



CITY OF NOVI
Finance and Administration Committee
August 12, 2024, 5:30 p.m.
Mayor's Conference Room | 45175 Ten Mile Road
(248) 347-0445

CALL TO ORDER 5:33 p.m.

ROLL CALL: Mayor Fischer, Council Members Casey, Staudt

PRESENT: Mayor Fischer, Council Members Casey, Staudt

STAFF LIAISON: Carl Johnson, CFO/Treasurer/Finance Director

ALSO PRESENT: Danielle Mahoney, Assistant City Manager
Tia Gronlund-Fox, Human Resources Director
Katherine Oppermann, Recording Secretary

APPROVAL OF AGENDA

Motion: Casey, Seconded: Staudt, approved 3:0

APPROVAL OF MINUTES – May 29, 2024

Motion: Staudt, Seconded: Casey, approved 3:0

PURPOSE OF MEETING

1. OPEB/Retirement Fund Review RFP

Mr. Johnson went over the draft Investment Advisor Consultant Services Request for Proposals (RFP) with the committee, noting that pages 10 – 15 were the most important as they explain what the City specifically wants. That being, to ensure our investments are in line with policy and if they have any suggestions as to the specific mix of investments. He also stated that he has spoken to our current investment consultant through Morgan Stanley to inform him of the RFP and let them know of our expectation for them to work together with the new consultant. Mr. Johnson also asked them for any insight they might have on who the City could expect to respond to the RFP.

Mayor Fischer approves of the draft generally, though he stated that he will look it over once more in detail and then confirm with Mr. Johnson prior to it being posted.

Councilmember Staudt said that his primary concern is if the City current has the proper structure, he assumes that we're already getting goods returns on investment.

Mayor Fischer stated that he does wonder if there are other "products" we aren't considering in our portfolio, noting the overfunding of the OPEB. He would like a review of the investment products we are using in light of our funding percentage. Additionally, he asked Mr. Johnson how soon the RFP can go public. Mr. Johnson affirmed that, pending the Mayor's final approval, the RFP can go out this week.

Councilmember Staudt asked how long we should expect the resulting review and report to take. Mr. Johnson believes that the actual work can likely be wrapped up in a month but that the full process from making the RFP public, hiring the consultant, said consultant going through the review and then presenting the report/formal presentation may take a few months.

Mayor Fischer requested that he receive an update when the RFP "hits the streets."

2. Retirement/Pension/MERS

Mr. Johnson presented a City of Novi Pension Overview to the Committee. The City of Novi has two types of plans, a Defined Benefit (DB) Plan and a Defined Contribution (DC) Plan, his presentation focuses primarily on DB as it is the more complicated of the two.

Mayor Fischer asked if we have a vestment schedule. Mr. Johnson said yes, when he started to work with the City it was set at 10/20/30 which was excessively long, resulting in almost no one being vested. It has since been changed to 3/5/7.

Municipal Employees' Retirement System of Michigan (MERS) handles both our DB and DC plans. Mr. Johnson review the contribution rate percentages. Db plans were closed over the course of several years, 2006 – 2011 as they were very expensive for the City. Contribution rates for DC varies by role/department/union. In general, an employee is fully vested with 7 years of continuous service. He also went over the numbers of employees in each plan, as well as those who are eligible, receiving benefits, and inactive but not yet receiving benefits.

Mayor Fischer wonders about the number of different contract permutations. Mr. Johnson went over the current calculation per group. He emphasized once more that closing DB plans has saved the City a huge amount of money. Currently the only groups that still have open DB plans are Command Officers and Hybrid Police Officers.

Following more of Mr. Johnson's presentation, Councilmember Staudt asked how much MERS has under their control (cumulative, not just City of Novi) to which Mr. Johnson replied that while he doesn't have an exact number he expects it is in the billions.

Mr. Johnson went over what would be required in order to exit MERS and a potential timeline. The Mayor affirmed his intention for the City to exit MERS.

3. Fund Balance Policy

Due to insufficient time Mayor Fischer requested that this item be moved to the next meeting of the Committee.

AUDIENCE COMMENTS - none

ADJOURNMENT – 6:42 p.m.