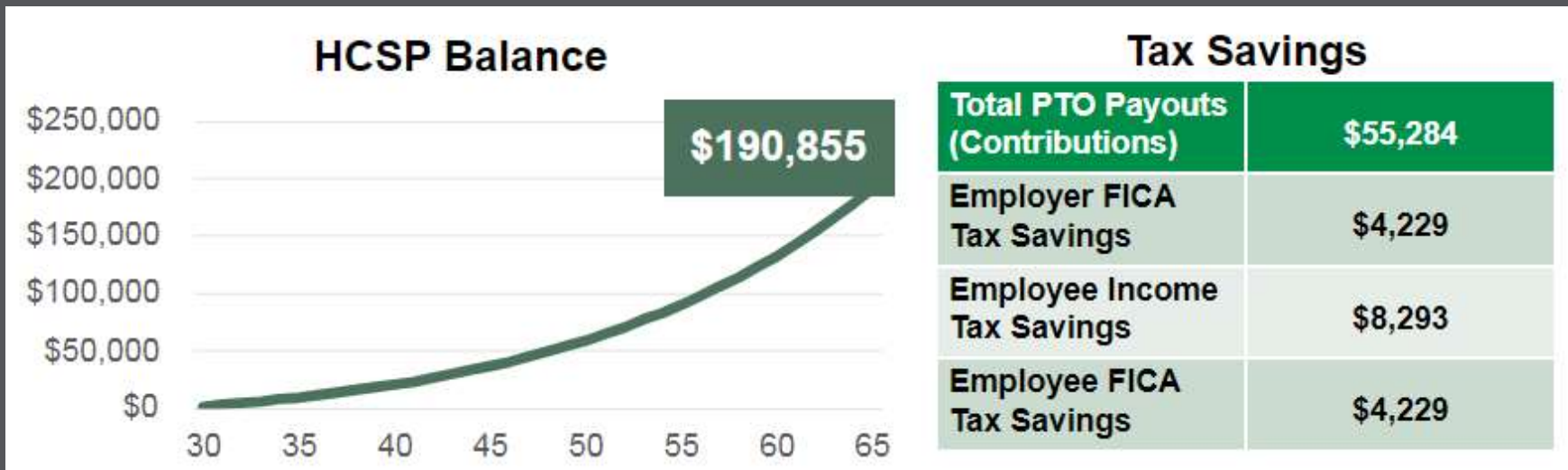
- Contributions go in tax-free
- Assets are invested tax-free
- Qualified expenses are tax-free
- Employers and Employees save on FICA taxes





Adding a Health Care Savings Program

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



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%.



What is Fiduciary Responsibility?

Legal Compliance



Investment Oversight



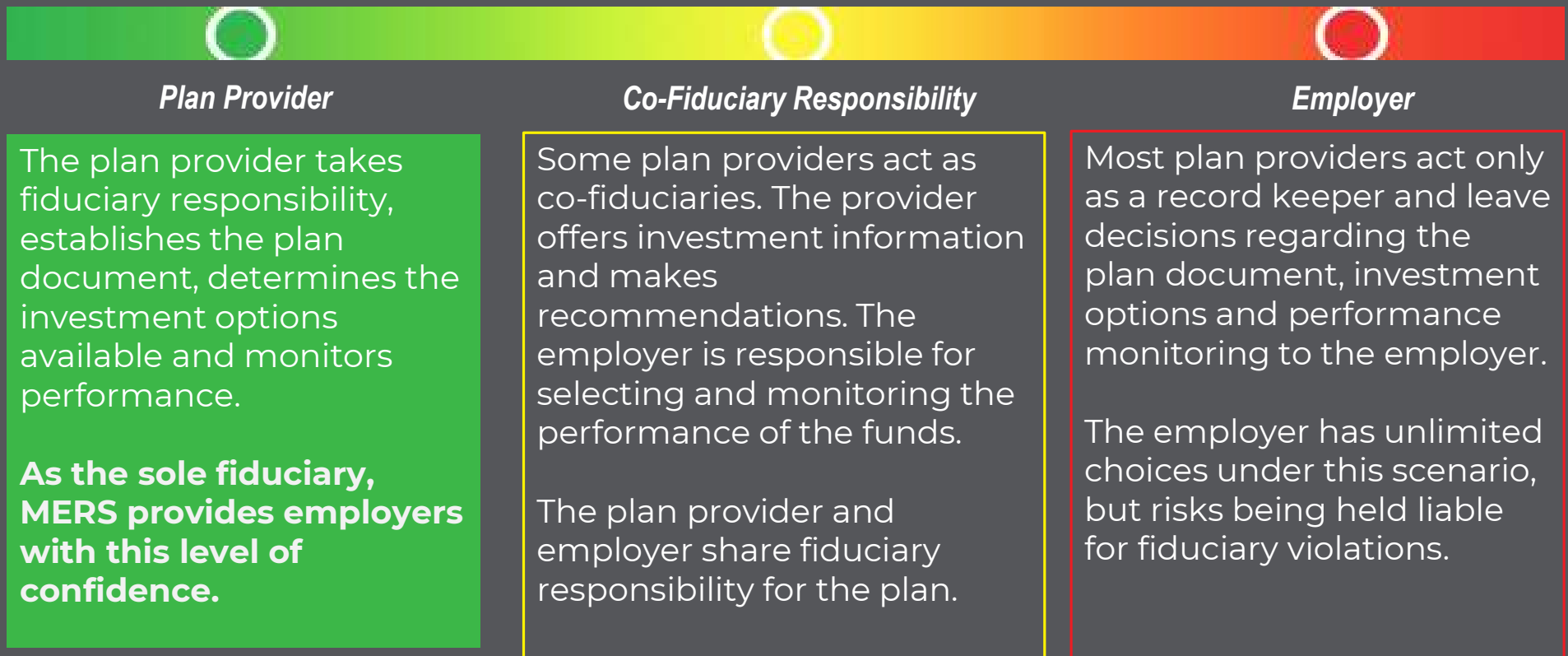
Reasonable Expenses





Degrees of Fiduciary Responsibility

Not all plan providers assume the same degree of responsibility





Additional Benefit Enhancements to Consider

Deferred Retirement Option Plan (DROP)



A Defined Benefit
retirement
payment option



Allows employees to
work past retirement
eligibility

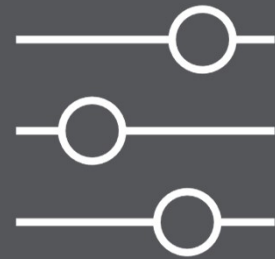


Pension payments
are put in a separate,
notional, account
accessible upon final
termination date



Employer DROP Options

- Percentage of elected monthly pension payment the participant will have allocated to their account
- An interest rate of 0% to 3% to be applied to the account balance monthly
- If the annual cost of living adjustment (COLA) will be applied



City of Holland: Modified DROP Provision Project



Situation

- Retaining experienced public safety employees nearing or exceeding retirement age was a challenge.
- Hollands existing DROP provision had increased pension liability.
- A municipal pension bond prevented any further increase in the City's pension liability.

Process and Strategy

- Worked with MERS and actuaries to modify Holland's DROP provision.
- Implemented modified DROP provision for Holland's Command Division.

Result

- Participants can choose to continue working past retirement age while collecting pension benefits without increasing liability.

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**



Key Takeaways

- A comprehensive benefits package can help you **recruit and retain** employees
- There is **no one-size-fits-all** retirement plan
- Design a plan to **maximize your employees' retirement income**



Thank You!