Legacy Cost Committee
10 N Division St Suite 302A
June 29th, 2017

Attendees: City Manager Rebecca Fleury, Vice Mayor Susan Baldwin, Commissioner Andrew Helmbolt, The Planning Group’s Rick Tsumas, Labor Relations Attorney Nancy Mullett, Human Resource Director Joyce Snow, DPW Director Chris Dopp, Police Sergeant Todd Elliott and Finance Director Linda Morrison,

Absent: Treasurer Gail Budrow-Bradstreet, SEIU Eric Campbell, IAFF President Chris Love

Also present: Sarah McGinnis

Meeting started at 3:33pm

Rebecca Fleury: Thank you for coming today. At the last meeting there was a lot of information provided to this group by both Gabriel Roeder as well as from MERS. We hope you had some time to digest it and we want to make sure we would like to just make sure that if there are any questions out of that information because really it was for your information to let you know the assumptions around the plans that we have at the City. The meeting before we got a lot of historical data from Linda and her team about how we got from there to here, basically from the beginnings of our plans and etc. I just wanted to open that up to make sure that there isn’t any other information you thought may be helpful from those two presentations as we look to this group to help us plan for our next meeting and data gathering because a lot of this work is around data gathering. What data is most important we need to hear from you, we work in this realm every day and so sometimes we take for granted the data and the information we have. So I guess I am going to go back to what we are hoping that this group does is understand the history of the city’s legacy costs both then and now. Also, help us strategize on ways that we may be able to positively affect that - different than what we are already doing. There may be some tools that you know of, some tools you may not be aware of that we will talk about as we get into gathering future data. That is the goal here - that everybody on this committee understands our Legacy costs and their impact on the city’s budget no matter whether it’s MERS or Police/Fire and then hopefully we will get to a list of recommendations to talk to the City Commission about regarding the future of our legacy costs. Questions about that? Seeing none. Linda do you have anything you would like to add?

Linda Morrison: There is a section in the Finance Department part of the city’s website with the presentations, previous agendas and minutes. There is a lot of information about the Legacy cost Committee available on the website.

Commissioner Baldwin: Does that include some of that from a couple of years ago?

Rebecca Fleury: This committee was started September 8th of 2015. Would you like us to put that agenda out there? I think we talked about defining what our Legacy costs are and then our financial position. Now most of that was in the update that we did in March.
Commissioner Baldwin: I am not sure if that won’t be more confusing as I look at that material from then it’s basically 2-3 years old.

Rebecca Fleury: So I think what we included in the March data and then the information you got from both Gabriel Roeder and MERS is going to be our most current, as of right now.

Linda: There wasn’t a hand out from Gabriel Roeder but the MERS presentation is out there. Which is a rather lengthy document.

Rebecca/Linda: A lot of the Gabriel Roeder information can be found on the police/fire actuarial report which is in the Police/Fire and Finance section of the website as well.

Rebecca Fleury: So knowing what I just described as what our end game is. We want to make sure that what additional information would be helpful for this group for us to gather to get to that end. Because, some of the things that we are going to recommend or at least put out there for discussion it’s quite a bit of work to have to gather. Some of it we have to run scenarios – can’t give specific examples based on data available but we want to know what will be helpful. So we have kind of talked through this but maybe we forgot some things so we thought we would go through options for future information. So the first one is: would it be helpful to have comparisons of Legacy costs from other communities? If it’s helpful, which other communities? Similar size? Similar size to us? Similar types of Legacy costs which could be different. Smaller or larger municipalities? We don’t want to go out data mining if it’s not going to be helpful. So is data from other communities helpful and do we only focus on those that are the size of Battle Creek or similar offerings, or both?

Todd Elliott: I think we need a combination of that.

Nancy Mullet: I don’t think it should just be of similar size because one of the things that’s unique to Battle Creek when it comes to Police and Fire is the type and volume of activity that they engage in is traditionally much more similar to a larger city. So when you just do by size you are comparing apples to oranges. We are a unique community. So I think when you look at it you have to include areas like Jackson, Kalamazoo, Flint or Saginaw. In addition to that, when I am negotiating contracts on behalf of the City one of the things, although not required, we always do internal comparable and externals which can be based on size. But we also started looking at - this last go round, which was helpful - is if employees leave here, where are they likely to go? Are they going to go to one of those places, west to Kalamazoo, and east to Jackson? Just looking at some of the surrounding areas just because that helps us keep in mind what the marketplace is in our Region. That might be too much stuff but if it isn’t, or you want some help in collecting it, I am happy to help as we can use that data in a couple of ways.

Commissioner Baldwin: Well the other place for that information and comparable cities is the Upjohn Institute. They have done that economic report every year and they have a set of communities they have been watching for as long as a couple of decades. They will have comparable information but that also may be outside of Michigan. But they are similar not only in size but in their mix of industries.
Linda Morrison: And if we start with that it may come down to, you know, who has an ACT 45 police/fire pension plan. Who has MERS, single employer plans, so I think that’s a good place to start the process.

Rick Tsumas: What’s the end game here? How are we going to go about it? The issue is the funding or the underfunding of potential liabilities that exist out there. Some of the questions that Nancy is asking are related to a track and retain. What is first and foremost and how will you go about it? Is it going to be one answer for the City? Will you take a look at Police/Fire separately? The answer for that may be different than the rest of your municipal workers. What solutions have other cities come up with? So rather than just look solely for data in your organizations and professional groups that you have, is there information as to what solutions have already been found? Look for solutions as well.

Rebecca Fleury: So glad that you brought that up. We know that Eric Scorsone from Michigan State and is now with the Treasury department has some of these reports out that can be helpful to us. But also know that in the professional conferences that Linda and I are attending we are going to those break-out sessions to see what others are currently doing. For example, the ICMA conference in San Antonio this year, they have seven break-out sessions scheduled on legacy costs. There are opportunities for us to see what and why other communities are doing. We have to understand the economy of Michigan because that’s a bit different but even in Michigan we have got those communities that are bonding for pension liability or changing the offerings of the pension to all different pension groups. And we know that the state has changed their retirement and what does that look like. I want to play off something you said Rick, I think we have to look at it broader than just the financial impact. It’s one of the things with a couple of points on this agenda that we really wanted to talk about. What we are hearing internally based on some of the strategies that we have already used. So I think it’s important for this group to understand what the impact of a tiered system has had on our employees. When I say tiered system that means that all new employees are coming in at this level of pension benefit and then everybody that was already here, grandfathered in at this benefit. Nancy has gotten some very interesting feedback. Linda and I both have received feedback and I think we need to share that since it plays into our ability then to use those as recruitment tools. If the communication is negative from our employees especially those groups that have the tiered system could that be impacting our ability to recruit and get the best talent that we can. We are very focused on the fiscal impact of our legacy costs we also have to take into consideration the human impact to both our current and future employees. That’s a lot to put on this group but I think we have a wealth of knowledge and experience here that can help us think outside of our box. We have been in that governmental box for a long time and so I think it’s great we are gathering other information. I want to be able to hear from all of you as well. So you’re exactly right. I wish I could give you what our end game is going to be but I am not there yet. We wanted to share with you that we have tiered systems with an increase to the employee contributions in all areas and yet you still see those graphs of what our funding levels are based on our current number of employees that are paying into the system and that fact that we have more drawing from the benefits than contributing to the retiree system.

Rick Tsumas: How are we going to bite off the big apple? Should we look at police first or police and fire together? Or do we look at few of the smaller plans separately? There are funding
mechanisms that are in place for some and not others. How we look at those may drive us to make those decisions.

**Rebecca Fleury:** Agreed. I appreciate you bringing up the funding structure because just in this most recent budget the Commission approved we had quite a lengthy discussion about the fact that yes we do have a police and fire pension mileage. It has a float multiplier that can positively or negatively affect the general fund and how the commission chooses to adopt it for that current fiscal year budget. A lot of good information came out of that about our TIF capturing police and fire pension mileage and should we as the City try to retain that for that specific purpose. Or should we look at other funding mechanisms to make up the difference so that the general fund doesn’t have to make up that difference. Do we need to look at the language of that mileage to make sure we are still fulfilling the spirit of the voters when they put it in, in the 60’s? Knowing that times have changed, the pension system has completely changed since the 60’s to right now. It isn’t the same in time. So how do you eat an elephant? One bite at a time. Then there is the retiree health piece. I think those are our three key pieces that we can look at so it doesn’t seem like an overwhelming task.

**Susan Baldwin:** So I want to make sure we are capturing all three, there is the police and fire pension, retiree health care and MERS. Is that what you are saying?

**Linda Morrison:** Police and Fire pension, MERS pension, and retiree health care.

**Rebecca Fleury:** We can rethink that if they are still too big to tackle. We can have that conversation.

**Linda Morrison:** We really do break down the retiree health care into Police, Fire and other.

**Rick Tsumas:** Can we pull all those together? Can we put a funding mechanism in place for all of those? So Police and Fire currently have their own mechanism?

**Linda Morrison:** Police does and Fire does, yes they are different.

**Rebecca Fleury:** And I think why retiree health is becoming so prominent, it’s about to hit our financial statements. So remember when we had the pension liability in the financial statements everybody thought the sky was falling. We are about to have another piece of the sky fall because now we are going to see our retiree health, the OPEB liabilities hit the statements.

**Susan Baldwin:** As we work forward on this. I would like to have some sort of document that breaks all this down. Let’s start with police and fire retiree, then talk about whether there is a system...how it’s financed, where we stand on funding of it. So that we have an at-a-glance. We are only looking at this every couple of months. It would just be helpful and then so that for each of the categories and that would help me to wrap my head around it. I don’t live this everyday like you guys do. That would be very helpful.
Andrew Helmboldt: I agree that would be easier if you broke it down by whatever separate pieces there are and then we can work from there. Then we can decide what to treat together once we determine which individual pieces are.

Rick Tsumas: Just throwing out potential ideas: If we worked on police pension and police retiree health first, realizing this is a multi-lane highway. Do we move lanes together at the same time? Or is it important to settle an approach for the Police pension and Fire pension?

Rebecca Fleury: I don’t think they need to be separate. Normally the discussions for Police and Fire will be simultaneous.

Sergeant Todd Elliott: They almost have to be because police and fire pension is one fund but then you get into your health care and police health care is over here and fire health care is over here.

Rick Tsumas: So that answers my questions, we do need to do those together.

Susan Baldwin: That’s why this at-a-glance sheet would be great. I also think some of them depend on what options there are for us to even consider. So it may be much more doable at a different time than another one. But we need to break it apart to see what we’ve got.

Rick Tsumas: Just trying to fully understand. You don’t want to go to perhaps to different unions at two different times. We are talking about looking into a millage change you may want to do that at one time and not sporadically. We just have to be cognizant about how we get there.

Rebecca Fleury: Timing is important, I think we need to include on the sheet at-a-glance what are the dates of the contracts. If we talk about anything we have to work with the union or labor groups, we have to be mindful of what the costs are. Because we are through all of the contract negotiations right now for a three year period, except ATU. So we have got this period in time where we are not in negotiations, except ATU right now. It’s a good time to have those conversations now so that if a recommendation come up that we are going to need to work with union leadership, no matter which union, that we have plenty of time to have those discussions. And as you can see on your agenda what we included in part B is: these are all of the pension provisions we have under each section so for MERS we have 6 divisions. AFSME has division 18 for new hires and those that were present at the time are still under division 10. Remember what the ramifications are: nobody in division 18 is contributing to division 10 as far as funding levels. While tiered systems help – on the other end we it takes us a while to catch up. When we talk about funding levels.

Susan Baldwin: As we lay all this out there are a few other things I would like to have included on this new at-a-glance form. Can we include any statutes, rules or anything like that? If something varies from section to section then we will have that information on the sheet.

Rebecca Fleury: Then if we look at police and fire we have all those other entities under them that are all funded by the police/fire pension system.
Sergeant Todd Elliott: Those are tiered also. It kind of starts out at the bottom level of the POLC which is the officers and detectives and works its way up to Lieutenants where I think the cut-off date was Sept of 2013. Anybody hired after that is on a different system than say, I am. That follows you through your unions.

Rebecca Fleury: So which one has tiers?

Sergeant Todd Elliott: Non-sups, sergeants and lieutenants do. I am not sure what the non-reps have.

Nancy Mullett: It all originates with the non-sups.

Rebecca Fleury: So IAFF is traditional firefighters, OSP are battalion chiefs, non-represented fire is just the Chief, and POLC is control and detectives. And then non represented police would be Chief, Inspectors and Majors. Don’t think that we are just a tangled web. If you take any municipality you’re going to have several divisions.

Nancy Mullett: And actually in terms of a tiered system, Battle Creek has less than a lot of municipalities. Because in 2008, around the time of the recession, when people were looking at either laying people off or changing the current tiered system. That’s where some of that has come from. We have now been able to merge back into one system over the last three years. You really were like a red headed step child, depending on when you were hired both in wage and what your retirement looks like. So we can’t, we cannot just because we are not allowed, at least by MERS to merge these programs back together and the cost to bring some of the newer once up is difficult. So we at least have been able to merge those wage scales so that people are not divided up on a wage level at least.

Rebecca Fleury: So there is one example of a potential tool that we have reviewed and realized it’s too costly not only for the City but the employees as well to bring tiers back together.

Rick Tsumas: So let’s go back to that original question of what data do we need? As we lay this out now I think we are starting to see some of the different groups and how we may approach those. So now, to me, it comes down to: how do we develop solutions and part of that is what levers we can pull to help, if you will, fund the liability, or increasing a milage. What are other communities doing? What have we done already? Understanding what levers to pull as we look at all these sub accounts. What are our options? You can look at the retiree health piece which is going to be one big number and then how do we bite that off? What’s the funding opportunities for that? So is it the City has to increase revenue, decrease expenses, increase milage or is it an income tax issue? Or do you just deal with it?

Rebecca Fleury: I think the number was very large, 54 million if I am remembering that correctly.

Sergeant Todd Elliott: With the Police and Fire retiree health, aren’t those funded differently? I would think that any public act would apply to both of those. Is this something we could combine together? I know with our Police retirees we use MERS as our investment firm for that
because it saves us a lot of money. In the end using MERS because they have a much bigger pool. If we went out on our own we would be paying and not getting anything back. Can we combine them?

**Nancy Mullett:** I don’t know about combining those. I know we are moving Fire towards the MERS option as well. Any minute, literally right now that’s what we are doing.

**Sergeant Todd Elliott:** Moving to MERS is more of a benefit to the employee because you are paying but getting a better benefit out of it.

**Linda Morrison:** You are earning more, better rates of return.

**Sergeant Todd Elliott:** It’s similar to, if a couple went out and bought their own health care plan you are looking at almost a quarter million dollars where under our retiree health care it’s a fraction of that because we have this plan in place and because we invested with MERS and it’s done properly.

**Rebecca Fleury:** Because, I think what you’re seeing is: It is a recruitment tool for us. I think we have talked to some that have left to go somewhere else with a better benefit package but there are not many at all. I still think we have a competitive benefit package for all employees. We just have to make sure it’s sustainable. If it’s not what changes do we have to make so that it’s in the best fiscal interest of the City. I think it’s valuable to see what other communities are offering. Nancy is right, between 2008 and 2010 we saw all kinds of municipalities jump to hybrids, defined contributions to tiered systems and a lot of them are not happy. For a variety of reasons, 1 is the level to keep employees, 2 it hasn’t given them the financial relief they thought it would for some of the same reasons we just talked about. When you move people out of these groups you don’t have anyone paying into it anymore. It negatively affects your funding ratio. You have to understand both ends of the equation. This is not a quick fix. MERS says that if we continue on this rate we pay off in 21-22 years, if everything remains the same at that point in time. We know we live in a world that doesn’t remain the same and you know the market is “the market”. We have to make sure that we are being as fiscally responsible as possible moving forward.

**Rick Tsumas:** We appreciate you trying to tackle this. We just bought a house and we are trying to pay it off in 21 years, in some respects that’s what we are doing here is trying to long term leverage something that we haven’t funded so far. I think we want to keep from the employee’s perspective the greatest benefit package as possible and keep them as healthy as possible. But on the other side of it there is some push back when you look at cities and states such as Illinois that have ignored this issue and it are paying the price for it. They have citizens leaving and employees. Now it’s not just the employee but residents as well because they don’t want to deal with what’s blowing up there now. Taxes are going to come to try to catch up with this big house they built and added onto. I think it’s just finding that delicate balance.

**Rebecca Fleury:** It’s going to take all of us, it isn’t just Rebecca coming up with the magic. I would love to have a Harry Potter wand and make this all better but it’s going to take all of us and our employees. It will take our employees to talk about these issues.
Sergeant Todd Elliott: I think it would be good for returning and current employees to have some type of comparison with other cities our size, Jackson, Muskegon, Saginaw and even if it’s apples to oranges comparison, which a lot of times, it is but it gives them an idea of what we have compared to the others. I can tell you employees on the ground level are looking at cities like that. There seems to be a lot of mis-information out there with the employees saying our benefits here suck. OK, well why do they suck? Well because we are on a tiered system and this is what my pension is. Well, have you looked elsewhere? Of course they haven’t or they heard rumors and conjecture about it and all that does is fuel the fire and make things worse. Where if we had that at-a-glance comparing 5 other cities our size and this is what they have. Kind of like you said with the people that have left, the last half dozen people that have left PD have left for personal reasons not financial. They have gone to Grand Rapids, Oakland County, Kalamazoo and some of them have come back over the years. They realized the grass isn’t always greener. But I think having that list right up front would certainly help. In the next 4-5 years if you’re still around at that time Nancy, you are going to have a lot of these younger guys that are in this tiered system and lord knows what they are going to push for.

Nancy Mullett: They are pushing now in anticipation of 5 years from now.

Rebecca Fleury: So here is the reality of those tiered systems, and Nancy will you share. Because what’s happening is, as we get more people in the lower tier their voice is more predominant. And that will change how things move forward. We are starting to see it right now. Listen if we are not going to get that same level of pension then we are not apt to give and take when we are talking about negotiating certain points. That’s a reality in our organization and we have to keep that in mind. I think it’s an unintended consequence of a tiered system but it’s what we are faced with.

Rick Tsumas: To your point I think when you lay that out, while your pension benefit is gone they are getting a match with a 403b, 457 or some other kind of fund. That’s important to compare to other communities as well. We went through this with the baseball umpire labor dispute. They drew a line in the sand and they had a really rich pension plan. All the new folks coming in have a significantly scaled back plan but they are getting contributions to a 403b. It took 3 or 4 years to get them to understand what the benefit was from the younger people. Part of that is education. The younger umpires are starting to get represented by that council and they are getting a better change in how they look at those benefits.

Nancy Mullett: We actually did start that. One of the things we looked at with the AFSME tiered systems when they were in negotiations and there was quite a bit of divisiveness between the old and the new, because there is a significant difference. So we ended up taking some of our deferred comp things and saying with Finance really helping them understand the City is very supportive of you investing your money and so we are going to match. You know 1 for 1 up to 5% or whatever it is. But starting that type of plan here is not normal behavior for the City as they are defined benefit oriented. So I agree with you when we are going forward we have to not only educate but we have to offer alternative menus. 401k they don’t get that…what is that? And to be really able to help to have that menu of benefits so of course the defined benefit is there but what we want to do, in my opinion, is start emphasizing other retirement tools and getting it to be part of their language, part of the way they view their retirement. And from my experience from
working with both entities that have defined benefits and 401k’s. For those that have that experience with the 401k and a good plan administrator. You will find that they don’t want to switch to a defined benefit because they like having that ability to really maximize their investment. When you have MERS you don’t have that kind of control but we have to really take another look at how we are engaging employees in their retirement options and what we are offering. We have to do that.

Rebecca Fleury: I do think there is a huge education component. Not only for our employees but for the community as well. There is a lot of misinformation out there, I believe. I like what you said about what we have because we all still have defined benefit plans and that’s not common. Most others have moved to defined contribution or hybrid, we still, all of our employees still have some form of defined benefits which is still considered one of the top pension systems for government employees.

Nancy Mullett: I have, we met before negotiations as all the contracts were up. Battle Creek’s defined benefit package is better than many places. Now their wages were not as consistent but that makes sense for so long we were able to keep the wages down because of the very generous benefit. Now when you start looking at employee contributions to those benefits you have to start right sizing the wages as you are going along to. That’s the path the City is on now. But there is a whole future and it’s crazy that when you say we have two years before we have to negotiate and that’s a long time. I think “oh my God”. There is so much to do on this. It did come up in POLC there questioning that hill and I know that. They don’t like tiered systems and it’s the system they are going to have to live with.

Joyce Snow: Something else to consider when you get down a little further is a graduated vesting schedule. That’s attractive especially for recruitment. 20, 40, 60, 80 or 100% in 5-6 years you’re vested. So you have something even if you leave after 3 years.

Andrew Helmbolt: Just getting to the question of what information we need from the outside. I think one set of levers we need to look at is what else can we do? What are all the benefits for working for the City of Battle Creek? When we look around the country/world what employers are doing to make people want to work for them that doesn’t involve the direct financial end of it. What do we have to offer? What’s the quality of the work place? What are the soft benefits? What can we offer to people for free? What is everything we have at our disposal that we can offer people? And maybe not just us, can we work with private entities to offer our employees benefits too? Essentially we are saying it’s going to cost you more to work here. Which is going to happen everywhere. What are we getting in return? What are we offering that Jackson, Muskegon isn’t?

Nancy Mullett: That’s an excellent point.

Andrew Helmbolt: Especially in regard to young people with recruiting and young people just coming in. Yes they want to know what their retirement is but if you can catch them when they are not as concerned about their retirement as an older employee would be. When it’s still way down the road, a daycare on site I don’t have to pay for or worry about. Work from home. Half day Fridays?
**Joyce Snow:** There are many businesses in town that give discounts to City employees but not all employees are aware of it. I know at LCC we have them all listed out but for various reasons here it hasn’t been done.

**Andrew Helmbolt:** So when you hire somebody, you hand them a sheet and here is what it means.

**Susan Baldwin:** Ever heard of Wizards of the Coast? If I say that do you know what it means? OK, it’s a Dungeons and Dragons card game that offers pet daycare.

**Nancy Mullett:** Urban Outfitters you can bring your dog or cat to work. This is solely an observation of the millennials that are coming to work and I am a fan of their world view and all of that. I know it makes employers crazy but they are not so much interested in what their pension is, they are interested in what yours is. So that’s what I am seeing more than anything else. It’s not so much that they are asking about what they get they want to see in comparison to you. I don’t know what to do with that. It’s just a fact.

**Todd Elliott:** It’s hard to get that through to them next door too. Some of the younger guys see it as they are losing all this money. You get this fat pension and, well, I have also been here 18 years. And when I started 18 years ago this is what I started the plan for. Why should you start so far in the future and this is where it gets into the ICMA or other investments and that’s what we have been telling these younger guys. They have hard heads, invest now. You have 25 years to plan for this. Start investing now.

**Rick Tsumas:** That’s part of the education! Has anyone really looked at the study of millennials? When you start to look at flexible benefits spouses matter too. If you have a spouse that’s a teacher with a retiree health benefit it is worth a lot. Can you offer flexible packages so that if you have a spouse that is a teacher, they don’t need retiree health necessarily? Can they use those funds that you would be dedicating into retiree health into some other benefit that’s available to them? It gets back to how do they look? There are very few corporations anymore that have defined benefit plans. No new companies have them. And they are the dinosaur and I think we have to face that or understand that. How do you plan that transition? You as a City Manager don’t want a tremendous range of what it’s going to cost you every year. You should know what it’s going to be based on payroll and that’s the benefit.

**Nancy Mullett:** How do you plan for that transition? How do you do that?

**Rick Tsumas:** A lot of it is in the teaching. You say what is the cost of the defined benefit plan? It’s a range but you can set up that benefit now for people moving forward. We are not going to plan for all these calculations to get to the cost today; we are going to take that cost and say here’s your benefit and this is what you are going to get. Its part education to say here is the plan you’ve got. Most employees, or better in police and fire and maybe municipal workers, today’s employees, if you get 5 years out of them that’s huge. So they want portability in their defined contribution plans. Contribution plans can get you that portability of those retirement benefits. So that’s another way that they look at it now. My guess is in part that police and fire mostly have employees that stay longer or do you see some that move from one employer to another?
Todd Elliott: For the most part it’s been pretty consistent. They stay because of our pension system. We are vested at 10 and if I were to leave right now at 18 years and go work for Kalamazoo I get 55% maybe of my pension that’s applicable in 7 years. But then if I go someplace else my plan may not merge with theirs. I think the trend seems to be leaning towards people leaving after they are vested at 10 years.

Nancy Mullett: That would be good to know. I would really like to know that. I never even thought about that.

Rick Tsumas: But even if they leave the benefit that you earned is a small fraction than if you stay. 55% at 18 years or after 25 80-100%. It’s this hockey stick type thing that goes up. Again it comes down to recruiting and retention. How do you get what you want? Do you want to keep those folks for that long of a period? That’s a strategy when you invest in an employee you want to keep them.

Chris Dopp: One of the questions, is there a trend of people staying longer because if the health care uncertainties today? Just because you can retire at a certain level with the way health care is do we seeing employees stay longer than their 30 years?

Rebecca Fleury: Not in Police and Fire but I think in other areas.

Linda Morrison: There are people here that are with MERS that are eligible to retire but choose not to. They are waiting until they are Medicare eligible.

Chris Dopp: To me, that’s a big factor, I would look at that trend. The older employees I hear from is that they can retire but you understand they have to pay insurance. To me that’s a huge trend. That’s going to have a huge impact on these benefits.

Rick Tsumas: Can you translate that? For a typical municipality worker that starts at age 22 gets 30 years in, at 52 are they eligible for full retirement with health benefits?

Linda Morrison: There are age requirements, 55-60, and 30 years of service is the max.

Chris Dopp: There is a minimum age, it needs to equal 80. You’ve got to have a combination of years of service and age.

Rick Tsumas: So what that might be worth to somebody if you deal with this all the time. People will make that decision to not retire because to go out and bridge that gap from 55 to 65 is going to cost anywhere from $10,000 - $20,000 per year with after tax dollars. Which is a significant amount of money. Getting that benefit at 55 is huge.

Chris Dopp: And remember this, retirees get $200 towards being on the City policy, they don’t have to pay the full premium. So like right now that gets to around $1000 per month to have a city policy.

Susan Baldwin: This isn’t police and fire correct?
Chris Dopp: No this is most of the ‘others’. When I talked to a lot of the people that could retire in the next 5 years, I don’t hear as many people that’s daring to go out there anymore. But that’s just what I hear I don’t know what the trend is showing.

Linda Morrison: Non-Police and Fire have a retiree health savings account, RHS account, that participation is mandatory. The City puts in a percent based on age and the employee contributes. So setting aside money towards that bridging the gap after you retire to pay for health insurance costs or your medical expenses. I don’t know how you translate that or use that as a factor for whether I am going to retire when I am eligible or whether I am going to wait until I am Medicare eligible. But that could be a factor.

Rebecca Fleury: Well and everyone’s personal circumstances are different. Those that are maximizing their 457 contribution perhaps can get to that, you know, the 55 and years of service and maybe they can go rather than having to wait. It is about the education piece because we have some other tools to use so that you are not relying on your pension to get you through. Longevity of human beings nowadays is longer.

Susan Baldwin: Let’s make sure that you explain what a 457 is on this stuff. I don’t live this stuff everyday so I can’t keep it all straight.

Rebecca Fleury: So a 457 is similar to a 401k, it allows us to put pre-tax dollars into a plan. For the City we offer ICMA we have a sole provider for that plan for our employees. I think the IRS allows up to 14%.

Linda Morrison: There is a dollar maximum.

Risk Tsumas: There are two types of 457 plans. The primary one is very similar to a 401k.

Nancy Mullett: So we have another one to, another deferred benefit? For non-reps there is no other options?

Linda Morrison: Just the ICMA.

Susan Baldwin: This information just needs to be summarized somehow because you are going to talk to a lot of people who don’t have all this knowledge that you have but as we go forward and think about this we need a summary of information available.

Andrew Helmbolt: With regard to longevity, the issue of people working past their retirement or people living longer. It seems like partially as society as a whole people are going to have to work longer. So does it help us, does it help the system financially for the people that Chris is talking about to work longer? I am assuming that it helps but I don’t think I should.

Linda Morrison: Oh yes it does.

Rick Tsumas: Helps the system in what way?
Andrew Helmbolt: It keeps us more financially sustainable. If people work for 40 instead of 30 they are still contributing.

Rebecca Fleury: Correct, they are still contributing into the pension system instead of drawing out at 55.

Rick Tsumas: What’s the flip side of that? Now you have your highest cost employees there?

Andrew Helmbolt: That’s what I am wondering? Is the cost of them sticking around a higher cost? Does that out weigh or not the fact that they are still paying in?

Rick Tsumas: I just mean that you can hire new employees in that are a lot cheaper than your 40 year employees that have the highest level of pay and benefits.

Chris Dopp: But remember, that’s as high as the MERS benefit goes.

Rebecca Fleury: It’s not very economical for you to stay after you hit that.

Chris Dopp: You are not getting any more except for the COLA (cost of living adjustment) in salary, but you are still getting your health insurance mostly paid for.

Rick Tsumas: But you also have the cost of hiring. That might be $40,000 as opposed to $60k-$80k.

Sergeant Todd Elliott: It’s similar to PD, we have a certain number of vacancies over there, open positions. Is it cheaper to hire people or cheaper to pay overtime than fill those spots? To an extent it’s cheaper to pay overtime, you’re not paying any training fees. By the time we get someone trained and able to work here we are looking at $60-$70,000 invested in them.

Chris Dopp: Isn’t that why the State Police went to the DROP program?

Sergeant Todd Elliott: That’s a big part of it, yes.

Chris Dopp: I have always wondered about that program because to me it made a lot of sense.

Linda Morrison: There is an awful lot of factors that make it not so easy to say that it’s time to hire someone rather than pay overtime or someone should stay longer because it’s beneficial to the plan to keep paying in vs hiring somebody new. There’s a lot of pieces and it’s a moving target that doesn’t mean we can’t put it all down in some kind of document to say here are all the things that are going on. But it’s not just so…

Rebecca Fleury: It’s a snapshot in time.

Nancy Mullett: And it’s a judgement call. There is an acute need as opposed to we want to hire someone because it’s chronic.
**Linda Morrison:** Right, are you burning your people out with so much overtime? So how do you weigh that out into the factor of it’s time to hire somebody?

**Nancy Mullett:** And there are some positions that we just cannot find. We cannot find any for Transit and it’s extremely difficult because they are on mandatory overtime every single week. We can’t find enough people. We have gone to Kalamazoo, we have gone to Jackson – they can’t find enough people either.

**Susan Baldwin:** Well then that falls on us. We think that as a policy the City ought to be providing quite as much Transit services. Now maybe we do limited hours. I get that people are trying to get to work but now we no longer do Saturday. We already have people saying that we don’t run the buses late enough or earlier enough but it costs money.

**Rebecca Fleury:** Or why don’t you add a run? Then we put out how much it costs to add a run and people were like ‘oh, I see’.

**Joyce Snow:** Could larger/smaller buses have an impact?

**Susan Baldwin:** We are getting way into the weeds. And I want to make sure that I don’t forget a point that I had far earlier when you mentioned the umpires. We say that we want to research other communities, should we not also look at businesses out there and see what they have created. I don’t think the government is the only one with this problem.

**Rebecca Fleury:** It does seem like we are always behind. So the umpires are a group we should look at? Do you have some other suggestions?

**Rick Tsumas:** I am not sure if they are a great example. You know as I sit here with this great group of people multi-talented but we don’t have the expertise to tackle this. There are consultants out there that deal with this day in and day out. There are people that look at and come up with solutions. They have probably already looked at this stuff. Have you looked out for some help?

**Susan Baldwin:** But I don’t want to use someone that’s financially related to us. We need to use someone independent.

**Rick Tsumas:** Corporate and municipal benefits is an issue and there are folks that deal with these issues and have seen them in a lot of different places. So have you made contact with any of them?

**Rebecca Fleury:** We have not.

**Rick Tsumas:** Is there a budget available for that? Obviously they are not free.

**Rebecca Fleury:** We will do some exploring and bring that back to the next meeting.
**Rick Tsumas:** I was just saying we are just starting to do this here and maybe some of you have dealt with it more than others.

**Susan Baldwin:** Yea but we all bring critical operations knowledge.

**Rick Tsumas:** I don’t mean to take anything away from us, but there are people that can answer some of the questions we are asking. How do we get some information that we can apply to this. So for instance you have got a plan here to discuss a pension benefit as a recruitment tool so we have talked a little bit about that. What would happen if you’ve got the tiered system now, has that negatively impacted? What if we did away with pension plans for anyone starting after a certain date? And then you put together some kind of different retirement plan packages with a defined contribution. How negative would that be? Are there other communities looking at that?

**Rebecca Fleury:** Well for police and fire I don’t think we would get any employees coming into the organization. You’re right that millennials think about benefits differently. They are very transient. They don’t come into an organization and stay five years. Maybe police and fire but not others. I let the idea of thinking about portability but if millennials are the whole we are trying to plug I would say if we didn’t have a pension system, I don’t think it would be an issue. But that not necessarily the case some of these high tech, high skilled positions we are trying to fill they are coming here for that pension. So I do think it would a negative impact on our ability to recruit high quality candidates in some positions. I am not going to say in all positions.

**Andrew Helmbolt:** We are providing what they can’t get out in the world.

**Rebecca Fleury:** Correct you can’t get that in the private sector.

**Susan Baldwin:** That’s true but some of the things I am reading about millennials is that they like the high tech tools they are given to do their jobs right and as I am gathering from you is that ours is pretty out there.Chuck’s team is doing a good job at creating the training and the tools. These are things we need to make use of.

**Rebecca Fleury:** We haven’t offered nap pods like they have at Google. But we are thinking about the employee as a whole. The Commission was very generous in allowing us to pay for community volunteerism. That’s a benefit that’s unique. And we are hearing that about millennials they want to give back to the community. We are giving them the opportunity to do that and be our employee. We are trying to move in the direction to think about the employee as a whole person. But we know we have to balance that with realistic things like a pension and health care. Anything else before I get to public comment?

**Susan Baldwin:** You have a lot of information and details from this meeting I want to make sure that we keep that.

**Nancy Mullett:** I just want to emphasize that I agree with you on millennials contribution plan. This entire state is taking a look at defined benefits and it’s a statewide issue. There are concerns that at the state level they will do something to the pensions. So we just know we have to take a look at those alternatives and rely on those other great benefits about working and living in
Battle Creek that will attract and keep people. Because the defined benefit as a system, just from being in the private sector, it’s not sustainable.

**Rebecca Fleury:** Right. That’s what we are learning. We created a system that isn’t sustainable.

**Andrew Helmbolt:** Well like a lot of things, it’s built on growth. It only works if the whole economy is in a slow rate and all these people are paying in.

**Rick Tumas:** Well the life expectancy used to be 65-67, it wasn’t meant to support until 80-90 years old.

**Nancy Mullet:** But taking a look at those really top dogs in the union industry, auto workers, steel workers, teachers all of whom are moving away or completely obliterated those plans. The defined benefits are gone for so many of the steel workers. That’s only in the last three years. So they are doing that.

**Joyce Snow:** Management for General Motors, I just talked to someone on the phone last week and he is management but doesn’t have any health care. The union guys have it and hardly pay anything.

**Susan Baldwin:** Interesting that you say all this because way back in the 80’s. I worked for Blue Cross Ohio and we had all this stuff already there in a menu option. I had flex time, I could change my schedule, I selected what I wanted to put in for pension and health care.

**Nancy Mullett:** Those cafeteria plans are not around anymore. I don’t know why they went away.

**Joyce Snow:** I can confirm that many of our separations have not been benefits but pay. Most are leaving for more money. Maybe the pension isn’t as good but I said to a couple of guys that your benefits are better here and it didn’t matter, they wanted more money.

**Linda Morrison:** It’s all about the ‘now’.

**Rebecca Fleury:** Thank you. Ok so public comments:

**Tate Trajilla – Minges Creek:** Great conversation, I wish I could interject more but I think that one thing that’s valid is increase pay and increasing pension contribution. Not only do you put away that pension liabilities but the employee themselves can take control of their own finances and you have a matching 401k or 457 option as well. Then the employee has more control of what they want. An increased salary would allow them to make those decisions. A lot of us newcomers like to see that higher salary and say that this is a good way to move forward and then the retirement thing is like an afterthought. I don’t think people are coming here for a cushy retirement. I want to buy a house for my family now…maybe higher salary and higher pension contribution. I don’t know how familiar you are with the Federal government but they currently have a program after going through this same thing in the 80’s. They used to have full pensions and now they changed to a three tier system. You have your social security, your 401k and a
health savings plan where you can contribute as much as you want. Then the defined pension is greatly reduced. It’s still there and for you but now you have two other income streams to rely on. Is the new tier system does the social security benefit back.

**Nancy Mullett:** Police and Fire do not pay social security.

**Tate Trajilla:** Is it possible for them to start paying into it?

**Linda Morrison:** I don’t think that the plan allows for that.

**Tate Trajilla:** I just think instead of having one huge pension liability, as Rick was saying that possibly changing the grandfathered-in retirees. You can offer an increase in salary and offer the new plan or you can still be a part of this old plan but with a time frame. You can contribute to your 401k and take that wherever you want.

**Rebecca Fleury:** Thank you!

**David Gauthier:** I checked around on this a little bit before the meeting and the more I dug the more worms that came out. So with what I am hearing now there is a blizzard of information and plans. I reserve comment. You guys need to consolidate your information and get it in an ingestible format and then go at how to fix it. As far as a crack in good employees here it’s settled by performance and seniority. If an employee is going to flip on you in 5 years don’t make a contribution to their 401k until 6 years. Give them a 401 and the leadership to work up the ladder. But don’t bend over for millennials. That’s just this grouchy old man.

**Rebecca Fleury:** Thank you both for being here. Anything else from the Committee? I do want to make sure we set up the next date to meet. I think we have a lot of data to gather. I know it’s the end of June so the end of September would be our next meeting.

**Nancy Mullett:** We can get the pensions at-a-glance out to the Board before, I think I have that.

**Rebecca Fleury:** Next meeting Monday September 25th at 3:30pm

**Rick Tsumas:** Once we get the information could we meet more often?

**Susan Baldwin:** Let’s get the data together and we can consider monthly meetings.

Adjourned: 4:50pm