CASE STUDY

Marquette Board of Light and Power

MERS®
Municipal Employees' Retirement System

Key Takeaways

- Transition from a defined benefit plan to a hybrid plan, and ultimately to a full defined contribution plan with employer match helped balance fiscal responsibility with retirement security.
- Contributions to a surplus division significantly contributed to an increase in overall funded level and retiree health care funding.
- Enhanced contribution structures and education initiatives support employees in achieving 80% income replacement.
- Strong employee engagement and financial literacy culture foster long-term retirement readiness.

MERS IMPACT AWARD
Best-In-Class Retirement Benefits

Municipality Profile

Marquette Board of Light and Power (MBLP) is a municipally owned electric utility serving the City of Marquette and parts of nine surrounding townships in Marquette County, Michigan. MBLP has 60 active employees and supports 107 retirees, serving approximately 17,000 customers. Founded in 1889, MBLP has a long-standing commitment to innovation and community service.

MERS Programs Used

- Defined Benefit (DB) Plan
- Hybrid Plan
- Defined Contribution (DC) Plan
- Retiree Health Funding Vehicle (RHFV)
- Health Care Savings Program (HCSP)
- 457 Program

Situation

MBLP faced the challenge of sustaining traditional pension benefits while complying with Michigan Public Act 202, which emphasizes the financial stability of retirement obligations. With a workforce deeply rooted in the local community and a growing retiree population, MBLP needed a solution that preserved benefit security without compromising fiscal health.

Process

Beginning in July 2014, MBLP initiated a strategic overhaul of its retirement benefit structure. The organization transitioned from a traditional DB plan to a hybrid plan, and ultimately to a full DC plan with employer match. This evolution was guided by a commitment to employee success and long-term sustainability. MBLP collaborated closely with MERS to implement a comprehensive and strategic approach to this challenge. The organization also prioritized employee education, leveraging MERS financial wellness tools to ensure informed decision-making.

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Strategy

- **DC Plan with a 13% Employer, 5% Employee Required Contribution:** The above-average employer contribution and required employee contribution is designed to help career employees reach the 80% income replacement goal.
- **MERS 457 Program:** MBLP offers the MERS 457 Program to further help employees reach the income replacement goal.
- **MERS RHFV and HCSP:** Used together, these programs support retiree health care needs while managing OPEB liabilities. Additionally, the HCSP fits a specific need for retirees who opt out of MBLP coverage.
- **Surplus Division:** Continued to make voluntary contributions to a surplus division, increasing the DB plan's funding level.
- **Employee Education:** MBLP holds education annually and stresses its importance to employees. They generally have good attendance, and their employees value the expertise of Tammy Marier, their MERS Benefit Plan Advisor/Benefit Education Specialist.

Results

- **Improved Funding Levels:** Retirement funding increased by 22%, and retiree health care funding rose by 90% over ten years.
- **Retirement Readiness:** Enhanced contribution structures and plan design help employees meet income replacement targets.
- **Employee Empowerment:** A culture of financial literacy and proactive planning has emerged, with employees taking ownership of their retirement futures. Close to 100% of employees take advantage of the 457 Program.
- **Sustainable Benefits:** MBLP's approach ensures long-term viability of retirement and health care programs for both current employees and retirees.

Insights to Action:

MBLP's strategic transition to sustainable retirement solutions highlights the importance of balancing fiscal responsibility with employee support. Consider exploring different retirement plan structures, leveraging surplus contributions, and prioritizing financial literacy to empower employees. Start by assessing your retirement funding levels and engaging employees to build a culture of proactive planning and long-term readiness.

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