



# CITY OF IONIA

## Employee Compensation Plan

Prepared Pursuant to Section 18j of Public Act 51 of 1951, as Amended

September 1, 2018

### Purpose of Plan

Section 18j of Public Act 51 of 1951, as amended, requires each local road agency to annually certify to the Michigan Department of Transportation that it satisfies one of the following conditions with respect to its employees:

- (a) That it has developed and publicized an employee compensation plan (that contains certain components as outlined in the Act) that the local road agency intends to implement with any new, modified, or extended contract or employment agreements for employees not covered under contract or employment agreement. Additionally, the local road agency is required to post the plan on a publicly accessible internet site and submit it to the Michigan Department of Transportation.

-OR-

- (b) That it complies with Public Act 152 of 2011, being MCL 15.561 to 15.569 regarding minimum employee contribution levels to assist in covering the cost of the employee's medical benefits.

The City of Ionia intends to comply with the provisions of Section 18j, of Public Act 51 of 1951, as amended, by selecting option "a" above, the preparation and publication of an Employee Compensation Plan. This document is intended to satisfy the minimum requirements for a "plan" as outlined in the Act.

### City Employees

As of September 1, 2018, the City of Ionia has 49 full-time and 46 part-time or paid on-call employees among the City's eight departments and three offices. The majority of the City's employees are represented by one of four unions recognized by the City. Each union is empowered by its employee group to negotiate collective bargaining agreements with the City on their behalf for compensation, benefits and work conditions. The compensation, benefits and work conditions for non-union employees are set directly by the City Council pursuant to the provisions of the City's Personnel Policy.

## Current City Employee Benefits – Pension

All employees who are eligible for pension benefits receive these benefits through the City's membership in the Municipal Employees Retirement System (MERS) of Michigan. The City has been a member of MERS since June 1, 1988. As of the date of the most recent Annual Actuarial Valuation Report from MERS (December 31, 2016) there were 45 active City employees in MERS and 59 vested/former or retired (beneficiary) City employees either currently receiving pension benefits through MERS or eligible at some point in the future to receive MERS benefits. In providing pension benefits to its employees, the City, in addition to other contractual or personnel policy requirements, must comply with the parameters of the specific pension programs as established by MERS.

The listing below describes the pension benefits for full-time employees by active division and the associated costs to the City for the benefits as a percentage of current division payroll.

### Division 01 – Clerical Employees (Union) and Middle Management (Non-Union):

Employees hired prior to July 1, 2011 (This is a **CLOSED** program)

MERS Defined Benefit Program – B-4 (2.50% multiplier with 80% maximum)

Retirement Age – 55 Years of Age with 25 Years of Service

Vesting – 10 Years

Final Average Compensation – 5 Years

Employee Contribution – 0.00%

Total Annual City Contribution (Fiscal Year 18-19) \$73,080.00

*Note: The total City contribution is expressed in dollars rather than as a percent of payroll since this is a closed division. Only union clerical and non-union middle management employees hired before July 1, 2011 are eligible for this benefit level.*

Employees hired after July 1, 2011 (This is the **ACTIVE** program)

MERS Hybrid Benefit Program – Defined benefit component – 1.50% multiplier

Defined contribution component – 4.00% of base payroll

Retirement Age – 60 Years of Age

Vesting – 6 Years

Final Average Compensation – 3 Years

Employee Contribution – 4.00% of base payroll

Total City Contribution (as percent of payroll – July 1, 2018) - 7.61%

### Division 10 – Public Utilities/Public Works (Union):

Employees hired prior to July 1, 2012 (This is a **CLOSED** program)

MERS Defined Benefit Program – B-4 (2.50% multiplier with 80% maximum)

Retirement Age – 55 Years of Age with 25 Years of Service

Vesting – 10 Years

Final Average Compensation – 5 Years

Employee Contribution – 0.00%

Total Annual City Contribution (Fiscal Year 18-19) \$245,100.00

*Note: The total City contribution is expressed in dollars rather than as a percent of payroll since this is a closed division. Only union public utilities/public works employees hired before July 1, 2012 are eligible for this benefit level.*

Employees hired after July 1, 2012 (This is the **ACTIVE** program)

MERS Hybrid Benefit Program – Defined benefit component – 1.50% multiplier

Defined contribution component – 4.00% of base payroll

Retirement Age – 55 Years of Age with 25 Years of Service

Vesting – 6 Years

Final Average Compensation – 3 Years

Employee Contribution – 4.00% of base payroll

Total City Contribution (as percent of payroll – July 1, 2018) - 6.75%

Division 12 – Department Directors/City Manager (Non-Union):

MERS Defined Benefit Program – B-4 (2.50% multiplier with 80% maximum)

Retirement Age – No specific age – minimum 25 Years of Service

Vesting – 10 Years

Final Average Compensation – 5 Years

Employee Contribution – 0.00%

Total City Contribution (as percent of payroll – July 1, 2018) - 43.37%

Division 20 – Public Safety Employees (Union):

Employees hired prior to July 1, 2010 (This is a **CLOSED** program)

MERS Defined Benefit Program – B-4 (2.50% multiplier with 80% maximum)

Retirement Age – No specific age – minimum 25 Years of Service

Vesting – 10 Years

Final Average Compensation – 5 Years

Employee Contribution – 0.00%

Total Annual City Contribution (Fiscal Year 18-19) \$400,452.00

*Note: The total City contribution is expressed in dollars rather than as a percent of payroll since this is a closed division. Only union public safety employees hired before July 1, 2010 are eligible for this benefit level.*

Employees hired after July 1, 2010 and before July 1, 2013 (This is the **CLOSED** program)

MERS Defined Benefit Program – B-3 (2.25% multiplier with 80% maximum)

Retirement Age – 50 Years of Age with 25 Years of Service

Vesting – 10 Years

Final Average Compensation – 5 Years

Employee Contribution – 5.00%

Total Annual City Contribution (Fiscal Year 18-19) \$4,092.00

*Note: The total City contribution is expressed in dollars rather than as a percent of payroll since this is a closed division. Only union public safety employees hired after July 1, 2010 and before July 1, 2013 are eligible for this benefit level.*

Employees hired after July 1, 2013 (This is the **ACTIVE** program)

MERS Hybrid Benefit Program – Defined benefit component – 1.50% multiplier

Defined contribution component – 4.00% of base payroll

Retirement Age – 55 Years of Age with 25 Years of Service

Vesting – 6 Years

Final Average Compensation – 3 Years

Employee Contribution – 4.00% of base payroll

Total City Contribution (as percent of payroll – July 1, 2018) - 7.63%

### **Current City Employee Benefits – Health Care**

All full-time employees regardless of whether union or non-union and regardless of the union which they may be a member or their hire date receive the same health care benefits. All employees contribute twenty percent (20%) of the health care premium costs through a payroll deduction except for one union.

### **Statutory Goals**

Section 18j of Public Act 51 of 1951, as amended, requires public employers to develop a plan that standardizes certain employee benefits as follows:

**Pensions:** For public employers who participate in the social security program and do not provide retiree health care (this applies to the City), the following parameters apply to pension benefits for existing employees as well as new employees:

*Existing Employees* – If existing employees have a “defined benefit” pension program, the program multiplier may not exceed 2.25%. Additionally, the final average compensation shall be computed using a minimum of three years average of base compensation and may not include more than 420 hours of paid leave in the final calculation.

*New Employees* – The maximum pension cost to the City for new hires shall not exceed 10% of base salary if the public employer participates in the social security program.

### **Health Care Insurance:**

*Existing Employees* – The statute does not address the issue of the cost for health care insurance for existing employees. However, Public Act 152 of 2011, as amended, does establish parameters for public employer provided health care.

*New Employees* – New employees are required to contribute a minimum of 20% of the total monthly health care insurance premium. The statute provides an alternative which may reduce the cost of the employee but only if the public employer’s contribution for the health care insurance is cost competitive with the State of Michigan’s preferred provider organization health plan on a per-employee basis.

### **City’s Intent to Implement**

In order to comply with the statutory requirements, a public employer must express its intent to implement the employee compensation components outlined above and contained in the statute. The City is in compliance with the health care insurance requirements (minimum twenty percent employee contribution) as outlined above. The City is not, however, in compliance with some of the provisions contained in the statute regarding pension programs. In this instance, adjustments are necessary to existing collective bargaining agreements/personnel policies for current employees.

The City intends, through bargaining, to make the revisions required to comply with the statutory parameters pertaining to pension benefits for all employee groups by December 31, 2021. This deadline, however, will only be met if certain program changes are made to the Municipal Employees Retirement System (MERS) of Michigan by its Board of Directors (For example, MERS rules currently prevent a public employer whose retirement program for current employees is not a minimum 80% funded from offering a defined contribution retirement program. Currently, the City is 50% funded and is many years from meeting the 80% minimum funding level requirement).

The outline below identifies the changes that are necessary to current collective bargaining agreements/personnel policies in order to comply with the statutory requirements:

Employee Group: Clerical (and non-union middle management)

Union: AFSCME AFL-CIO

Expiration Date of Current Agreement: June 30, 2019

Changes Necessary:

- Existing Employees:
  - Reduce retirement multiplier from 2.50% to 2.25%
- New Employees:
  - None.

Employee Group: Dial-A-Ride

Union: AFSCME AFL-CIO

Expiration Date of Current Agreement: July 1, 2019

Changes Necessary:

- Existing Employees:
  - None.

- New Employees:
  - None.

Employee Group: Public Safety

Union: Police Officers Association of Michigan

Expiration Date of Current Agreement: June 30, 2021

Changes Necessary:

- Existing Employees:
  - Reduce retirement multiplier from 2.50% to 2.25%
- New Employees:
  - None.

Employee Group: Public Works/Public Utilities

Union: Teamsters State, County and Municipal Workers

Expiration Date of Current Agreement: June 30, 2020

Changes Necessary:

- Existing Employees:
  - Reduce retirement multiplier from 2.50% to 2.25%
- New Employees:
  - None.

Employee Group: Full-Time Non-Union (Department Directors/City Manager)

Union: N/A

Expiration Date of Current Agreement: N/A

Changes Necessary:

- Existing Employees:
  - Amend Personnel Policy No. 380 (MERS Pension) by reducing the retirement multiplier from 2.50% to 2.25%
- New Employees:
  - Amend Personnel Policy No. 380 (MERS Pension) changing the pension program to MERS Hybrid that caps annual City contribution to 10% of base salary. This action will be completed during the City's current fiscal year (FY18-19).