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TO: Rolland Sizemore, Chair
Board of Commissioners

THROUGH: Robert E. Guenzel
County Administrator

FROM: Diane M. Heidt
Human Resources / Labor Relations Director

DATE: November 18, 2009

SUBJECT: A resolution amending retirement benefits for Washtenaw County
Board of Commissioners.

Board Action Requested:

It is requested that the Board of Commissioners approve a resolution dissolving future retirement benefits for Commissioners effective January 1, 2011.

Background:

Over the last year, as a result of collective bargaining, Human Resources transferred nearly all active members from the Money Purchase Pension Plan (MPPP) to the Washtenaw County Employees' Retirement System (WCERS). In an attempt to further reduce administrative expenses and move toward the closure of MPPP, former participants have been encouraged to withdraw or transfer their assets to another qualified retirement account. As a result, BOC members are the only remaining active participants making contributions and receiving employer contributions.

Discussion

The Washtenaw County Money Purchase Pension Plan (MPPP) was established by Resolution effective January 1, 1984 and restated effective January 1, 1989 and December 31, 2001. In accordance with plan provisions, any person employed by the County on or after April 1, 1984 whose full-time equivalency (F.T.E.) is 50% or greater shall participate in the plan as of the date the person became an employee. Historically for benefit eligibility purposes, Commissioners have been deemed part-time employees equivalent to a .50 F.T.E., and thus have participated in MPPP. Unlike MPPP's immediate vesting provisions, the Washtenaw County Employees' Retirement System (WCERS) defined benefit plan has an eight (8) year vesting

period. Based on a .50 F.T.E. status, Commissioners would need 16 years of continuous service in order to vest and become eligible for a retirement benefit under WCERS. Based on a review of previous and current Commissioner tenure, few Commissioners would have met, or will meet, the vesting requirements under the defined benefit program. Based on the length of the vesting period, and historical tenure information, the defined benefit program does not seem like a viable retirement option for Commissioners.

Currently Commissioners contribute 7.5% of their salary on a pre-tax basis to MPPP and receive a 100% employer match. In addition, the County currently contributes 12.50% to VEBA on behalf of each Commissioner and this contribution is expected to increase to 16.42% by 2011. Currently Prudential holds assets of approximately \$250,000 relative to Commissioners, and has indicated based on the population and asset values an ongoing administrative relationship would not be attractive to their organization. Administrative costs associated with the management of the Plan are borne by the participants and spread equally amongst the group, and with such a small population, the costs may outweigh the potential benefits of maintaining a defined contribution type of benefit for Commissioners.

In accordance with Section 12.02 of the MPPP Plan Document, the County may terminate the plan in whole or in part. To date, the Plan has been terminated in part, as each eligible employee group transferred to WCERS.

12.02 Termination: The County may, subject to any collective bargaining obligations, terminate the Plan in whole or in part or completely discontinue contributions hereunder for any reason at any time. In the case of such termination, partial termination or complete discontinuance of contributions hereunder, the remaining Accounts of all Participants and Beneficiaries will be distributed as soon as practicable, after final accounting is completed, Internal Revenue Service and other appropriate rulings obtained, and other actions necessary or proper to winding up the Plan and Trust Fund may be completed.

Based on the information available, potential cost savings, and the difficulty in maintaining such a small defined contribution program, a recommendation to discontinue Commissioner retirement benefits including healthcare is being presented. The transition plan would include continuing current benefit levels through the current term of office, and officially discontinue retirement benefits for those that have not already retired effective January 1, 2011. The final employee and employer contributions to MPPP would be made in conjunction with the December 23, 2010 payroll process.

Commissioners eligible for and electing to retire prior to the termination of the Plan would be eligible for the benefit accrued to the date of retirement, including retiree healthcare for his/her lifetime. In order to qualify for retirement, a Commissioner would need to meet either of the following prior to January 1, 2011.

- Age 60 with 8 years of service credit (16 years for 50% status employees)
- Rule of 75: Age plus service credit total 75 or more, minimum age 50

Commissioners not eligible for retirement would need to make an independent decision regarding the distribution / transfer of their assets following the Plan's termination. In accordance with Article VI 6.01 Vesting of the MPPP Plan Document, all participants are 100% vested in the value of his or her Account. Members may elect to either transfer their MPPP accumulated account balance to another qualified retirement account, IRA, or annuity and/or take a cash distribution that may be subject to taxes and early withdrawal penalties. Transfers or distributions would need to be executed no later than February 28, 2011. Participants would be provided education materials regarding transfer options and possible tax consequences.

Impact on Human Resources:

Upon termination of the MPPP, Human Resources would no longer be responsible for file maintenance and asset transfers on a bi-weekly basis.

Impact on Budget:

By eliminating the 7.5% employer contribution, the projected annual savings based on current compensation data, would be \$13,200. An additional \$28,900 annual savings would occur by discontinuing the employer VEBA contribution. Total projected annual savings would be \$42,100.

Impact on Indirect Costs:

None

Impact on Other County Departments or Outside Agencies:

Following the termination and final accounting, the Finance department would no longer be responsible for completing an annual audit.

Conformity to County Policies:

None

Attachments/Appendices:

None

A RESOLUTION DISCONTINUING FUTURE RETIREMENT BENEFITS FOR WASHTENAW COUNTY COMMISSIONERS EFFECTIVE JANUARY 1, 2011.

WASHTENAW COUNTY BOARD OF COMMISSIONERS

November 18, 2009

WHEREAS, the Washtenaw County Board of Commissioners previously established the Washtenaw County Money Purchase Pension Plan effective January 1, 1984 and restated January 1, 1989 and December 31, 2001, and

WHEREAS, over the last twelve months nearly all active Money Purchase Pension Plan members have transferred to the Washtenaw County Employees' Retirement System; and

WHEREAS, the Money Purchase Pension Plan indicates employees whose full-time equivalency (F.T.E.) is 50% or greater shall participate in the plan as of the date the person became an employee, and

WHEREAS, Washtenaw County Commissioners have been designated part-time employees equivalent to a .50 F.T.E. for benefit purposes and therefore participate in the Money Purchase Pension Plan, and

WHEREAS, the Washtenaw County Employees' Retirement System's vesting period of eight years equates to 16 years for a .50 F.T.E. and historically few Commissioners have or would meet such a vesting period a defined benefit program does not seem like a viable retirement option for Commissioners, and

WHEREAS, the Commissioners are the only employee group remaining in the Money Purchase Pension Plan defined contribution program, and

WHEREAS, the administrative costs associated with the investment of the assets and management of the Plan are borne by the participants, and thus potentially outweigh the potential benefits of maintaining a defined contribution plan for such a small member group, and

WHEREAS, savings of \$42,100 could be realized annually by discontinuing employer matching contributions as well as retiree healthcare contributions to VEBA,

WHEREAS, the current Commissioners' terms expire December 31, 2010,

NOW THEREFORE BE IT RESOLVED that unless deemed a retiree on or before December 31, 2010 Washtenaw County Commissioners will no longer be eligible for employer sponsored retirement benefits.

BE IT FURTHER RESOLVED that Commissioners are fully vested in the value of their Account, and will need to transfer their accumulated account balance to another qualified retirement account or take a cash distribution that may be subject to taxes and early withdrawal penalties between following the discontinuation of future retirement benefits. Transfers and/or distributions would need to be executed no later than February 28, 2011.