CITY OF NOVI CITY COUNCIL
OCTOBER 9, 2023

SUBJECT: Amend the budget to incorporate the costs associated with the resolution allowing current employees who were previously transferred or promoted to administrative positions within the City, to be transferred back to his/her previous retirement plan.

SUBMITTING DEPARTMENT: City Manager's

BACKGROUND INFORMATION:

This item is a companion to the previous agenda item relating to allowing employees to transfer retirement benefits from one position to another promotional or rehired position. The current employees would be placed back into their respective defined benefit pension plan prior to their promotion/rehiring.

As stated in the previous agenda item, the City has nine current employees that have frozen their participation in the DB to accept a promotion within the City and are now part of the City's Defined Contribution Plan. The employees were previously part of the MERS DB Police, Fire, and General Union plans. 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. 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% as of 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: Amend the budget to incorporate the costs associated with the resolution allowing current employees who were previously transferred or promoted to administrative positions within the City, to be transferred back to his/her previous retirement plan.