# Plan Summary

## 1. Plan Profile

The MERS of Michigan has the following plans, enrollment, and assets as of 12/31/2025:

| Plans | Employers | Participants | Assets |
|---|---|---|---|
| Defined Contribution 401(a) Plan | 589 | 45,187 | $1,870,332,487 |
| 457 | 768 | 18,469 | $ 613,561,442 |
| Health Care Savings Program (HCSP) | 432 | 50,372 | $ 741,146,409 |
| Deemed IRA | n/a | 3,077 | $ 29,904,050 |
| Retiree Health Funding Vehicle | 267 | n/a | $1,765,048,132 |
| **Total** | | **85,814** *unique participants* | **$5,019,992,551** |

## 2. Background

MERS identified a critical need to evaluate whether our defined contribution plans were fully aligned with our strategic vision to deliver a seamless, engaging experience that enables customers to achieve their financial goals. While the plans were operationally sound, growing plan complexity, evolving participant expectations, and expanding internal service demands created gaps in efficiency, clarity of accountability, and measurable value delivery.

This need affected multiple stakeholders. Participating employers experienced friction in plan reporting, participants had low engagement with the plan, MERS staff managed duplicative and manual processes—including instances of "shadow recordkeeping"—and faced increasing fiduciary and compliance oversight responsibilities without corresponding operational efficiencies.

Addressing this issue mattered because MERS has a fiduciary obligation to ensure our plans deliver meaningful, measurable value that directly enhances the retirement security of our participants. Without a comprehensive reassessment, inefficiencies could continue to increase costs, dilute accountability, and limit our ability to modernize service and education delivery to ensure we were adding value to our plans in meaningful measurable ways, to enhance the retirement security for Michigan's public servants.

## 3. Goals

To address these challenges, MERS embarked on a **Transformational Change** effort with the following measurable goals:

- **Reduce administrative burden** and operational duplication by eliminating "shadow recordkeeping" and streamlining processes.
- **Enhance fiduciary oversight and compliance** effectiveness through a comprehensive review and redesign of compliance functions.
- Leverage outsourced **recordkeeping efficiencies** to reduce overall plan costs while maintaining service quality.
- **Improve participants' experience** by implementing plan design enhancements informed by our own voice of the customer data, peer comparisons, and best practices.
- Ensure services provided by MERS **enhance retirement security** and are clearly aligned with our strategic vision.

## 4. Commentary

This Transformational Change initiative fundamentally changed how we operate our plans, ensuring the service we provide strengthens retirement security, improves accountability, and makes it easier for employers and participants to work with MERS.

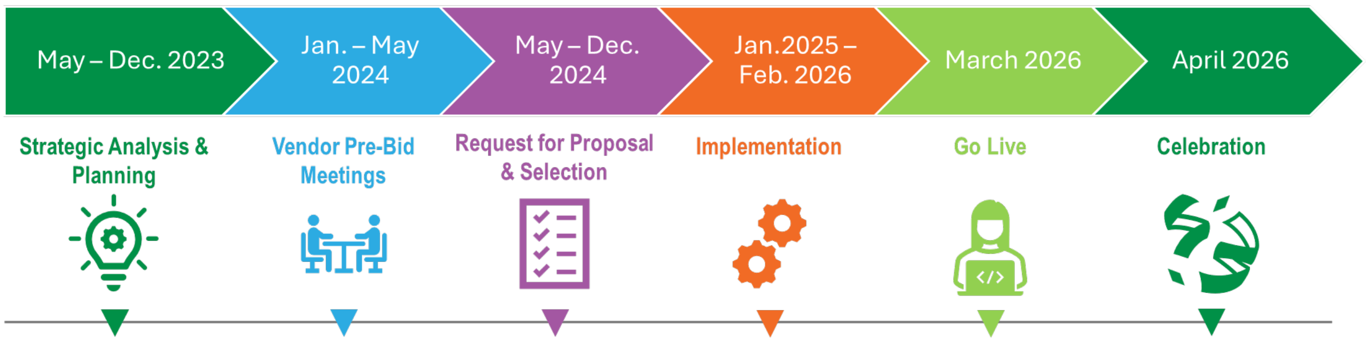
"At the heart of this partnership are the people who serve our communities every day—the public employees who keep Michigan running. They've committed their lives to serving others, and they deserve a retirement experience that truly supports them. By working with Empower, we're taking an important step toward making it easier for them to plan, prepare, and achieve a more secure retirement," said MERS CEO Kerrie Vanden Bosch.

# MERS Transformational Change

## A. Overview & Purpose

MERS strategically evaluated our defined contribution plans to ensure alignment with our strategic vision. We worked to determine the type of recordkeeping relationship we wanted, identified opportunities for improvement through extensive pre-bid conversations with vendors, conducted a thorough request for proposal that focused on what mattered most, and worked for 18 months to implement the transformational changes to onboard our new recordkeeper partner.

## B. Timeline




## C. What We Did

**Strategic Analysis and Planning**
We began this effort by evaluating whether our defined contribution plans were fully aligned with our strategic vision to deliver a seamless, engaging experience that enables customers to achieve their financial goals

Cross-functional teams were assembled across MERS to leverage expertise from multiple operational areas. This work involved our Strategic Leadership Team, and staff from our Finance, Investments, Legal, Customer Experience, Customer Relations, Communications, and IT departments. These teams formed several focused sub-groups, each responsible for identifying relevant data, collecting and analyzing that information, and developing recommendations to enhance our services and operational effectiveness. Data collected included survey information from our customers, conversations with peers, research using the NAGDCA PRRL, and more. The sub-groups concentrated on the following key areas:

1. **Customer Experience and Retirement Security:** Evaluating the value our services provide to customers and identifying opportunities to strengthen and better communicate that value.
2. **Plan Design and Compliance Evaluation:** Reviewing current plan structures, compliance processes, and employer reporting systems to ensure efficiency, regulatory alignment, and opportunities for improvement.
3. **Operational Efficiency Analysis:** Examining operational and service costs to identify potential efficiencies and cost-management opportunities.
4. **Vendor Relationship and Ongoing Management:** Reviewing vendor partnerships, governance practices, and oversight processes to ensure strong performance and strategic alignment.

**Vendor Pre-Bid Meetings**
To kick-off this process we first met with external consultants to better understand the recordkeeper landscape. Using these insights, we held pre-bid meetings with prospective vendors, enabling us to provide a deeper understanding of our plans, including key operational details and areas of complexity that may not be fully conveyed through written materials alone. These discussions allowed vendors to ask clarifying questions and gain greater insight into our objectives, expectations, and the unique aspects of our programs.

The meetings also created an opportunity for vendors to share their perspectives on potential efficiencies, best practices, and operational improvements based on their experience supporting similar plans. This early dialogue helped inform our approach and ensured that the eventual RFP would be aligned with industry capabilities and innovations, while focusing on what mattered the most to MERS.

In addition, the pre-bid meetings allowed us to engage with vendors at a more meaningful level prior to issuing the formal RFP, giving us confidence that they truly understood our program needs, and helping us better understand their expertise, approach, and cultural fit. Overall, these conversations supported a more informed, transparent, and productive procurement process.

**Implementation**

We intentionally allowed for a longer implementation timeline, recognizing that this transition involved more than simply changing vendors. It also required fundamentally rethinking and improving how we operate and deliver services – it was truly transformational change. (See the next section for operational impacts.)

Outreach to over 800 employers across the state began in March 2025 and was guided by a deliberate and structured communication strategy, with the theme of ***Better Together***. An intentional message which underscores that municipalities and individual employees achieve more security and efficiency as part of a larger, well-managed system rather than navigating retirement planning alone.

Each employer has their own payroll vendors, so this was a massive undertaking with 1,530 unique payrolls being mapped to our new system. Rather than overwhelming employers with large volumes of information at once, we focused on delivering targeted, bite-sized communications that built progressively over time, allowing employers to absorb key concepts and prepare for upcoming changes.

Our transition microsite served as the central hub for communications and resources throughout the process, giving employers a single, dependable place to find the latest materials, step-by-step guidance, and key timelines as the transition advanced. To reinforce this support, we hosted informational webinars that offered deeper insight into the changes and implementation requirements, while our regional teams provided one-on-one assistance for employers needing individualized help. This approach drove strong readiness, with **94% of customers testing their payroll files prior to go-live**.

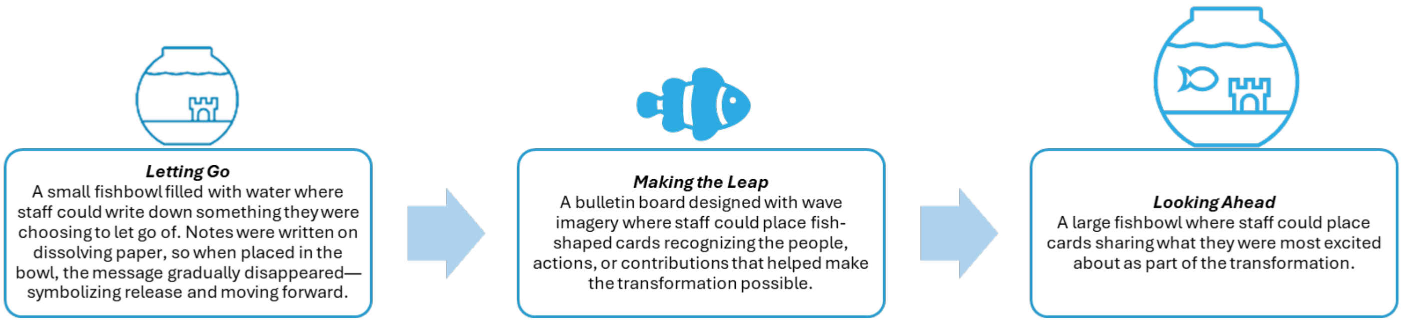
Participant education was approached with the same level of care and intentionality. Communications clearly outlined key dates, what aspects of the plans would remain unchanged, and where participants would see differences. We also used this transition as an opportunity to reintroduce them to the value of their plans, including the creation of a welcome video designed to orient participants and reinforce their understanding of the benefits available to them.

One of the most critical components of this transition was **internal change management**. With an initiative of this scale and complexity, success depended on the engagement and collaboration of colleagues across the organization. This required ensuring that teams understood the purpose and rationale behind key decisions, had the time and space to process the implications for their work, and felt supported as they adapted to new processes and ways of operating. Creating that environment helped foster alignment, ownership, and shared commitment across MERS.

The dedication and adaptability demonstrated by our team has been central to our progress, and the growth and development of our staff stands as one of the most meaningful accomplishments of our strategic plan to date.

**Celebration**

To celebrate our transformational journey—and recognize the work behind our progress—we hosted a **“Making the Leap!”** staff event featuring a shared lunch, interactive activities, and leadership storytelling. Using the image of a goldfish leaping from one bowl to the next, we reinforced a key lesson from this change effort: growth isn’t only about effort; it’s also about environment and perspective. We had outgrown our bowl. Our old ways of thinking, working, and collaborating were too small for where we wanted to go. So, we stepped back, widened our lens, and intentionally created more space. That expansion wasn’t always comfortable, but it was necessary. The celebration included three interactive stations for staff:




## D. Significance to Plan Operations

During this period of Transformational Change, we implemented more than **15 plan design changes**, including updates to our definitions of disability, plan forfeiture rules, and normal retirement age. We also transitioned from an asset-based pricing structure to a flat-fee model, added the 457 Roth catch-up contributions provision, redesigned required employee contributions within the DC plan, and modified our beneficiary provisions.

We overhauled more than **20 operational processes** to improve efficiency, clarity, and service delivery. The focus of these changes was to focus on where we add value to our plans, while eliminating duplication of the work our recordkeeper could do. These changes included enhancements to participant call handling, service coordination between employers, onboarding of new plans, employer data collection and reporting processes, returned mail processing, employee address updates, provider data storage, plan communications, and our employer service and plan design consultation model.

Supporting these changes required extensive **operational and technology updates**. More **597 publications, forms, and resources were reviewed and updated**, including a new website that is now fully ADA compliant. Further major system changes were needed, including the need for MERS to develop an identity management solution for DB customer access to portals, changes in what DC information MERS manages and what information is sent and stored in MERS systems.

Throughout this transition, we also strengthened **compliance and data integrity** across multiple areas of the plan. This effort included clarifying key processes and conducting a comprehensive review of participant data. As a result, we corrected inaccurate Social Security numbers, implemented enhanced death verification controls, and improved compliance related to participant eligibility, deferral elections, and required contribution collection.

As part of the transition, **deferral recordkeeping procedures were modernized**. A structured and targeted outreach initiative to municipalities drove strong, measurable results, with approximately 850 plans submitting deferral elections for their 457 plans. This change enhanced the participants' experience by enabling more accurate retirement projections and providing clearer insight into savings progress. Additionally, the initiative streamlined administrative processes by allowing participants to make deferral changes directly through our vendor, Empower. This creates a more consistent and efficient experience while simplifying how municipalities receive and process updates through their online system.

We also significantly increased adoption of **ACH debit** for contribution submissions, with approximately 90% of municipalities now utilizing this method following the transition — representing a 20% increase driven by targeted communications. This shift improves the speed and reliability of contributions, enabling faster posting of assets to participant accounts and reducing instances of data not being submitted in good order. Overall, this enhancement strengthens processing efficiency and accuracy, delivering a more seamless experience for municipalities while improving outcomes for participants.

Finally, we streamlined the **investment menu** to reduce complexity while introducing new options better aligned with participant needs, including the addition of the HRA Guaranteed Protection Fund for the Health Care Savings Program.

## E. Examples & Supporting Materials



Microsite

Brainshark Videos

Staff Trainings

Preparing for Mailings


Transition Guide

Blackout Flyer


How to Flyers

Customer Trainings

## 2. Results

**Customer Experience**

Employer Satisfaction **91%**
Participant Satisfaction **87%**

While **94%** staff say MERS is a great place to work.

**Plan Design and Compliance**

**15** Plan Design Changes
**20** Process Redesigns
**1,530** Payrolls Mapped

Changes made it easier to work with MERS, enhanced retirement security and improved plan compliance.

**Operational Efficiency**

This effort resulted in projected annual administrative savings of

**$1.2 million**

**Vendor Relationship & Ongoing Management**

Onboarded a new recordkeeper with aligned success metrics for the plan and a comprehensive service level agreement establishing clear performance standards and accountability.

## 3. Feasibility for Use by Other Governments

As our organization worked through a major change effort, we learned that success often comes down to a few practical habits. These are some of the lessons that helped us along the way.

**Clearly Making the Case for Change:** One of the biggest lessons we learned was how important it is to explain *why* the change is happening. Sharing data about our current state, talking openly about challenges, and explaining why the timing was right helped create a shared understanding. It also helped people see the risk of doing nothing and the opportunity that change could create.

**Create a Feedback Team:** Having a group of stakeholders we could go to for honest feedback was incredibly helpful. These were the people that were going to give us the “real talk” on the changes ahead of time. They served as a sounding board for ideas, helped pressure-test decisions, and often gave us a gut check when something didn’t feel quite right.

**Communicate More Than You Think You Need To:** Regular updates during team meetings, emails, and informal conversations all helped keep people informed and engaged. Just as important was giving people space to ask questions and share feedback. Those conversations helped build trust and often improved the approach.

**Empower People to Take Action:** At some point, planning turns into doing. We found that progress happened faster when we removed barriers, gave people the tools and training they needed, and trusted teams to move forward. Recognizing contributions and celebrating early successes also helped build momentum and showed that the effort was making a difference.

In the end, we learned that successful transformation isn’t about having a perfect plan. It’s about creating clarity, involving the right people, communicating often, and staying open to learning along the way.