



Legislation Text

File #: 12-1398, **Version:** 1

Resolution Regarding Transitioning the City's Employee Retirement Plan from a Defined Benefit Plan to a Defined Contribution Plan

Whereas, The City Council gives direction to the City Administrator regarding compensation and benefits for non-union employees;

Whereas, The City Council wishes to convey its desire to reduce future pension costs for all union and non-union retirees while still contributing to employees' retirement;

Whereas, It is a fundamental city responsibility to deliver services effectively and efficiently to residents at a reasonable, competitive cost, based on market-based employee compensation levels;

Whereas, Many public and private sector employers have concluded that defined benefit retirement plans are not sustainable in the long term and have transitioned to defined contribution (401-K type) plans for newly-hired employees;

Whereas, A Bureau of Labor Statistics study indicated that in 2008, the proportion of private sector workers nationally participating in a defined benefit plan had fallen to 20% and the State of Michigan as well as our two local public Universities - UM and EMU - offer defined contribution plans to new employees;

Whereas, With a defined contribution plan, the employee bears the risk of market and investment fluctuations and, as a result, the employer's costs are less volatile, more predictable and more sustainable in the long term;

Whereas, The State of Michigan has recently passed legislation (PA 329) making it easier for local government units to transition to a defined contribution plan when an unfunded liability exists in their defined benefit plan, and other employers have demonstrated that this challenge can be overcome; and

Whereas, By adopting a defined contribution plan for new employees, the City likely would be better positioned to ensure it will continue to receive the full amount of its potential EVIP-related State revenue sharing funding;

RESOLVED, That the City Council directs the City Administrator and City Staff to prepare by January 31, 2013, for review first by the Council Labor Committee and then for action by Council, the appropriate ordinance amendments, related plan documents, and implementation steps necessary to establish a defined contribution retirement plan that would be offered to non-union employees hired after July 1, 2013; and

RESOLVED, That the City strive to implement the same pension changes for all new employees hired by the City after July 1, 2013.

Submitted by Jane Lumm
Revised November 1, 2012

The resolution was withdrawn at Council on November 8, 2012.