

Case Study

City of Eaton Rapids



Municipality Profile

- 20 Medicare-eligible retirees
- \$10.5M OPEB liability
- OPEB funding level = 0%

MERS Programs Used

- Retiree Health Funding Vehicle
- Health Care Savings Program
- Mercer Marketplace 365+

“Pairing the MERS Health Care Savings Program with Mercer Marketplace 365+ was not only a cost-saving move for the City, it was also an empowering move for our retirees, who can now choose their own health care.”

– Aaron Desentz,
Eaton Rapids City
Manager

Results

After implementing HCSP along with the Mercer Marketplace 365+ Retiree exchange, the City's OPEB liability dropped from \$10.5 million to just \$4 million, a savings of \$6.5million. This not only helped the City meet their financial objectives, it also preserved health care benefits for current and future retirees.

Medicare retirees receive a stipend of \$285/month, which was more than enough to purchase medical and prescription drug insurance, copays, and deductibles, with additional funds to purchase dental and vision insurance that they would not have under the group plan.

Situation

In 2018, the City of Eaton Rapids' liability for other post-employment benefits (OPEB) totaled more than \$10.5 million. Because they had not prefunded the obligation, the City was determined to be in underfunded status under the Protecting Local Government Retirement Benefits Act (PA 202 of 2017), and was required to file a corrective action plan (CAP).

Process

The City's approved CAP included prefunding their OPEB obligation using a Section 115 Trust, and the MERS Retiree Health Funding Vehicle (RHFV) provided a turn-key solution. The City also discontinued retiree health insurance for new hires and began offering the MERS Health Care Savings Program (HCSP) instead. However, the remaining steps – moving current and future Medicare retirees to more cost-effective defined contribution-style health care plans – required buy in from all stakeholders, including the board, mayor, employees and retirees.

Strategy

MERS partnered with Mercer to demonstrate how providing retirees with a monthly stipend into the HCSP, along with access to the Mercer Marketplace 365+ Retiree exchange, would provide retirees with equal or better coverage than their existing group Medicare Advantage plan, while saving the City money. Because previous attempts to negotiate plan changes with retirees had been viewed as a benefit diminishment, Mercer hosted in-person retiree seminars to introduce the program, compare health care plan options, and promote the benefits of moving to the exchange. The HCSP provided retirees with control over their funds, while the exchange offered retirees greater choice and better support. All parties agreed to the change, which went into effect January 1, 2020.

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