

14-5394

EM SUBMISSION NO.: EM6412014

PRESENTED: 12-2-14

ADOPTED: 12-3-14

**RESOLUTION AUTHORIZING AMENDED ADMINISTRATIVE SERVICES  
AGREEMENT WITH MERS**

**BY THE EMERGENCY MANAGER:**

WHEREAS, the City of Flint is a member of the Municipal Employees Retirement System;

WHEREAS, recently enacted changes in labor contracts for FPOA (Police Officers); FPOA (Sergeants); and FPOA (Lieutenants) modified certain pension benefits;

WHEREAS, it is necessary to amend the Administrative Services Agreements with MERS;

WHEREAS, the Finance Director is recommending approval of the amendments prepared by MERS as being consistent with the underlying contracts.

IT IS RESOLVED, that the Amended Administrative Service Agreements are approved.

**APPROVED AS TO FORM:**

  
Peter M. Bade, City Attorney

**APPROVED AS TO FINANCE:**

  
Gerald Ambrose, Finance Director

**EM DISPOSITION:**

ENACT ✓

FAIL \_\_\_\_\_

  
Darnell Earley, Emergency Manager

DATED: 12-03-14

## Amended Administrative Services Agreement

This Amended Administrative Services Agreement ("Agreement") amends and supersedes the original Administrative Services Agreement made as of the 1<sup>st</sup> day of October, 2012, between the Municipal Employees' Retirement System of Michigan (MERS) and the City of Flint (Municipality), and, together with the Adoption Agreement, provides the mutually agreed upon terms for MERS' administration of the Lieutenants and Captains hired after 7/01/1994 division. Nothing in this Agreement supersedes or waives any rights or obligations of the parties under law and the MERS Plan Document.

### BOARD AUTHORITY

#### **Approval of Resolutions**

Adoption of new benefits or benefit changes must be approved by the governing body of the Municipality or an emergency manager, pursuant to MCL 141.1549(2). MERS will not accept signed resolutions completed by boards of the municipal divisions (i.e., library boards, medical care facility boards, community mental health boards, etc.)

### SERVICE CREDIT *MERS Plan Document Section 2C(4)*

**Prior Service** is calculated from the date the employee was hired through the date they joined MERS 10/1/2012, less any months there was a loss of service such as unpaid FMLA leave, layoffs, unpaid leave, etc. It is the Municipality's responsibility to calculate and certify each employee's prior service credit, not MERS.

*For example, an employee hired on 1/11/1980 who joined MERS on 1/1/2009 would have 29 years of prior service, assuming there are no service exceptions.*

### **Future Service** *MERS Plan Document Section 3(1)*

Future service accrues from October 1, 2012.

**Eligible Domestic Relations Order (EDRO)** – members who divorce after October 1, 2012 must complete MERS EDRO (Form 72) and submit to MERS' Legal Counsel for review. New DB members with prior service must submit a copy of the current EDRO to MERS' Legal Counsel for review.

### RETIREES

All retirees transferring to MERS will receive the same pension benefit they currently receive. MERS will not deduct payments toward any union or association dues directly from the pension benefit. Pension benefits are paid monthly.

If the Municipality rehires an employee who is receiving a pension from the Municipality, the employee is subject to special conditions, pursuant to MERS Plan Document Section 31:

The retiree will continue receiving retirement benefits without change if there is a bona fide termination of employment of at least 30 days with no intent to rehire [IRS Information Letter 20000245 (September 6, 2000); Revenue Ruling 74-254, 1974-1 CB 91]

- ☐ Rehired retirees may work up to 720 hours per calendar year without an interruption in their pension benefits. These rehired retirees may not participate in the active defined benefit retirement plan and therefore will not earn an additional pension.
- ☐ Rehired retirees working over 720 hours per calendar year will have their defined benefit pensions suspended.
- ☐ Elected officials or appointed employees must have a 2 year gap between the day their pension

commenced and a re-election, re-appointment, or re-employment in any other capacity by the same MERS participating municipality. If there is not a 2 year gap, the defined benefit pension benefit will be suspended.

- ☐ The rehired retiree and the Municipality must complete the Return to Work Certification Form 29C

## Plan Administration

### **MULTIPLIER** *MERS Plan Document Sections 14A (1-2)*

The MERS Defined Benefit formula will calculate an eligible member's retirement benefit based on a 2.6% multiplier for the first 20 years of service and a 2.25% multiplier for year of service over 20.

### **FINAL AVERAGE COMPENSATION** *MERS Plan Document Section 2 A. 12(a-b)*

Final Average Compensation (FAC) will be computed using the average of the highest 3 year (non-overlapping, consecutive 12 month blocks) of earnings from the member's last 5 years of credited service as reported to MERS by the Municipality. After a current employee has 20 years of service, overtime will no longer be reported to MERS for inclusion in FAC. In addition, a lump sum payment of up to 240 hours of leave time and 180 hours of flex time will be added to the calculation of compensation prior to the averaging of compensation to determine the FAC. *For example: FAC years 2009 + 2010 + 2012 + value of 240 hours of leave time + value of 180 hours of flex time divided by 3 = FAC.*

Until and unless MERS' system is updated with this provision, the following items will be impacted:

- MERS will produce an annual member statement; however it will be calculated on a straight FAC 3.
- The FAC for participants will display as a FAC 3 in myMERS and other locations where an automated or system generated calculation would display. MERS will make reasonable efforts to add comments to both the employer and participant accounts, but with manual calculation, there is always the risk of incorrect information being communicated.

The Municipality acknowledges these limitations on MERS' administration of its benefit provisions, and acknowledges that the technological updates required to administer the above provisions may not be made available.

### **VESTING** *MERS Plan Document Section 10(1)(b)(iii and iv)*

**10 Year vesting** is required in order to be eligible to receive a retirement benefit. 15 year vesting is required to apply for a deferred retirement.

### **DISABILITY BENEFITS FOR ACTIVE EMPLOYEES** *MERS Plan Document Section 24-25, 29*

- ☐ **DUTY RELATED DISABILITY** benefits are subject to MERS processes and approval with the disability being the natural and proximate result of on-the-job injury. There are no vesting requirements. Benefits will be paid if the member is determined to be disabled under MERS' definition. The benefit will be the greater of the result of the applicable defined benefit formula or 50% of the FAC. For individuals who retired prior to joining MERS, their benefits are only offset by Worker's Compensation. Individuals who retire after joining will be subject to the MERS income limitations set forth in Plan Document Section 29.
- ☐ **NON-DUTY RELATED DISABILITY** benefits are subject to MERS processes and approval. The member must be vested in order to qualify. Benefits will be paid if the member is determined to

be disabled under MERS' definition. The benefit will be computed as the result of the defined benefit formula with a 20% minimum of FAC. For individuals who retired prior to joining MERS, their benefits are not offset by income earned from a future job. Individuals who retire after joining will be subject to the MERS income limitations.

**DEATH BENEFITS FOR ACTIVE EMPLOYEES** *MERS Plan Document Section 27-28*

- ☐ **DUTY RELATED DEATH** benefit has no vesting requirements. The surviving spouse will receive the greater of the result of the defined benefit formula or 33.33% of the FAC. If the member dies with no spouse, any children would equally share not less than 25% of the member's FAC until 21 or married. A survivor beneficiary would receive a portion of a vested member's straight life benefit.
- ☐ **NON-DUTY RELATED DEATH** benefits are payable should death occur to an active member. The member must be vested in order to qualify. The spousal benefit will be 85% of the result of the defined benefit formula or the 100% Joint and Survivor benefit, whichever is higher. If a survivor beneficiary is named, he/she would receive a portion of the straight life benefit. If the member dies with no spouse or survivor beneficiary, any children would equally share 50% of the member's straight life benefit until 21 or married.

**RETIREMENT ELIGIBILITY** *MERS Plan Document Section 10(5)*

Members will become eligible to collect a retirement benefit once the Normal Age Retirement of 60 years is reached and the member has vested or if they are at least age 50 and have at least 25 years of service. There is no mandatory retirement age.

**DEFERRED RETIREMENT** *MERS Plan Document Section 12*

Deferred members who had at least 15 years of service when employment terminated will receive benefits once they would have been at least age 50 and would have had 25 years of service or when eligible by other adopted unreduced age and service requirements. Member is eligible for deferred retirement upon termination; they are not required to apply for a deferred retirement.

**COST OF LIVING ADJUSTMENT (COLA)** *MERS Plan Document Sections 20-22, 43C.*

There is no COLA at this time. Future COLA's may be adopted at the Municipality's discretion, but will be subject to Section 43C of the MERS Plan Document.

**ANNUITY WITHDRAWAL**

Annuity withdrawals will not be offered under this plan.

**AMORTIZATION POLICY REGARDING ACTUARIAL ACCRUED LIABILITY (AAL)** *MERS Plan Document Section 43C(4)*

The Actuarial Accrued Liability (AAL) will be subject to a 30 year amortization that shall be reduced annually by one year, until reaching a 20-year amortization period.

**MEMBER CONTRIBUTIONS** *MERS Plan Document Sections 32-35*

A member contribution percentage of 9.5% of gross wages is required as determined by the most recent Collective Bargaining Agreement (CBA) Ordinance, or Personnel Policy. Effective November 1, 2014, the contribution will be 9.5% on base wages. MERS will only accept employee contributions on a pre-tax basis. The Municipality is responsible for providing MERS with written notification of any changes to the member contribution rate, if applicable. Employees may not have the option to vary the rate of or discontinue these contributions. Post-tax contributions made prior to joining MERS will be tracked accordingly. MERS agrees to remove the error flag in its reporting system in instances where the amount

of withholding for member contributions is not based upon the definition of pension reportable compensation.

**DEFINING A DAY OR A MONTH OF SERVICE CREDIT** *MERS Plan Document Section 3(1)*

The Municipality establishes a definition of day/month of service credit and each member who satisfies this requirement shall be credited with one month of service credit. If part-time employees meet the service criteria they must be reported to MERS. If the Municipality intends to exclude part-time employees, the Municipality must set the definition of a day or month at a level that cannot be reached by part-time employees. Personnel Policies or Ordinances alone cannot exclude part-time employees from MERS membership. To receive service credit, employees in this division must work a minimum of 80 hours in one calendar month. Employees must earn service for 12 months for a year of credit to apply.

**EXCLUDING TEMPORARY EMPLOYEES** *MERS Plan Document Section 3(2)*

To exclude temporary employees from the Defined Benefit Plan, the applicable section of the Defined Benefit Adoption Agreement must be completed.

**DEFINITION OF COMPENSATION** *MERS Plan Document Section 2 A (6)*

**Includable Wages:** Longevity pay, overtime pay through the first 20 years of service and not thereafter, shift differentials; pay for periods of absence from work due to vacation, holiday, and sickness; deferred compensation amounts under deferred compensation programs recognized by the board, including premiums for annuities and permanent life insurance policies that are transferred to the ownership of the member upon retirement; worker's compensation weekly benefits if reported to MERS; and items of a similar nature that are recognized as compensation by the board. It includes 240 hours of pay from the Municipality's leave bank and 180 hours of flex time.

**Excludable Wages:** Allowances for clothing, equipment, cleaning, and travel; reimbursement of expenses, bonuses; termination pay; severance pay; the value of fringe benefits; and items of remuneration that are the basis of a potential or actual benefit from another retirement program and all other compensation or payments received by a member, not set forth in includable wages.

\* When an employee is receiving Short Term Disability benefits through the Municipality, service credit is granted when the Municipality provides third party wages and the employee pays his/her employee contributions. If STD wages are reported, it must be done consistently for the entire Municipality, unless the division is covered by a CBA that specifically modifies this rule.

**GENERAL ADMINISTRATION**

All members within the same division will be treated equally. No members within the same division will have differing contribution rates or benefit programs. Employees shall receive service credit beginning with the date of hire unless they are a temporary/exempt employee. The municipality will be responsible for verifying the amount of service credit each member is eligible for. All new hires will participate in the Hybrid Plan.

**RETIREMENT PAYMENT OPTIONS** *MERS Plan Document Section 23(2)(a-e)*

MERS offers eight Retirement Payment Options. If the member chooses the 50%, 75%, or 100% Joint and Survivor option, the beneficiary may not be changed; therefore, if the designated beneficiary predeceases the retired member, the reduced pension automatically pops-up to the unreduced Straight Life amount. If a Period Certain Option is chosen for 5, 10, 15, or 20 years, the member may name more than one beneficiary and the beneficiary may be changed.



**REFUNDS**

MERS will use the MERS Retirement Board approved **1 Year T-Bill rate on December 31<sup>st</sup>** each year to apply interest to member contributions in the event of a refund.

**SERVICE CREDIT PURCHASES** *MERS Plan Document Section 7*

Any active member within the MERS system may purchase up to 5 years (60 months) of generic service credit. Service credit may be purchased in one month increments and can be done more than once as long as the total service credit purchased does not exceed 5 years (60 months). Purchased service counts towards retirement eligibility and must be paid in full at the time of approval. The Municipality must complete a resolution approving any service credit purchases, which can be signed by an administrative signature of a designee of the governing body or emergency manager of the Municipality. All members must be given the same opportunity to purchase service credit. The Municipality can limit service credit purchases based on CBA, Ordinance, or Personnel Policy if so desired.

**OTHER GOVERNMENTAL SERVICE CREDIT MAY ALSO BE PURCHASED PROVIDED THAT:**

The employee can provide verification of service performed with a non-MERS governmental entity, and the break in service between prior employment and current employment does not exceed 240 months. The Municipality must complete a resolution approving any service credit purchases, which can be signed by an administrative signature of a designee of the governing body or emergency manager of the Municipality.

\*Purchased service credit cannot be used to meet vesting. Service credit cannot be purchased if the employee is going to receive a retirement benefit based on that service credit from another retirement system.

**COORDINATION OF SERVICE CREDIT**☐ **MERS to MERS time** *MERS Plan Document Section 5*

Service credit from other MERS employers shall be recognized for vesting and eligibility purposes only, provided that the employee has at least 12 months of service at each employer and not more than a 240 month break in service.

☐ **ACT 88** *MERS Plan Document Section 8*

If adopted, the employee shall be allowed to recognize service credit from another Michigan governmental employer for the purposes of vesting and eligibility provided that 1) the employee has at least 30 months of service credit with the employer they are drawing a benefit from and 2) not more than a 240 month break in service between employers.

**FUTURE PLAN CHANGES** *MERS Plan Document Section 43C*

Benefit Adoption Eligibility Requirements: To request a cost analysis for a benefit change that increases the plan liability, both the requesting division and the participating municipality or court must be not less than 80% funded as of the most recent December 31st annual valuation. To adopt the change, the governing body must meet a minimum funding requirement and meet other conditions in Plan Document Section 43C.

*By signing below, the parties agree that the Defined Benefit Plan will be administered in accordance with the explanations provided herein. Items not discussed in this Amended Administrative Services Agreement shall be administered in accordance with the MERS Plan Document and/or applicable law.*

Signature:  \_\_\_\_\_

As of 11/21/14

Printed Name: Leonard AmbroseTitle: Finance DirectorDate: 11/26/14Signature: Printed Name: Darnell EarleyTitle: Emergency Manager

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

As of 11/21/14