

MANISTEE CITY COUNCIL

WORK SESSION AGENDA

Tuesday, September 11, 2018 - 7:00 p.m. - Council Chambers, City Hall

I. Call to Order.

II. Work Session Items.

- a.) PUBLIC COMMENTS ON WORK SESSION RELATED ITEMS.
- b.) DISCUSSION ON NONUNION DC PENSION PLAN – Finance Director Ed Bradford.
- c.) BANDSHELL COMMITTEE UPDATE. – City Manager Thad N. Taylor and DPW Director Jeff Mikula.
- d.) DISCUSSION ON STREET PLAN – Mayor Jim Smith.
- e.) DISCUSSION ON ORDINANCE 18-08 CHAPTER 1060 GARBAGE AND RUBBISH COLLECTION AND DISPOSAL – Tabled from 8/21/18 agenda.
- f.) DISCUSSION ON ORDINANCE 18-09 CHAPTER 1024 SIDEWALKS (ANIMALS OF RIVERWALK) - Tabled from 8/21/18 agenda.
- g.) OTHER.

III. Adjourn.



Administrative Services

Clerk | Finance | Treasury | IT | Assessing | Facilities | Ramsdell

Memo to: Thad Taylor, City Manager

From: Edward Bradford, CFO **ENB**

Re: Non-Union Switch from Defined Benefit to Defined Contribution

Date: August 31, 2018



Thad,

City Council has been studying the potential of closing the MERS Non-Union and Department Head Pension (DB Pension) plan to new hires and placing all new hires into a defined contribution type plan (DC Plan).

At the February 13, 2018 City Council work session, MERS representative Tony Radjenovich gave a presentation regarding the state of the City's MERS defined benefit pension plans. It was a lengthy discussion and Tony answered several questions that Council posed. At the end of the meeting, there appeared to be a consensus to look into what the impact and process would be to switch from a DB Pension to a DC Plan.

City staff made a presentation on the matter at the June 12 and July 10, 2018 work sessions. Those presentations and the work session minutes are attached for reference. After the July 10 work session, Council directed staff to bring back a DC Plan funding recommendation to Council at a future work session.

After reviewing options and gathering information, my recommendation is that if Council decides to close the DB Pension to new hires, we continue using our existing ICMA 457 plan to provide the DC Plan benefit for new hires. My recommendation is based on several things.

1. The City has a long partnership with ICMA and is satisfied with their services.
2. The transition to a DC Plan for new hires would be seamless with ICMA.
3. ICMA's fees are very competitive.
4. ICMA has a large lineup of investments\ funds to choose from.
5. City fiduciary oversight and monitoring are more efficient with one vendor.
6. ICMA is very common in the public sector and makes recruitment and retention easier.
7. The 457 plan offers maximum flexibility for the employee and is very portable.

Additionally, if Council decides to move in this direction, I would recommend a plan structure that contains the following components.

1. The City contributes a base 3% to the plan, regardless of employee contribution.
2. The City matches dollar for dollar up to an additional 7% percent of salary.
3. The maximum City contribution is 10%

This would look like the illustration below:

Employee	City	Total
0%	3%	3%
1%	4%	5%
2%	5%	7%
3%	6%	9%
4%	7%	11%
5%	8%	13%
6%	9%	15%
7%	10%	17%

Capping the City contribution at 10% and doing so on a sliding scale makes sense for several reasons. First and most importantly, it strikes a balance between affordability for the City and providing for a secure retirement for the Employee. Second, it provides the Employee maximum flexibility to manage their finances. Third, it brings a certain level of parity with the USW. Although the USW has a DB Pension, the City contribution is capped at 10%. Finally, it is set at a level that is competitive with other municipalities.

An employee who works for the City for 30 years under this plan and who sets aside 7% of their salary will have accumulated enough, under most scenarios, to enable a reasonable level of retirement income. However, as mentioned previously, the biggest single variable is the performance of the investments the Employee chooses and the state of the market when the employee wants to retire.

An additional factor to consider is that based on MERS projections, implementing a DC Plan will cost the City more each year for the next two decades which will put additional strain on the City's General fund budget. However, doing so will prevent the City from incurring any more unfunded liabilities for new hires in these divisions.

**MANISTEE CITY COUNCIL
WORK SESSION
MINUTES OF JULY 10, 2018**

The Manistee City Council met in a work session on Tuesday, July 10, 2018 at 7:00 p.m., Council Chambers, City Hall, 70 Maple Street, Manistee, Michigan 49660.

MEMBERS PRESENT: Dale Cooper, Lynda Beaton, Roger Zielinski, Robert Goodspeed, James Smith, James Grabowski, and Erin Pontiac

ALSO PRESENT: City Manager, Department Directors, Staff, Public, Media

Public Comments.

Tyler Leppanen – DDA Director commented on River Street refuse pick up and presented some ideas for possible changes.

Discussion on MEDC Redevelopment Services. Nate Scramlin and Dan Leonard of the MEDC gave presentations on Redevelopment Services. They offered information on tools available for redevelopment and how MEDC can help. Various items reviewed were community development eligibility, financing & incentives, local & regional impacts, and programs available.

Discussion on Nonunion DC Pension Plan. Finance Director Ed Bradford made a follow up presentation on the Non-Union retirement switching from a DB plan to a DC plan as requested by Council at the June 12th work session. Discussion included a brief review of the current non-union benefit, average pension of current retirees, cost of current plan, impacts of closing the current plan to new hires, eliminating unfunded liability, and what impact, if any, this would have when trying to attract new employees. Hypothetical pension examples were provided to Council for both a DC pension and a DB pension; DC plan shifts the investment risk from the employer to the employee.

CONSENSUS: Staff to bring back funding options for a DC plan to Council.

Discussion on River Street Refuse Pickup. City Manager Thad Taylor led the discussion on River Street Refuse Pickup. A few options were mentioned as possible solutions for the current refuse issues in the downtown area such as dumpster corrals for common dumpsters, changing pickup days from Monday/Thursday to Tuesday/Friday, and mandatory garbage containers for each business which would eliminate garbage bags on the sidewalk.

CONSENSUS:

1. Staff along with City Attorney to draft an ordinance to require each business to place their refuse out in a container and prohibit the placement of trash bags on River Street.

2. Staff to contact Republic Services to discuss the possibility of changing the pick-up days on River Street from Monday/ Thursday to Tuesday/ Friday.

Staff Comments.

Taylor stated the DPW will begin replacement of the sidewalk outside of City Hall on Water Street

beginning tomorrow morning; signs will be posted; notices have been posted on Facebook and on the City's website.

Council Comments.

Zielinski questioned if the DNR had been contacted for future discussion and also questioned the upgrade to the WIFI at the beaches.

Pontiac asked with the new video equipment for Council Chambers will arrive.

Smith offered thoughts and prayers to the family of Tom Batzer; funeral services will be this Thursday.

Adjourned at approximately 9:19 p.m.

Heather Pefley CMC | CMMC | MiCPT
City Clerk

Non-Union Retirement (Round 2)

Switching from a DB Plan to a DC Type Plan

July 10, 2018 Council Work Session



Introduction



- The City provides its non-union pension plan thru the Municipal Employees' Retirement System of Michigan (MERS)
- MERS is an independent, professional retirement services company that serves municipal members across the state of Michigan
- Joined MERS in 2005
- Previously had a City pension Plan
- Previously had a City contributory 457 Plan



Current Non-Union Benefits

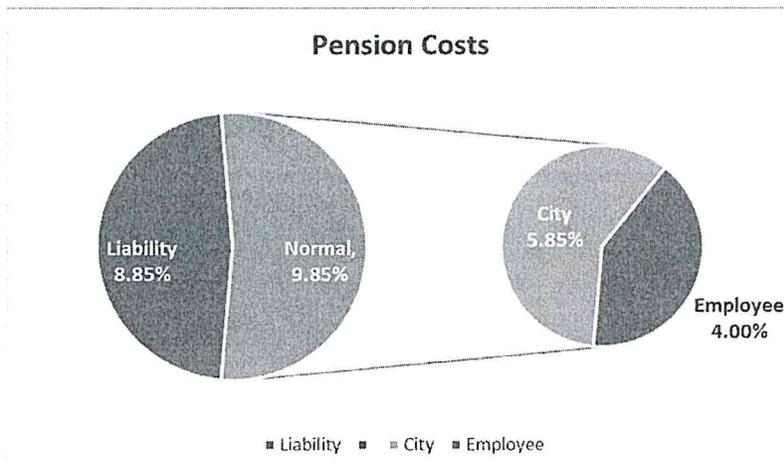
- 2.0 Multiplier (2%)
- 60 years normal retirement age
- 55/30 early retirement
- 5 year final average compensation (FAC)
- 4% employee contribution

- 30 years of service x 2.0% x \$50,000 FAC = \$30,000

- Average Pension (13 retirees) is \$18,600



Current Non-Union Costs



Close Non-Union DB Plan to New Hires

- City Council directed staff to explore this option
- MERS calculated the impact of closing the division to new hires
- UAL is amortized over 20 years
- Uses actuarial methods
 - Rate of return
 - Employee turnover
 - Future wages
 - Age of entry
- Looked at the baseline (status quo) against closing the division and introducing a 7% City contribution to a 457 Plan for new hires

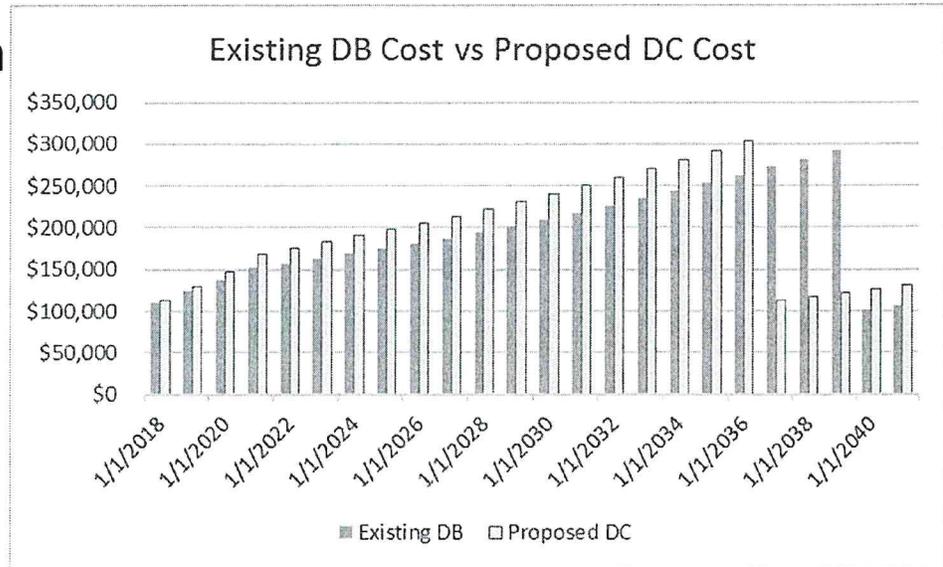


Cost Comparison

**MANISTEE, CITY OF (5105) - DIVISION 01 NONUNION
ESTIMATED PROJECTED REQUIRED EMPLOYER CONTRIBUTION**

Valuation Year Ending	Fiscal Year Beginning	Baseline	7%			Difference from Base
		Annual Required DB Employer Contribution	Annual Required DB Employer Contribution	Annual Employer DC Contrib.	Total Annual Employer Contrib.	
12/31/2016	7/1/2018	\$110,796	\$100,740	\$12,505	\$113,245	\$2,449
12/31/2017	7/1/2019	\$124,224	\$111,924	\$17,990	\$129,914	\$5,690
12/31/2018	7/1/2020	\$137,400	\$124,824	\$23,103	\$147,927	\$10,527
12/31/2019	7/1/2021	\$151,908	\$140,976	\$28,108	\$169,084	\$17,176
12/31/2020	7/1/2022	\$157,704	\$143,220	\$33,024	\$176,244	\$18,540
12/31/2021	7/1/2023	\$163,332	\$145,488	\$37,859	\$183,347	\$20,015
12/31/2022	7/1/2024	\$169,368	\$147,444	\$43,574	\$191,018	\$21,650
12/31/2023	7/1/2025	\$175,500	\$148,860	\$49,968	\$198,828	\$23,328
12/31/2024	7/1/2026	\$181,008	\$150,900	\$55,145	\$206,045	\$25,037
12/31/2025	7/1/2027	\$186,912	\$153,732	\$59,700	\$213,432	\$26,520
12/31/2026	7/1/2028	\$194,268	\$157,548	\$64,647	\$222,195	\$27,927
12/31/2027	7/1/2029	\$201,912	\$161,520	\$69,831	\$231,351	\$29,439
12/31/2028	7/1/2030	\$209,604	\$165,408	\$75,294	\$240,702	\$31,098
12/31/2029	7/1/2031	\$217,728	\$169,680	\$80,688	\$250,368	\$32,640
12/31/2030	7/1/2032	\$226,020	\$174,552	\$85,750	\$260,302	\$34,282
12/31/2031	7/1/2033	\$234,768	\$179,940	\$90,570	\$270,510	\$35,742
12/31/2032	7/1/2034	\$243,576	\$185,664	\$95,349	\$281,013	\$37,437
12/31/2033	7/1/2035	\$252,864	\$191,688	\$100,183	\$291,871	\$39,007
12/31/2034	7/1/2036	\$262,344	\$198,000	\$105,090	\$303,090	\$40,746
12/31/2035	7/1/2037	\$272,508	\$2,316	\$110,025	\$112,341	(\$160,167)
12/31/2036	7/1/2038	\$282,384	\$1,656	\$115,017	\$116,673	(\$165,711)
12/31/2037	7/1/2039	\$292,980	\$1,356	\$120,084	\$121,440	(\$171,540)
12/31/2038	7/1/2040	\$102,156	\$1,092	\$125,015	\$126,107	\$23,951
12/31/2039	7/1/2041	\$106,368	\$984	\$129,877	\$130,861	\$24,493
Total		\$4,657,632	\$2,959,512	\$1,728,396	\$4,687,908	\$30,276

Cost Comparison



Hypothetical Pension Example: Sally Smith

- Hired at age 30
- Works for 30 years
- Retires at age 60
- Draws pension for 25 years
- Annual pension of \$43,268



Hypothetical DC Example: Tom Smith

- Hired at age 30
- Works for 30 years
- Retires at age 60
- Draws for 25 years
- City Contribution 7%
- Employee Contribution 7%
- Rate of Return While Working 7.5%
- Rate of Return In Retirement 4.0%
- Annual payment of \$43,268



Next Steps

- If City Council would like to proceed:
- Staff will complete appropriate paperwork to close DB division and bring to a future Council meeting
- Staff will work with MERS or ICMA to modify\create plan.
- Communication to any new employees.



**MANISTEE CITY COUNCIL
WORK SESSION
MINUTES OF JUNE 12, 2018**

The Manistee City Council met in a work session on Tuesday, June 12, 2018 at 7:00 p.m., Council Chambers, City Hall, 70 Maple Street, Manistee, Michigan 49660.

MEMBERS PRESENT: Dale Cooper, Lynda Beaton, Roger Zielinski, Robert Goodspeed, James Smith, James Grabowski, and Erin Pontiac

ALSO PRESENT: City Manager, Department Directors, Staff, Public, Media

Public Comments.

Gary Patulski, 159 Quincy Street – impressed with last week’s conversation; looking forward to tonight’s discussion; commented on blight issues in the city; would like to see incentives for home owners to make improvements; mentioned overgrown weeds at various locations and in the rights of ways; gives a bad first impression of the city and ordinances need to be enforced; wants to hear how streets are considered for repair.

Discussion on the Motor Pool. Finance Director Ed Bradford made a presentation on the Motor Pool including financial history, cash purchases versus financing, modeling the cost of the Motor Pool and the outcome of the model. Motor Pool was not set up to be self-sustaining. New focus on calculating true costs for each department and increasing sustainability as resources allow.

CONSENSUS: No direction given.

Discussion on Nonunion DC Pension Plan. Finance Director Ed Bradford made a presentation on Non-Union retirement switching from a DB plan to a DC type plan.

Discussion included:

- Review of current DB Plan
- Review of prior “DC” Plan
- Impacts if DB plan was closed to new hires
- Cost comparison
- Pro’s
 - Eliminate funding liability
 - Budget certainty over time for DC component
 - Incentivizes new employees to save for retirement
- Con’s
 - More expensive
 - Harder to attract and retain experienced employees
 - No more employees contributing to closed division increases volatility
- Should we look at other companies besides MERS/ICMA
- More information needed before decision can be made

CONSENSUS: Staff to gather more information on impacts to new employee pensions under a DC plan versus a DB plan and bring back to the July work session for Council review.

Discussion on Blight. Councilmember Lynda Beaton requested an opportunity this evening to discuss blight issues on River Street, at the former MAPS High School, and in residential areas in the City.

Former MAPS High School:

- Something needs to be done
- Building is a health and safety issue
- Brownfield is not an option
- Could be a State issue

Residential:

- Progress is being made
- Conversation is needed on incentives for improvements
- Improvements are allowed and not taxed until house is sold
- Ordinance language unclear
- Public safety feels the ordinance is working
- 2018 blight complaint log reviewed
- A lot of unregistered vehicles have been tagged
- Process for dealing with blighted homes discussed
- Letter issued, if nothing is done, citation is issued

River Street:

- Boarded windows
- Blight issues are being prioritized by the DDA & will be brought to City

CONSENSUS: Council directed staff to contact MAPS regarding blight issue at the former High School.

Discussion on Special Event Form. DPW Director Jeff Mikula and Public Safety Director Tim Kozal presented Council with a revised Special Event Form. The new form provides a list of fees for City services to be filled out by each group for special event requests.

Discussion included:

- Legal obligation of the City
- Recovery of costs during regular work day vs. overtime
- Non-profit vs. for profit fees
- Should all costs be recovered
- Event holders can't wait to know costs; they need to know in advance
- Festivals bring a lot to the City
- Each event should be handled on a case by case basis
- Do not want to price people out of having events here

CONSENSUS: Council directed staff to implement the new form January 1, 2019, but would like current events to use the form as a tool to prepare for future costs. Each event will be handled by Council on a case by case basis.

Discussion on Street Candidates Using \$200,000 Oil and Gas Funds. DPW Director Jeff Mikula and City Engineer Shawn Middleton made a presentation on Street Candidates using \$200,000 Oil and Gas Funds. A brief review of the proposed streets was given and discussion included:

- How streets were chosen
- Potential of additional money from State surplus

- Mill and Fill versus Full Reconstruction
- Estimated cost and timeline for Quincy Street repairs

CONSENSUS: No direction given.

Discussion with PEG Commission on Future Direction. PEG Chair Barry Lind led the discussion on the future direction of the PEG Commission. The commission currently consists of 4 members and has 4 board vacancies. The current director has resigned and Mr. Lind has volunteered to act as interim director. It will be challenging to rehire a director without future direction from council. Mr. Lind is working to streamline services and add efficiencies; is looking for active dialog moving forward. Need to decide if we should continue having a PEG commission; what do people want and can we supply it; bylaws state a City staff member shall be an ex-officio member of the commission.

CONSENSUS: Council would like to give the transition some time and see if a director can be found. PEG Commission will give an update in 3 months.

Council Comments.

Zielinski brought up the issue of deer in the City and wondered if we could have someone from the DNR come and discuss options.

Pontiac stated the Big Day of Serving was a success.

Smith reminded everyone of the Flag Day Ceremony at the Elks Thursday, June 14th at 7:00 p.m.

Adjourned at approximately 10:03 p.m.

Heather Pefley CMC | CMMC | MICPT
City Clerk

Non-Union Retirement

Switching from a DB Plan to a DC Type Plan

June 12, 2018 Council Worksession



Presentation Outline

- Introduction
- Current Non-Union DB Plan
- Prior "DC" Plan
- MERS Estimate for Closing Non-Union DB Plan
- Cost Comparison
- Pro's & Cons
- Next Steps



Introduction



- The City provides its non-union pension plan thru the Municipal Employees' Retirement System of Michigan (MERS)
- MERS is an independent, professional retirement services company that serves municipal members across the state of Michigan
- Transitioned to MERS in 2005
- Previously had a City pension Plan
- Previously had a City contributory 457 Plan



What is a Defined Benefit (DB) Pension

- A DB pension is what is commonly understood as a traditional employee pension plan
- Provides for a guaranteed income at retirement
- Funded by a mixture of employer and employee contributions
- Investment income is a key source of funding
- Commonly known as one of the three legs of the traditional "retirement stool"
 - Social Security
 - Employee Savings
 - Traditional Pension



Current Non-Union Benefits

- 2.0 Multiplier
- 60 years normal retirement age
- 55/30 early retirement
- 5 year final average compensation
- 4% employee contribution
- 12/31/2017 Actuarial Valuation
 - Normal Cost 5.85%
 - UAL 8.85%
 - Total 14.7%



Prior “DC” Plan

- Prior to moving to MERS, the City had two retirement plans
 - City Pension Plan
 - Contributory 457 Plan
- Contributory 457 Plan
 - City contributed 3% with a dollar for dollar match up to 6%
 - City contributed an additional 3% for department heads
 - Employee & Fixed Employer contributions up to the maximum allowed



Close Non-Union DB Plan to New Hires

- City Council directed staff to explore this option
- MERS calculated the impact of closing the division to new hires
- UAL is amortized over 20 years
- Uses actuarial methods
 - Rate of return
 - Employee turnover
 - Future wages
 - Age of entry
- Looked at the baseline (status quo) against closing the division and introducing a 7% City contribution to a 457 Plan for new hires

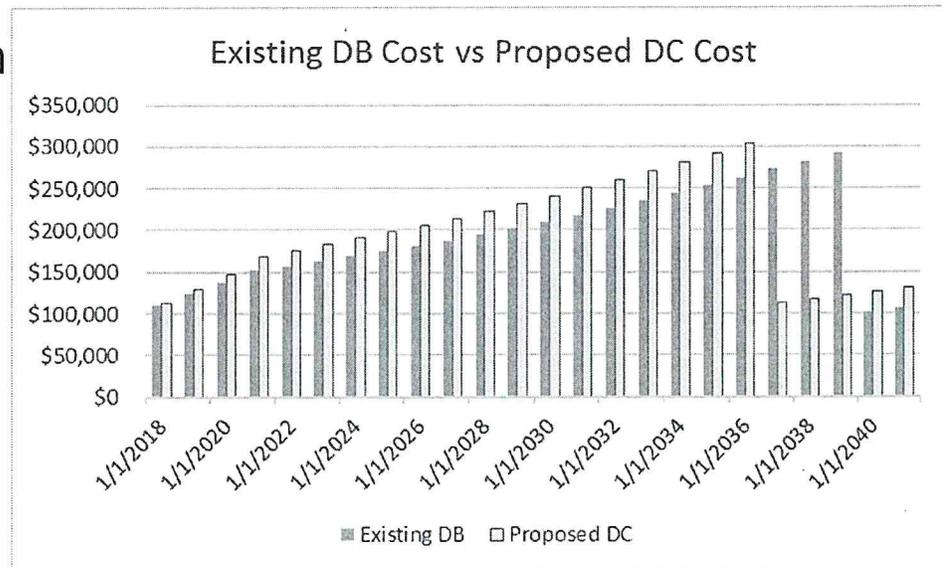


Cost Comparison

**MANISTEE, CITY OF (5105) - DIVISION 01 NONUNION
ESTIMATED PROJECTED REQUIRED EMPLOYER CONTRIBUTION**

Valuation Year Ending	Fiscal Year Beginning	Baseline	7% Close to 7% Employer DC			Difference from Base
		Annual Required DB Employer Contribution	Annual Required DB Employer Contribution	Annual Employer DC Contrib.	Total Annual Employer Contrib.	
12/31/2016	7/1/2018	\$110,796	\$100,740	\$12,505	\$113,245	\$2,449
12/31/2017	7/1/2019	\$124,224	\$111,924	\$17,990	\$129,914	\$5,690
12/31/2018	7/1/2020	\$137,400	\$124,824	\$23,103	\$147,927	\$10,527
12/31/2019	7/1/2021	\$151,908	\$140,976	\$28,108	\$169,084	\$17,176
12/31/2020	7/1/2022	\$157,704	\$143,220	\$33,024	\$176,244	\$18,540
12/31/2021	7/1/2023	\$163,332	\$145,488	\$37,859	\$183,347	\$20,015
12/31/2022	7/1/2024	\$169,368	\$147,444	\$43,574	\$191,018	\$21,650
12/31/2023	7/1/2025	\$175,500	\$148,860	\$49,968	\$198,828	\$23,328
12/31/2024	7/1/2026	\$181,008	\$150,900	\$55,145	\$206,045	\$25,037
12/31/2025	7/1/2027	\$186,912	\$153,732	\$59,700	\$213,432	\$26,520
12/31/2026	7/1/2028	\$194,268	\$157,548	\$64,647	\$222,195	\$27,927
12/31/2027	7/1/2029	\$201,912	\$161,520	\$69,831	\$231,351	\$29,439
12/31/2028	7/1/2030	\$209,604	\$165,408	\$75,294	\$240,702	\$31,098
12/31/2029	7/1/2031	\$217,728	\$169,680	\$80,688	\$250,368	\$32,640
12/31/2030	7/1/2032	\$226,020	\$174,552	\$85,750	\$260,302	\$34,282
12/31/2031	7/1/2033	\$234,768	\$179,940	\$90,570	\$270,510	\$35,742
12/31/2032	7/1/2034	\$243,576	\$185,664	\$95,349	\$281,013	\$37,437
12/31/2033	7/1/2035	\$252,864	\$191,688	\$100,183	\$291,871	\$39,007
12/31/2034	7/1/2036	\$262,344	\$198,000	\$105,090	\$303,090	\$40,746
12/31/2035	7/1/2037	\$272,508	\$2,316	\$110,025	\$112,341	(\$160,167)
12/31/2036	7/1/2038	\$282,384	\$1,656	\$115,017	\$116,673	(\$165,711)
12/31/2037	7/1/2039	\$292,980	\$1,356	\$120,084	\$121,440	(\$171,540)
12/31/2038	7/1/2040	\$102,156	\$1,092	\$125,015	\$126,107	\$23,951
12/31/2039	7/1/2041	\$106,368	\$984	\$129,877	\$130,861	\$24,493
Total		\$4,657,632	\$2,959,512	\$1,728,396	\$4,687,908	\$30,276

Cost Comparison



Pro's & Con's of Closing Division

• PRO'S

- Eventually eliminates unfunded liability
- Budget certainty over time for DC component
- Incentivizes new employees to save for retirement

• CON'S

- More expensive
- Harder to attract and retain experienced employees
- No more employees contributing to closed division increases volatility

Next Steps

- If City Council would like to proceed:
- Staff will complete appropriate paperwork to close DB division and bring to a future Council meeting
- Staff will work with MERS or ICMA to modify\create contributory plan.
- Communication to any new employees.

