

**City of Alpena, Michigan
Plan for Employee Compensation**

**Category Three of the State of Michigan
Economic Vitality Incentive Program (EVIP)
Public Act 63 of 2011**

The State of Michigan passed Public Act 63 of 2011 know as the Economic Vitality Incentive Program or EVIP. This law required local governments to comply with three categories of reporting to qualify for EVIP funding from the State of Michigan.

To comply with the third category of this public act, “Communities must certify they INTEND to implement the following employee compensation criteria for any new, modified or extended contract or employment agreements for employees not covered under contract or employment contract”.

a. New hire eligible for retirement plans will be placed on retirement plans that cap annual employer contributions:

i. 10% of base salary if they are eligible for social security.

This requirement applies to our defined benefit and defined contribution retirement programs. New hires for the administrative, Department of Public Works, and clerical groups are only eligible for the defined contribution system. Currently the amount the City contributes for those new employees is less than 10% of base salary.

ii. 16.2% of base salary if they are not eligible for social security.

New hires in the police and fire departments are eligible for the defined benefit system. Instead of a defined contribution system new hires receive a lower pension multiplier, 2.25% versus 3.0%, than current employees. The police and fire employees are not eligible for social security. With the current actuarial reporting system for our defined benefit system, we cannot definitely determine if the City’s contribution is less than 16.2% of base salary. The only way to determine if we do is through a comprehensive actuarial study.

b. For defined benefit plans:

i. A maximum 1.5% multiplier if employee is eligible for social security. If there is no retiree health care, a maximum 2.25% multiplier.

ii. A maximum 2.25% multiplier if employee is not eligible for social security. If there is no retiree health care, a maximum 3.0 % multiplier.

This section applies to all City employees; there is no distinction between new hires and current employees. All of our new hires meet this requirement. They are either ineligible for the defined benefit system or they are ineligible for social security and their multiplier does not exceed the maximum. However, none of our current employees in the defined benefit system have retirement multipliers that are compliant.

- c. **Also for defined benefit plans the final average compensation shall be computed using a minimum 3 years compensation and can't include more than 240 hours of paid leave. It also cannot include overtime.**

The only employee group that does not meet the minimum three year final average compensation factor is the administrative group; theirs is two years. None of our employees will meet the requirements of no more than 240 hours of paid leave when vacation time, sick leave, and holidays are considered. Only the police and fire employees can consider overtime in their FAC, so they do not meet the requirement. The remaining employees would meet the overtime portion of the requirement.

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

This section only applies to new hires. Council opted out of PA 152, so new hires will not pay 20% of their health care premium and I do not believe we are cost competitive with the state preferred provider organization health plan. The opt-out is effective through December 31, 2012.

The City of Alpena intends to implement the third EVIP criteria with the following stipulations:

- When, or if, all employee groups meet the remaining criteria.
- The City has a better understanding of the cost to comply with the requirements.
- The cost of compliance, both short term and long term, does not outweigh the benefits of receiving this portion of the EVIP.