



REQUEST FOR LEGISLATION
February 7, 2006

FROM: Edward B. Koryzno, Jr., City Manager

SUBJECT: MERS Multiplier for Non-Union Employees

SUMMARY & BACKGROUND:

On November 1, 2005, City Council passed Resolution No. 2005-212A approving the AFSCME Union Local 623 contract, which included the following provision: Effective the 1st of the month following ratification, the parties agree to participate under the Michigan Employees' Retirement System B-4 plan, with the following riders: FAC-3, F50/25 and F55/15, for all retirements effective after that date. The employees agree to maintain payroll deductions of 5% of wages toward retirement. In addition to this payment, if and when the actuary determines that City revenues are needed to contribute to the retirement system, the employees agree to pay for 50% of that amount.

Also on November 1, 2005 City Council passed Resolution No. 2005-208, changing the Benefit program selected for the City Manager to B-4-80% max/F55/V-8/FAC-3/E-2/RS 50%.

I believe each employee contributes directly to the City's growth and success. We wish to recruit top quality candidates to fill the key positions that are currently open. We wish to bring the MERS Retirement program for non-union employees into parity with the upgrades given to AFSCME employees and the City Manager. The Actuarial Valuation completed in December of 2005 indicated the current MERS program for non-union employees is over funded by \$3,932,976. Changing the program to B-4 – 80% Max/60/V-10/F50(25)/F55(15)/FAC-3 with a 5% employee contribution would not reduce the over funding to the point of requiring additional City contributions for several years. The December Actuarial estimate projects about \$185,148 of the over funding would be used per year.

In addition, implementing the B-4 multiplier may save the City money in the short term. We expect changing the multiplier will result in the retirement of several vested union and non-union employees. This will have an affect similar to a buyout or early retirement as these higher paid longtime employees will be replaced with new employees, presumable at lower wages.

Recommendation: That City Council adopts the Resolution to change the MERS program for non-union employees to B-4 – 80% Max/60/V-10/F50(25)/F55(20)/FAC-3 with a 5% employee contribution effective April 1, 2006.

CITY MANAGER APPROVAL:

For Agenda of: March 7, 2006

CITY MANAGER COMMENTS:

FINANCE DIRECTOR APPROVAL: