

**City of Berkley**  
**Economic Vitality Incentive Program - Category Three – Employee Compensation Plan**  
**4/10/2012**

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**Introduction**

Public Act 63 of 2011 commonly known as the Economic Vitality Incentive Program requires municipalities to provide three fiscal plans to the State of Michigan, Department of Treasury in order for the municipality to obtain Economic Vitality Incentive Program (EVIP) dollars from the State of Michigan. By providing these three fiscal plans to the State of Michigan, Department of Treasury the City will realize approximately \$151,000 in EVIP dollars for fiscal year 2011/12. (\$223,488 \*.67837363) A brief summary of the Economic Vitality Incentive Program is as follows:

- **Category 1 – Accountability and Transparency**

This category requires each eligible city, village or township to certify that by 10/1/2011, it has produced, and has made readily available to the public, a citizens guide and a performance dashboard of local government finances including the recognition of unfunded liabilities. The City of Berkley completed this task and submitted all pertinent information to the State of Michigan Department of Treasury on 9/28/2011.

- **Category 2 – Consolidation of Services**

This category requires each eligible city, village or township to certify by 1/1/2012, it has a plan with one (1) or more proposals to increase its existing level of cooperation, collaboration and consolidation either within the jurisdiction or outside of the jurisdiction. The plan shall also include existing cooperation and consolidation. In both cases cost savings must be identified. This document is intended to be the consolidation plan of the City.

- **Category 3 – Employee Compensation**

This category requires each eligible city, village or township to certify by 5/1/2012, that it has developed and publicized an employee compensation plan that the city, village or township intends to implement with its employees. This compensation plan is in the area of salary for new hires, pension multipliers for all employees, final average compensation for all employees and health care for new hires.

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**Category Three (3) – Employee Compensation - General**

The City has three Union bargaining groups and a non-union merit system of employment group. The three union groups are the POLC Public Safety Command Officers, the POLC Public Safety Officers and the AFSCME Council 25; Local 1021 DPW Employees. The city non-union employees are governed under a Merit System of Employment as approved and amended by the Berkley City Council.

Contracts for the three labor groups were agreed to and approved by City Council after Union ratification on the following dates:

Public Safety Command - 1/03/2011 – Effective 7/1/2010 through 6/30/2013  
Public Safety Officers - 3/07/2011 – Effective 7/1/2010 through 6/30/2013  
AFSCME – DPW - 1/24/2011 – Effective 7/1/2010 through 6/30/2013

Upon approval by the City Council, all economic and non-economic changes were also passed onto the Public Safety Director, non-union staff, retirees and their beneficiaries of the City as applicable. Non-union staff benefit changes went into effect in January 2011. All benefit changes for all active and retirees of the City were in place by 4/1/2011.

**1. Compensation Plan Public Safety Command:**

Group Composition:

There are nine (9) full-time equivalent positions (FTE) with seven (7) currently filled with City Employees. Two (2) are paid as contractors. One of the two contractors is a retired employee of the City. None are eligible for social security. All but one is eligible for the federal Medicare program.

Funding:

Pensions in this group are funded through PA 345 of 1937 with the City of Berkley electing to utilize this State law in 1965 to fund this pension system. A five (5) member board as prescribed by the State law governs the pension system with the 100% of the pension fund contribution being funded by the City through the applicable pre-headlee PA 345 tax debt levy.

**PA 63 of 2011 Economic Vitality Incentive Program (EVIP) Criteria (Bolded):**

- **New hires - Eligible for retirement plans that cap annual employer contributions at 10% of base salary for employees who are eligible for social security benefits. For employees who are not eligible for social security benefits, the annual employer contributions capped at 16.2% of base salary.**

Currently, the City makes a 39% of base pay pension contribution to the Pension System in this group. An employer contribution cap for this group is not applicable. All command personnel are promoted from the Public Safety Officer Group. See the Public Safety Group for further explanation.

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- **DB Pension Plans – Max Multiplier – 2.25% not eligible for Social Security and 3.0% with no Post Employment Health Care.**

Employees currently have a 2.8% / 1.0% multiplier with no social security with DB retiree health benefits. The City has implemented a DC health benefit at retirement for 7/1/08 new hires. Those promoted officers will bring with them the 2.8%/1.0 multiplier and DC retiree health care which is within guidelines established.

- **For defined benefit (DB) pension plans, final average compensation (FAC) for all employees is calculated using a minimum of three (3) years of compensation and shall not include more than a total of 240 hours of paid leave. Overtime hours shall not be used in computing the final average compensation for an employee.**

Employees currently have a maximum three (3) year final FAC period. Overtime earned in the FAC period is not utilized in the FAC calculation. More than 240 hours of paid leave is utilized in the FAC calculation. However, there is a separate maximum of 85% of base salary calculation that off sets the excess of 240 hours of paid leave. This brings the group within the guideline established.

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

Not Applicable. In aggregate the city does not exceed the "hard cap" calculation established by Section three (3) of PA 152 of 2011.

**2. Compensation Plan - Public Safety Officers:**

**Group Composition:**

There are eighteen (18) full-time equivalent positions (FTE). None are eligible for social security benefits. All but one is eligible for the federal Medicare program.

**Funding:**

Pensions in this group are funded through PA 345 of 1937 with the City of Berkley electing to utilize this State law in 1965 to fund the pension system. A five member board as prescribed by the State law governs the pension system with the 100% of the pension fund contribution being funded by the City through the applicable PA 345 pre-headlee tax debt levy. Officers hired on or after 7/1/2008, which there are Four (4) members, have a Defined Contribution (DC) health care plan at retirement and these individuals fund for this benefit.

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PA 63 of 2011 Economic Vitality Incentive Program (EVIP) Criteria **(Bolded)**:

- **New hires - Eligible for retirement plans that cap annual employer contributions at 10% of base salary for employees who are eligible for social security benefits. For employees who are not eligible for social security benefits, the annual employer contributions capped at 16.2% of base salary.**

Currently, the City makes a 39% of base pay pension contribution to the Pension System. The City intends to negotiate a pension plan for new hires where the employer contribution is capped less than the current contribution of 39% of base salary with an eventual cap of 16.2% of base salary.

- **DB Pension Plans – Max Multiplier – 2.25% not eligible for Social Security and 3.0% with no Post Employment Health Care.**

Employees currently have a 2.8% / 1.0% multiplier with no social security with a DB retiree health benefits. The City has implemented a DC health benefit at retirement for 7/1/08 new hires. Those officers have a 2.8% / 1.0% multiplier which is within guidelines established and will eventually be the standard of the department.

- **For defined benefit (DB) pension plans, final average compensation (FAC) for all employees is calculated using a minimum of three (3) years of compensation and shall not include more than a total of 240 hours of paid leave. Overtime hours shall not be used in computing the final average compensation for an employee.**

Employees currently have a maximum three (3) year final FAC period. Overtime earned in the FAC period is not utilized in the FAC calculation. More than 240 hours of paid leave is utilized in the FAC calculation. However, there is a separate maximum of 85% of base salary calculation that off sets the excess of 240 hours of paid leave. This brings the group within the guideline established.

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

Not Applicable. In aggregate the city does not exceed the "hard cap" calculation established by Section three (3) of PA 152 of 2011.

**3. Compensation Plan - Public Safety Director:**

Group Composition:

There is one (1) full-time equivalent position (FTE). The position/employee is not eligible for social security benefits. This position is eligible for the federal Medicare program

Funding:

This pension is funded through PA 345 of 1937 with the City of Berkley electing to utilize this State law in 1965 to fund the pension system. A five(5) member board as prescribed by the State law governs the pension system with the 100% of the pension fund contribution being funded by the City through the applicable pre-headlee tax debt levy.

PA 63 of 2011 Economic Vitality Incentive Program (EVIP) Criteria (Bolded):

- **New hires - Eligible for retirement plans that cap annual employer contributions at 10% of base salary for employees who are eligible for social security benefits. For employees who are not eligible for social security benefits, the annual employer contributions capped at 16.2% of base salary.**

Currently, the City makes a 39% of base pay pension contribution to the Pension System. This position is either filled from the Command group or is hired independently with contract provisions in this area negotiated between the City and the individual accepting the position. It is the intent of the City to negotiate, if applicable, a pension benefit that would not exceed a 16.2% of base salary annual employer contribution.

- **DB Pension Plans – Max Multiplier – 2.25% not eligible for Social Security and 3.0% with no Post Employment Health Care.**

Employees currently have a 2.8% / 1.0% multiplier with no social security with a DB retiree health benefits. City has implemented a DC health benefit at retirement for 7/1/08 new hires. Those officers have a 2.8% / 1.0% multiplier which is within guidelines established. It is the intent of the City to negotiate a pension multiplier less than 2.25% or 3.0% if an outside individual is hired.

- **For defined benefit (DB) pension plans, final average compensation (FAC) for all employees is calculated using a minimum of three (3) years of compensation and shall not include more than a total of 240 hours of paid leave. Overtime hours shall not be used in computing the final average compensation for an employee.**

This position currently has a maximum three (3) year final FAC period. Overtime earned in the FAC period is not applicable. More than 240 hours of paid leave is utilized in the FAC calculation. However, there is a separate maximum of 85% of base salary calculation that off sets the excess of 240 hours of paid leave. This brings the individual within the guideline established.

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

Not Applicable. In aggregate the city does not exceed the "hard cap" calculation established by Section three (3) of PA 152 of 2011.

#### **4. Compensation Plan – DPW AFSCME:**

##### Group Composition:

There are (10) full-time equivalent positions (FTE). The positions are eligible for social security benefits. These positions are also eligible for the federal Medicare program

##### Funding:

This pension is funded through the City via the general tax operating tax rate, solid waste tax rate, gas taxes and water/sewer rates as applicable to where the members work. The City elects to utilize an independent pension administrator to administer pension benefits and invest pension contribution dollars. DPW members hired on or after 7/1/2005, which there are six (6) members of this group have a Defined Contribution (DC) health care plan at retirement and these individuals fund for this benefit.

##### PA 63 of 2011 Economic Vitality Incentive Program (EVIP) Criteria (Bolded):

- **New hires - Eligible for retirement plans that that cap annual employer contributions at 10% of base salary for employees who are eligible for social security benefits. For employees who are not eligible for social security benefits, the annual employer contributions capped at 16.2% of base salary.**

It is the intent of the City to negotiate pension benefits for DPW new hires that result in the annual employer pension contribution not exceeding 10.0% of base salary annual of the employee.

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- **DB Pension Plans – Maximum Multiplier - 1.5% multiplier for Employees Eligible for Social Security or 2.25% with no Post Employment Health Care.**

Employee pension multiplier is 2.5%. Employee hired after 7/1/05 have a DC retiree health benefits. All employees are eligible for social security. The City intends to negotiate pension multipliers in the future.

- **For defined benefit (DB) pension plans, final average compensation (FAC) for all employees is calculated using a minimum of three (3) years of compensation and shall not include more than a total of 240 hours of paid leave. Overtime hours shall not be used in computing the final average compensation for an employee.**

This bargaining unit currently has a maximum three (3) year final FAC period. Overtime earned in the FAC period is utilized in the FAC calculation. The group does have an 80% of FAC Cap on the benefit paid. More than 240 hours of paid leave is utilized in the FAC calculation. It is the intent of the City to negotiate in these two areas of the pension calculation to reduce contribution costs accordingly.

- **Health care premium costs for new hires shall include a minimum employee share of 20%; or, an employer’s share of the local health care costs shall be cost competitive with the new state preferred provider organization health plan on a per employee basis.**

Not Applicable. In aggregate the city does not exceed the “hard cap” calculation established by Section three (3) of PA 152 of 2011.

**5. Compensation Plan – Non-Union Merit System and District Court:**

**Group Composition:**

There are thirty-four (34) full-time equivalent positions (FTE). The positions are eligible for social security benefits. These positions are also eligible for the federal Medicare program. The District Court judge is a State of Michigan employee and would fall under the State of Michigan’s compensation and pension plan. In agreement with the City Council the District Court judge does receive health care while working within the 45<sup>th</sup> District Court. The Judge is not counted within the 34 FTE above.

**Funding:**

This pension is funded through the City via the general tax operating tax rate, solid waste tax rate, gas taxes and water/sewer rates as applicable to where the members work. The City elects to utilize an independent pension administrator to administer pension benefits and invest pension contribution dollars. . Effective, 7/1/2005, non-union members of which there are Sixteen (16) have a Defined Contribution (DC) health care plan at retirement and these individuals fund for this benefit.

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PA 63 of 2011 Economic Vitality Incentive Program (EVIP) Criteria **(Bolded)**:

- **New hires - Eligible for retirement plans that cap annual employer contributions at 10% of base salary for employees who are eligible for social security benefits. For employees who are not eligible for social security benefits, the annual employer contributions capped at 16.2% of base salary.**

It is the intent of the City to pass on to this group any negotiate pension benefits for eligible non-union new hires that may result in the annual employer pension contribution not exceeding 10.0% of base salary annual of the employee.

- **DB Pension Plans – Maximum Multiplier - 1.5% multiplier for Employees Eligible for Social Security or 2.25% with no Post Employment Health Care.**

Employee pension multiplier is 2.5 % for employees hired prior to 7/1/2008 2.25% after 7/1/2008. Employee hired after 7/1/05 have a DC retiree health benefits. All employees are eligible for social security. It is the intent of the City to meet the criteria established above through the new hire process.

- **For defined benefit (DB) pension plans, final average compensation (FAC) for all employees is calculated using a minimum of three (3) years of compensation and shall not include more than a total of 240 hours of paid leave. Overtime hours shall not be used in computing the final average compensation for an employee.**

This group currently has a maximum three (3) year final FAC period. Overtime earned in the FAC period is utilized in the FAC calculation. . The group does have an 80% of FAC Cap on the benefit paid. More than 240 hours of paid leave is utilized in the FAC calculation. It is the intent of the City to pass onto this group any negotiated changes in these two areas of the pension calculation to reduce contribution costs accordingly.

- **Health care premium costs for new hires shall include a minimum employee share of 20%; or, an employer’s share of the local health care costs shall be cost competitive with the new state preferred provider organization health plan on a per employee basis.**

Not Applicable. In aggregate the city does not exceed the “hard cap” calculation established by Section three (3) of PA 152 of 2011.

If there are any questions regarding this Plan, please contact Ms. Jane Bais-DiSessa at 248-658-3300 or at [janebais-disessa@berkleymich.net](mailto:janebais-disessa@berkleymich.net)