



**SUBJECT:** Consideration to Adopt the Michigan Employees' Retirement System ("MERS") Uniform Transfer Resolution for Employees to allow employees who transfer or are rehired to positions within the City to remain in current/previous retirement plan.

**SUBMITTING DEPARTMENT:** City Manager's

**BACKGROUND INFORMATION:**

In 2006, the City Council passed a resolution ending the define benefit (DB) pension program for City Employees hired after that date. In doing so, the Council, at that time, chose not to pass a subsequent resolution allowing current employees to maintain their DB if promoted/transferred out of their respective position or division. Instead, employees promoted to an administrative role, had their DB pension frozen and entered into the Defined Contribution (DC) plan (or Hybrid if a new police officer) that all new employees receive upon joining the City. Per the MERS Standard Transfer Rules, if an employee transfers from one division to another, that employee **must participate in the open, active retirement plan of the new division**. The Standard Transfer Rules apply to all divisions within the City as elected when the City joined in 2006. The City, through MERS, has ten (10) plans:

- Administrative (non-union)
- Police Officer
- Police Command Officers (Open to new hires)
- Hybrid – Police Officers hired after 4/1/2012 (Open to new hires)
- Fire (full-time)
- MAPE (Employees in Public Works, Community Development, Assessing and Clerks Departments)
- Dispatchers
- Library
- Appointed Officials
- Hybrid – POLC

Members of the City Council have now expressed an interest in changing this policy and allowing employees to take the benefits they received when hired, with them when promoted. Currently, there are 119 employees who are in a DB program.

Administration has received comments from a couple individuals within this group of employees that some current employees wish to refrain from exploring promotion into leadership roles due to the policy enacted back in 2006. Moving to an administrative role typically provides for a significant salary increase to offset any perceived loss from the pension change; however, the promotion freezes the employees DB (if they have one) and moves the employee into the City's DC plan. If Council decides to proceed with reversing the prior decision, the staff in question believe it would assist in succession planning and assist in upward mobility within the Administrative (Non-union) ranks.

The change in policy, if adopted, does come with a significant price tag. The current cost to move the only eligible nine (9) active employees - four (4) police, one (1) fire, and four (4) MAPE back to their respective plans is an immediate cost of \$250,000 **annually** along with an increase in the unfunded liability. If adopted, the next actuarial valuation will reflect the increase in the unfunded liability related to these individuals as well as reflect the decrease in the overall funding level which is 68% at June 30, 2023. The Finance departments expects the additional annual cost to increase from the \$250,000 noted above to approximately \$300,000 for the future years if the nine members do return to the DB plan. The cost increase noted above is not budgeted and would require an amendment to increase the annual pension cost and use the General Fund fund balance to cover the cost for fiscal year 2023/2024.

**RECOMMENDED ACTION:** Adopt the Michigan Employees' Retirement System ("MERS") Uniform Transfer Resolution for Employees to allow employees who transfer or are rehired to positions within the City to remain in current/previous retirement plan.

**CITY OF NOVI**

**COUNTY OF OAKLAND, MICHIGAN**

**RESOLUTION ESTABLISHING UNIFORM TRANSFER PROVISION**

Minutes of a Meeting of the City Council of the City of Novi, County of Oakland, Michigan, held in the City Hall of said City on October 9, 2023, at 7 o'clock P.M. Prevailing Eastern Time.

PRESENT: Councilmembers \_\_\_\_\_

ABSENT: Councilmembers \_\_\_\_\_

The following preamble and Resolution were offered by Councilmember \_\_\_\_\_ and supported by Councilmember \_\_\_\_\_.

**WHEREAS** ; the City of Novi is a participating municipality or court in the Municipal Employees' Retirement System of Michigan ("MERS"); and

**WHEREAS** ; under Section 20 of the MERS Plan Document, all transferred employees (and rehired employees) are covered under the open employee plan associated with the defined employee group unless the participating municipality or court elects plan continuation for transfers and rehires; and

**WHEREAS** ; pursuant to Section 20 of the MERS Plan Document, the participating municipality or court may adopt for all its MERS divisions (present and future) a plan continuation transfer and rehire policy which allows all transferred and rehired employees to be placed in the division, whether open or closed, covered by the plan from which the employee transferred from, or the rehired employee previously was enrolled, so long as the plan type is the same, and such plan type exists. If none, then the covered employee will be placed into the open division;

**NOW THEREFORE, IT IS THEREFORE RESOLVED** that effective October 9, 2023, City Council adopts this Resolution for all present and future employee divisions requiring that all transferred and rehired employees shall be enrolled in the applicable division, whether closed or open, covered by the plan from which the employee transferred from, or the rehired employee previously was enrolled, so long as the plan type is the same, and such plan type exists.

**AYES:**

**NAYS:**

RESOLUTION DECLARED ADOPTED.

\_\_\_\_\_  
Cortney Hanson, City Clerk

**CERTIFICATION**

I hereby certify that the foregoing is a true and complete copy of a resolution adopted by the City Council of the City of Novi, County of Oakland, and State of Michigan, at a regular meeting held this 9th day of October, 2023, and that public notice of said meeting was given pursuant to and in full compliance with Act No. 267, Public Acts of Michigan, 1976, and that the minutes of said meeting have been kept and made available to the public as required by said Act.

\_\_\_\_\_  
Cortney Hanson, City Clerk  
City of Novi

# Employer Resolution Establishing Uniform Transfer Provision



1134 Municipal Way Lansing, MI 48917 | 800.767.MERS (6377) | Fax 517.703.9711

www.mersofmich.com

**WHEREAS**, the City of Novi, Michigan is a participating municipality or court in the Municipal Employees' Retirement System of Michigan ("MERS"); and

**WHEREAS**, under Section 20 of the MERS Plan Document, all transferred employees (and rehired employees) are covered under the open employee plan associated with the defined employee group unless the participating municipality or court elects plan continuation for transfers and rehires;

**WHEREAS**, pursuant to Section 20 of the MERS Plan Document, the participating municipality or court may adopt for all its MERS divisions (present and future) a plan continuation transfer and rehire policy which allows all transferred and rehired employees to be placed in the division, whether open or closed, covered by the plan from which the employee transferred from, or the rehired employee previously was enrolled, so long as the plan type is the same, and such plan type exists. If none, then the covered employee will be placed into the open division;

**NOW THEREFORE BE IT RESOLVED**, that effective October 9, 2023, the Governing Body adopts this Resolution (or for a participating court, the Chief Judge by Administrative Order) for all present and future employee divisions requiring that all transferred and rehired employees (select only one):

- shall be enrolled in the open plan in the division into which they are transferred as set forth in the Standard Transfer Chart (see [Standard Participant Transfer Rules](#)).
- shall be enrolled in the applicable division, whether closed or open, covered by the plan from which the employee transferred from, or the rehired employee previously was enrolled, so long as the plan type is the same, and such plan type exists. If none, the open division as set forth in the Continuation Chart (see [Plan Continuation Rules](#)).

MERS' transfer and rehire procedures are an administrative process subject to the MERS' Plan Document. Changes to the Plan Document may impact MERS' ability to administer this election in the future.

SEE PAGE 2 FOR CHART OF TRANSFER GUIDELINES

## CERTIFICATION FOR PARTICIPATING MUNICIPALITY OR COURT

I hereby certify that this Resolution was adopted by (check one):

The Governing Body of the City of Novi, Michigan at its meeting held on 10/9/2023.  
(Name of Municipality) (dd/mm/yyyy)

Administrative Order No. \_\_\_\_\_ adopted by the Chief Judge of the \_\_\_\_\_, on \_\_\_\_\_.  
(Order Number) (Name of Court) (dd/mm/yyyy)

Signature of Authorized Official: \_\_\_\_\_, Date: \_\_\_\_\_  
(dd/mm/yyyy)

Printed name: Robert J. Gatt Title: Mayor, City of Novi, MI