



TO: VICTOR CARDENAS, CITY MANAGER
FROM: SABRINA LILLA, DEPUTY FINANCE DIRECTOR
SUBJECT: MERS AND CHANGING JOBS
DATE: SEPTEMBER 14, 2023

CONFIDENTIAL CORRESPONDANCE

MEMORANDUM

Mayor and Council –

Per the conversation during the latest Executive Session, I wanted to provide a background on the situation surrounding nine (9) of our employees that were promoted and had to leave their Defined Benefit pension behind.

Members of the Public Safety Department approached the City's Finance and Human Resource staff regarding retirement benefit plans. The employees were, at one time, a member of the POLC Defined Benefit ("DB") pension plan, promoted up to the COAM DB plan, and ultimately promoted to an administrative position within public safety and became members of the MERS Defined Contribution plan ("DC"). The concerned employees have requested the City to allow them reentry into the MERS COAM DB plan. In addition to the police employees (four in total), there is one fire and four former MAPE employees who are current employees and who were also promoted from their union positions to an administrative role and have forgone their previous DB's and are now members of the MERS DC plan who any such change would also impact.

Background: The City of Novi MERS Defined Benefit Plan has ten (10) separate divisions. Each division represents a specific union group or exempt group of employees. The ten divisions each follow their own plan documents as negotiated and outlined in the various union contracts within the City.

Per the MERS Standard Transfer Rules (see MERS website), if an employee transfers from one division to another, that employee **must participate in the open, active retirement plan of the new division** (unless specifically voted on by the governing body). The Standard Transfer Rules apply to all divisions within the City as elected when the City joined in 2006. Of the City's 10 DB divisions, only two remain open to new hires, COAM and POLC-Hybrid. The remaining eight divisions were closed to new hires between 2006 and 2011. Since 2006, the City has promoted employees, resulting in moves between divisions.

- Several MAPE union employees participating in the MAPE MERS division have been promoted and are now administrative staff participating in the MERS **DC** plan. Their DB plan was frozen at the time of their promotion.
- Additional promotions involve POLC employees who were promoted from POLC to command staff and are now part of the COAM union and, therefore, MERS COAM division. In this case, staff's DB was moved from the closed POLC DB into the open COAM.
- COAM union employees (COAM MERS division) have been promoted to administrative staff and have moved to the administrative **DC** plan. Their DB were frozen at the time of their promotion.

To confirm, in each of the promotion cases i.e., DB members, the Human Resources Department met with them individually, informing them about the new plan, acknowledging their DB plan would be frozen and they would enter the City's DC plan (or COAM DB plan for those promoted to a command position). The City has signed promotion letters for each employee acknowledging they would be in the administrative division of the City moving forward.

The Finance Department is working with MERS and the City's actuaries to calculate the cost to move the nine (9) former DB participants back into their respective plans, but in general, any move from a DC plan to a DB plan usually involves substantial upfront costs to the City as MERS would require the new liability resulting from a change like the one requested above to be immediately funded at the time of execution. A resolution approved by the City Council would be needed to approve the "Plan Continuation Rules" with MERS.