



# CITY of NOVI CITY COUNCIL

**Agenda Item J  
March 26, 2012**

**SUBJECT:** Approval of Resolution for Changing MERS benefits for the POLC (Police Officers Labor Council) Division 02 for: (a) Earlier Normal Retirement from F25 (25 years of service and out) to F25/50 (25 years of service and age 50), and (b) for purposes of computation of final average compensation to include a cap of 350 overtime hours annually, effective April 1, 2012, pursuant to the arbitration ruling on March 15, 2012.

**SUBMITTING DEPARTMENT:** Human Resource, Finance, City Managers

**CITY MANAGER APPROVAL:** 

**BACKGROUND INFORMATION:**

On July 1, 2004 the POLC division received an increase in pension benefits moving from a 2.25% multiplier for final average compensation to 2.5%, with the employees required to contribute 4.17%. For the contract from July 1, 2004 to June 30, 2010, the POLC division received an increase in pension benefits from a 2.5% multiplier for final average compensation to 2.8%, with the employees to assume all but 1% of the cost which was to be paid by the City. This benefit was effective June 1, 2010. In addition the division received an additional pension benefit improvement for an earlier than normal retirement provision requiring at least 25 years of service and age 50, to 25 years of service with no age requirement to collect pension benefits. During negotiations for the current contract, the City proposed a change utilizing a Bridge Plan, such that the multiplier would be reduced from 2.8% to 2.5% on the prospective years, and the early retirement provision would revert back to requiring age 50 plus 25 years of service.

While many of the comparable communities had adopted the 2.8%, and some 3% as well as early retirement provisions, Novi's estimated pension benefit was the highest of the 11 comparable communities, as a result of the types of compensation included in the pension benefit computation. Also, four of the eleven communities do not contribute (provide for) social security benefits like Novi.

The table below shows various years' percent funded and unfunded accrued liability based on the respective annual valuation for the POLC division:

| POLC Division Defined Benefit Plan |                |                            |
|------------------------------------|----------------|----------------------------|
| Actuarial Report Year              | Percent Funded | Unfunded Accrued Liability |
| 12.31.03                           | 85.30%         | \$ 1,579,064               |
| 12.31.04                           | 74.90%         | \$ 3,212,751               |
| 12.31.09                           | 75.00%         | \$ 3,961,857               |
| 12.31.10                           | 70.50%         | \$ 5,535,000               |

Pursuant to the POLC arbitration ruling rendered on March 15, 2012, the MERS defined benefit pension changes are to be effective April 1, 2012, and include changing the early retirement benefit from F25 (25 years of service with no age limitation), to the F25/50 (25 years of service and age 50) rider. In addition, the attached resolution reflects the changes awarded for purposes of computation of final average compensation to cap all overtime hours to 350 hours annually.

Based on the actuary report used during the negotiation/arbitration process, the City will recognize a reduction in unfunded accrued liability of approximately \$506,700, and the percent funded will be increased from 70.5% to 72.5%.

This decision also results in POLC on parity with the COAM (Command Officers Association of Michigan), for the early retirement rider provision of age 50 with 25 years of services. The COAM multiplier for purposes of pension computation is 2.5% vs POAM which is 2.8%, and the employee contributions are 6.44% and 9.24% respectively.

**RECOMMENDED ACTION:** Approval of Resolution for Changing MERS benefits for the POLC (Police Officers Labor Council) Division 02 for: (a) Earlier Normal Retirement from F25 (25 years of service and out) to F25/50 (25 years of service and age 50), and (b) for purposes of computation of final average compensation to include a cap of 350 overtime hours annually, effective April 1, 2012, pursuant to the arbitration ruling.

|                               | 1 | 2 | Y | N |
|-------------------------------|---|---|---|---|
| <b>Mayor Gatt</b>             |   |   |   |   |
| <b>Mayor Pro Tem Staudt</b>   |   |   |   |   |
| <b>Council Member Casey</b>   |   |   |   |   |
| <b>Council Member Fischer</b> |   |   |   |   |

|                                | 1 | 2 | Y | N |
|--------------------------------|---|---|---|---|
| <b>Council Member Margolis</b> |   |   |   |   |
| <b>Council Member Mutch</b>    |   |   |   |   |
| <b>Council Member Wrobel</b>   |   |   |   |   |

**RESOLUTION FOR CHANGING MERS BENEFITS  
(OTHER THAN DB COMPONENT OF HYBRID PROGRAM)**



In accordance with the MERS Plan Document of 1996, the City of Novi  
(Participating Municipality)  
6320 adopts the following benefits for: Division 02, POLC  
(Municipality No.) (Reporting Unit No., MERS Division No. and Name)

A "division" is defined as an employee or group of employees covered by the same benefit programs **and** the same employee contribution program. Each division has a specific MERS number and name, such as "Div. 10, General-Admin.," and is part of a Reporting Unit, such as: "01."

Supporting Supplemental Valuation is dated 10.4.11 & see attached changes to FAC

**BENEFIT MULTIPLIER**

From \_\_\_\_\_ To \_\_\_\_\_ Effective Date \_\_\_\_\_  
(Current Benefit Multiplier) (New Benefit Multiplier)

**Provisions for Earlier Normal Retirement**

F50/25     F50/30     F(N)-Years and Out (Specify number of years) \_\_\_\_\_  
 F55/15     F55/20     F55/25     F55/30  
Effective Date April 1, 2012

**EMPLOYEE CONTRIBUTION RATE**

New Rate \_\_\_\_\_  
Effective Date \_\_\_\_\_

**ADDITIONAL BENEFITS  
AFFECTING FUTURE RETIREES**

FAC 3     FAC 5     V-6     V-8     V-10     RS - 50%  
 D-2     E-2     DROP+ with \_\_\_\_\_ %  
Effective Date \_\_\_\_\_

**RETIREE COST-OF-LIVING BENEFIT PROGRAMS FOR CURRENT RETIREES**

E Standard     E-1  
 E - Other (Specify Factor \_\_\_\_\_ Adjustment Years \_\_\_\_\_)  
Effective Date \_\_\_\_\_

**WINDOW PERIOD (If applicable)**

From \_\_\_\_\_ To \_\_\_\_\_  
(Date) (Date)

I CERTIFY THAT THE ABOVE WAS ADOPTED BY \_\_\_\_\_ City of Novi \_\_\_\_\_ March 26, 2012  
Governing Body Date of Meeting  
City Clerk  
\_\_\_\_\_  
Authorized Signature Title Date

**NOTE: Standard/Nonstandard Benefit Provisions**—Attach page fully describing provision(s), and (1) a complete copy of the fully executed collective bargaining agreement and a certified copy of official minutes where the collective bargaining agreement or this Resolution was adopted, or (2) a copy of the arbitration or mediation decision. If further information is needed, please contact MERS Employer Services Division at 1 (800) 767-6377.

***Resolution for Changing MERS Benefits – Pursuant to Arbitration Award  
March 15, 2012 and POLC Union contract***

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Section 16

The city shall continue to make monthly contributions on behalf of each officer to the Michigan Municipal Retirement System (MERS) to provide at a minimum all of the present and future benefits to which the POLC are now entitled under the present arrangement between the City and MERS. Effective April 1, 2012, the retirement plan shall be revised to include the F-50 with 25 years of service provision for earlier normal retirement. For purposes of computing MERS final average compensation:

1. Combined overtime hours shall be capped at 350 hours per fiscal year (based on payrolls from July 1 to June 30 each fiscal year). For all hours exceeding the 350 cap, the employee will receive a reduction in eligible MERS wages for the amount in excess of the cap for purposes of the employee and employer contribution for eligible MERS earnings and the City will make an adjustment to the employees first payroll in August. The City will also submit corrected ePASS reports to MERS for the months affected by the adjustment. In the event of termination of employment, the cap will be calculated and applied through that date and the MERS eligible wages will be adjusted in the final payment and reported to MERS thru corrected ePASS reports for each month affected by the adjustment.