



SELECTING A RETIREMENT BENEFIT SERVICE PROVIDER

*Best Practice Checklist for
Local Governments*

Fiduciary Responsibility

Offering a retirement plan can be one of the most challenging, yet rewarding, decisions an employer can make. Studies show that how employees feel about their benefits has a major influence on how they feel about working for your organization.

However, administering a plan and managing its assets requires certain actions and involves specific responsibilities. Those that manage an employee benefit plan and its assets have the fiduciary responsibility for the plan.

fiduciary

noun

An entity to whom property or power is entrusted for the benefit of another



About MERS

MERS is an organization that administers retirement plans for Michigan's local units of government on a not-for-profit basis. We offer comprehensive services, keep costs low, and put our members interests first – making us the plan fiduciary.

Employers can enjoy the peace of mind that comes with knowing the MERS Retirement Board takes on the fiduciary responsibility for all of our retirement plans, including legal responsibility for:

- establishing the plan document;
- selecting and monitoring investment options;
- ensuring compliance with state and federal laws; and
- actively maintaining tax exempt status with the IRS.

Degrees of Fiduciary Responsibility



With the evolving legal and regulatory environment, it is more important than ever that you understand your role in offering a retirement plan. Plan providers and employers can share varying degrees of responsibility depending on who handles the core functions of the plan.

Plan Provider



When acting as the sole fiduciary — **which MERS does for all our retirement plans** — the plan provider establishes the plan document, determines the investment options available, and monitors fund performance.

The provider accepts full fiduciary responsibility for the plan.

Co-Fiduciary Responsibility



Many providers act as co-fiduciaries. The provider offers investment information and makes recommendations.

The employer is responsible for selecting and monitoring the performance of the funds.

The provider and employer share fiduciary liability for the plan.

Employer



Most providers act only as a record keeper and leave decisions regarding the plan document, investment options, and performance monitoring to the employer.

The employer risks being held liable for fiduciary violations.

Oversight Committes

Does your municipality:

- Ensure appointment and oversight of retirement fiduciary?
- Appoint well-qualified and knowledgeable fiduciaries, and ensure they receive appropriate training and support?
- Ensure fiduciaries have a full understanding of their legal duties and personal liability?
- Conduct regular meetings on all aspects of the plan, both administrative and investment related?
- Obtain fiduciary liability insurance?
- Ensure plan documents are kept in compliance with operations?

Value of Partnering with MERS

MERS is governed by an **independent elected retirement board** that holds the fiduciary responsibility for all our retirement plans.

Our staff of **experienced professionals** proudly serve more than 1,000 municipalities representing over 150,000 participants.

We also employ in-house **legal staff** to monitor and ensure compliance with all **state and federal laws**, while actively maintaining **tax exempt status** with the IRS along with our comprehensive **fiduciary liability insurance**. We follow Michigan state law and prudent person standards of diligence.



Investment Menu Selection & Monitoring

Does your municipality:

- Establish clear goals and objectives of the plan investment options with well-defined measures for success?
- Maintain a discipline process for hiring, evaluating, and terminating investment managers for the plan?
- Choose an appropriate investment default fund?
- Document all of the above in an Investment Policy Statement?

Value of Partnering with MERS

MERS' comprehensive **Investment Policy Statement** assists us in effectively monitoring the investments and in making prudent and informed decisions. It outlines the underlying philosophies and process for the selection, monitoring, and evaluation of the investment choices and managers. This policy is reviewed annually and amended as necessary to reflect changes in the capital markets, plan participant objectives or other relevant factors.

Administrative Oversight

Does your municipality:

- Maintain current Plan Documents and review them on a regular basis to ensure compliance with all laws and regulations?
- Conduct periodic reviews ensuring processes used to manage the plan conforms to the written Plan Document?
- Ensure compliance with participant notifications, claims appeal processes, and timely remittance of contributions?

Value of Partnering with MERS

MERS offers full administration services including annual audits and a SAS70 report that describes control procedures designed to ensure effective plan operations. In addition, we staff an independent auditor that reports directly to the MERS Retirement Board.

Plan Costs

Does your municipality:

- Understand all costs paid by the participants including direct investment and administrative charges, as well as any third-party or indirect fees or reimbursements?
- Assess whether plan fees are reasonable?
- Ensure that all plan fees charged to participants are clearly disclosed to them?



Value of Partnering with MERS

One of the greatest benefits of MERS is our ability to **pool assets** for investment purposes. MERS does not individually price each employer's plan based on the number of its participants and total assets. Rather, our members and participants benefit from the **economies of scale** and **low administrative costs** that come with being part of a large pool of assets.

This creates tremendous buying power and helps reduce the overall fees for participants by negotiating rates that individuals would not be able to negotiate on their own. In addition, MERS' award-winning communications provide **straightforward fee disclosures** that give you the information you want, clearly and accurately.

economies of scale

economic phrase

A proportionate saving in cost per unit due to operational efficiencies

Participant Education

Does your municipality:

- Offer enrollment education to participants?
- Provide ongoing education to participants?
- Offer free investment guidance to participants?
- Develop objectives and measures of education programs?

Value of Partnering with MERS

MERS **actively engages** with plan participants **throughout their careers** and provides ongoing educational opportunities and resources to help them plan for a financially secure retirement.

We welcome newly enrolled participants encouraging them to visit our website to learn more about their plan and create their online account. **Self-serve tools** such as relevant forms, handbooks, and financial planning resources are available, while our helpful **customer service** staff is just a phone call away. Our commitment to participants is supported through a variety of channels including **free seminars, quarterly statements, relevant emails, and targeted direct mail outreach.**

Our proactive approach to helping participants achieve their financial goals includes a truly comprehensive retirement readiness platform. Free **investment guidance** and financial strategies are offered to assist participants in achieving their retirement goals at every stage of their career.

Our participant education has been nationally recognized by Pensions & Investments (P&I), receiving **best practice awards** in several categories.



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This publication contains a summary description of MERS benefits, policies or procedures. MERS has made every effort to ensure that the information provided is accurate and up to date. If this presentation conflicts with the relevant provisions of the Plan Document, the Plan Document controls. MERS, as a governmental plan, is exempted by state and federal law from registration with the SEC. However, it employs registered investment advisors to manage the trust fund in compliance with Michigan Public Employee Retirement System Investment Act. Past performance is not a guarantee of future returns. Please make independent investment decisions carefully and seek the assistance of independent experts when appropriate.

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