CITY OF BURTON
A COUNCIL OF THE WHOLE MEETING MINUTES
SEPTEMBER 5, 2006, 6:00 P.M., COUNCIL CHAMBERS
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The Meeting was called to order by Vice President Jamie Curtis at 6:00 P.M.

MEMBERS PRESENT: Bement, Conley, Curtis, Isham, Tinnin and Wells.

MEMBERS ABSENT: Cross.

OTHERS PRESENT: C. Abbey; DPW Director; K. Foster, Controller and G. Webster, City Clerk.

PURPOSE OF THE MEETING: **Discussion of the MERS pension plan**

PRESENTATION:

Colleen Medley, 1134 Municipal Way, Lansing, MI, MERS Representative, was present to answer any questions or concerns regarding the MERS Pension Program.

Mrs. Tinnin invited a MERS representative here to answer questions regarding the actuarial, the impact of reorganizing units, the effect of the new 10-year smoothing period and the amortization period as it relates to Burton's pension plan.

Ms. Medley explained that a 10-year smoothing period would be more beneficial in calculating the contribution rate and provide more stability. She explained the amortization schedule was adjusted every year until it reached a 25-year period. This will also help even out the rates that are going to fund the pension program. These things are all part of an analysis of actuaries MERS has done in order to make sure future rates remain level.

Ms. Medley indicated that the Pension Protection Act has no bearing on the City of Burton's pension plan.

Ms. Medley said that the overall MERS program was healthy and over 80% funded.

Ms. Medley discussed newspaper articles relating to other state's pension plans. She said this information does not have any bearing on the MERS pension program.

Ms. Medley reassured everyone that the City of Burton's pension plan is healthy. This is reflected in a percentage of funding rising from year to year at a positive rate.

It was stated that the SEIU unit took wage reductions to accommodate for rising pension contributions.

MERS stipulates that unless your municipality and your division is a minimum of 50% funded, you cannot make any changes that enhance individual pension benefits.

AUDIENCE PARTICIPATION:

Several employees spoke regarding MERS pension issues.
Steve Alderman
Ralph LaDuke (Retiree)
Tom Hudson
Tod Sorensen
Julie Adams
Tony Mahler
John Owens

Discussion focused on the following topics: the possibility of ballot language to eliminate the pension, the stability of the Burton pension program, the financial impact of the pension plan on the City and the possibility of a millage to help support General Fund expenditures.

Ms. Medlley said it was possible to vote away MERS for future benefits. However, they can't take anything away that has been currently accumulated.

Council members were unaware that someone was trying to eliminate the MERS pension.

Employees wanted to know if the pension program was solvent and if it was bankrupting the City of Burton.

Mr. Abbey said the City is healthy and in good financial shape. Our pension is not going to bankrupt the City. Our pension plan is working just the way it was designed to work. Changing from a Defined Benefit Plan to a Defined Contribution Plan would create problems.

Ms. Medley agreed that closing down the Defined Benefit plan would result in pension cost increases for twenty years. This would have a negative impact on the current pension plan.

Once again, Ms. Medley assured everyone that the MERS Pension plan is healthy and moving in a positive direction.

Mrs. Tinnin said employees need to understand that we are moving in a positive direction. However, we could be in a much better position. She wanted to know how many municipalities were above 60% funded.

Ms. Medley said new rules and regulations that were put into place after the City joined MERS now requires any new municipality to come in 50% funded.

Mrs. Tinnin said the amount of dollars it takes to fund the pension system for our City really prevents us from hiring new employees. We should look into accelerating what we pay into MERS on a yearly basis.

Mr. Abbey said revenue sharing cuts have had a greater negative impact on the City's budget than the pension costs. He opposed accelerating pension contributions on the backs of the employees. The employees have already taken cuts in many areas. You have to compare all aspects of an employee's wages and benefits, not just the pension. Health care has gone up dramatically, while the pension has remained somewhat stable over time.

Mr. Isham wanted to know if there was a withdrawal liability to the City, if they were to opt out of the pension program.

Ms. Medley said the City couldn't withdraw the money that is currently in the fund, because it has been promised. There would be a liability for the City to go to a different fund.

Ms. Medley said the City of Burton is pretty much in line with other municipalities. The City is 45% funded and moving in a positive direction.

An employee suggested increasing the millage to support to the City's General Fund.

Meeting adjourned at 6:59 P.M.

Gayle Webster, CMC
City Clerk