

CITY OF DEARBORN MICHIGAN

Plan for Employee Compensation

Part Three of the State of Michigan Economic Vitality Incentive Program (EVIP)

Over the last 10 years, the City of Dearborn has taken significant actions to decrease personnel costs. Beyond a 35% full-time position reduction on average in non-public safety staffing levels (212 positions), these actions have included strictly limiting wage increases as well as restructuring benefit plans. More specifically, the City has closed defined benefit plans, moved to a cafeteria-style benefit offering, converted sick and vacation banks to paid-time-off banks, and implemented employee cost sharing as part of a strategic approach to align personnel costs with dramatically dropping revenues. The direct result of these actions is that General Fund non-public safety operations cost less in FY2011 than they did in FY2001. The compensation provisions included in Part Three of the Economic Vitality Incentive Program are consistent with Dearborn's ongoing efforts which the City intends to continue by pursuing, through labor negotiations and renewal of existing personnel policies, the following (see also attached certification):

- 1. A cap on annual employer contributions to retirement plans for new hires, whether defined benefit, defined contribution or hybrid, of:**
 - a. 10% of base salary if the employee is eligible for social security;**
 - b. and 16.2% of base salary if the employee is not eligible for social security.**

The City has three defined benefit plans. All are currently closed. Effective in 2002, all new hired general employees participate in a defined contribution plan. The current employer contribution rate is 4% and, depending on employee contributions, the maximum is 8%. All general employee contracts and salary plans are currently expired. The City has proposed to decrease the employer contribution in the defined contribution plan to 4% (maximum). Fact-finding is proceeding for all non-Act 312 eligible groups. Police employees hired after 2002 and Fire employees hired after 2005 participate in the MERS Defined Benefit retirement plan or the City Defined Contribution Plan at the option of the employee upon hiring. The maximum employer contribution is 5%. Two public safety employee contracts do not expire until June 30, 2012 and another on June 30, 2013.

Current and upcoming labor negotiations will include additional efforts by the City to meet or improve upon the EVIP provisions.

- 2. For both new and current defined benefit plan employees:**
- a. a maximum 1.5% multiplier if the employee is eligible for social security. If retiree health care is not available, a maximum 2.25% multiplier;**
 - b. and a maximum 2.25% multiplier if the employee is not eligible for social security. If there is no retiree health care, a maximum 3.0% multiplier.**

The current multiplier for general employee defined benefit participants is 2.5% for the first 26 years of service and 1.25% for the next four years (70% maximum). Public safety employees do not participate in social security. The multiplier for City defined benefit public safety employees is:

- Police (non-supervisory): 2.8% for the first 25 years and 1% for the next five years (75% maximum);
- Police (supervisory): 2.8% for the first 24 years plus 3.8% for the 25th year and 1.4% for the next five years (78% maximum);
- Fire: 2.8% for the first 26 years plus 2.2% for the 27th year and 1% per year for the next three years (78% maximum);
- MERS: 2.5% for 32 years (80% maximum).

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- 3. For both new and current employees:**
Defined benefit plan members final compensation shall be computed using at a minimum three years compensation and cannot include more than 240 hours of paid leave. Overtime cannot be included.

The defined benefit plan final compensation period is three years for all defined benefit plans. Overtime is currently included in the final compensation computation.

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- 4. For new hires:**
Health care premium costs shall include a minimum employee share of 20% or the employer's share shall be cost competitive with the new state preferred provider organization health plan on a per-employee basis.

Effective July 1, 2012 under PA 152 the City will implement 20% premium cost sharing for all full-time employees except for the Lieutenants & Sergeants labor group because that contract will not have expired. Effective 2002 for some

general employee bargaining units and 2009 for other general employee bargaining units, new hires participate in a Retiree Medical Savings Account rather than traditional retiree medical.

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