

Bond Case Briefs

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MERS Plan Changes for Municipal Employees.

The Municipal Employees' Retirement System ("MERS") offers participating municipalities a variety of retirement benefit plans that they may provide on behalf of their eligible employees. Effective as of January 1, 2021, MERS is implementing several changes to the plan. Each participating municipality is required to submit an updated Adoption Agreement Addendum (the "Addendum") to MERS to indicate the municipality's Plan design selections related to the changes. The Addendum must be submitted to MERS on or before September 30, 2020. The purpose of this Addendum is to clarify and confirm the manner in which each plan has been operated. Doing so will decrease the likelihood of compliance issues.

An overview of the plan changes appears below.

1. **Plan Eligibility Clarification.** The Addendum includes a Section entitled "Plan Eligibility" to allow a participating employer to better define its plan eligibility requirements. This Section clarifies whether an employer's part-time, temporary, seasonal, voter-elected, appointed officials and contract employees are eligible for plan participation. An employer may choose to exclude certain classifications of employees going forward. For example, an employer may choose, going forward, to exclude new part-time employees who regularly work less than a specified number of hours.
2. **"Day of Work" Definition Modification.** MERS currently uses the "Day of Work" concept to define how an eligible employee earns service credit under the plan. For example, a participating employer may require employees to work a minimum of ten eight-hour days in order to earn a month of service credit. The Addendum replaces the "Day of Work" concept with a section entitled "Service Credit Qualification." Under this new section, employers must indicate a specific number of hours that an employee must work during a calendar month in order to earn service credit.
3. **Leaves of Absence Clarification.** The Addendum includes a "Leave of Absence" Section that allows a participating employer to specify whether or not an employee will earn service credit during a particular type of leave (for example, disability, workers' compensation, or FMLA). The Addendum also lists special rules that apply to certain types of leaves of absence.
4. **Changes to the Definition of Compensation.** The plan definition of "Compensation" is used to determine employer and employee contributions as well as final average compensation ("FAC"). The Addendum allows a participating employer to choose from three standard definitions of compensation (Base Wages, W-2 Wages, and Gross Wages) and a fourth custom option.

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