

CITY of NOVI CITY COUNCIL

Agenda Item F
October 11, 2010

SUBJECT: Approval to Rescind Policy Allowing the Purchase of Prior Service Credit and not allow future requests.

SUBMITTING DEPARTMENT: Human Resources
Finance

CITY MANAGER APPROVAL:

BACKGROUND INFORMATION:

The Policy Governing the Purchase of Prior Service Credit was formally adopted on November 22, 2004 and then amended on December 18, 2006.

The City of Novi had a long-standing practice of allowing employees to purchase prior service credit dating back to the 1980's, however there was no written policy setting forth any criteria for the purchase, especially as it related to retiree health care. In 1997 when MERS revised the plan document (after separating from the State of Michigan, as a separate entity), additional changes and provisions were made to this policy.

The formal, written policy was drafted and ultimately approved by City Council at the request of the Administration. The Policy was requested in order to set criteria for the purchase of service credit, establish a process for the request and **foremost to make clear the requirements for retiree health care eligibility**, as it related to the purchase of service credit.

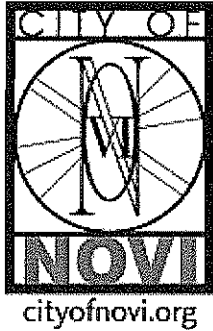
Due to the impact on the City's pension system's actuarial accrued liability and the current downturn and uncertainty in the market, it is recommended to rescind the current policy allowing the purchase of prior service credit and not allow any future requests.

RECOMMENDED ACTION: Approval to Rescind Policy Allowing the Purchase of Prior Service Credit and not allow future requests.

	1	2	Y	N
Mayor Landry				
Mayor Pro Tem Gatt				
Council Member Crawford				
Council Member Fischer				

	1	2	Y	N
Council Member Margolis				
Council Member Mutch				
Council Member Staudt				

MEMORANDUM



TO: CLAY J. PEARSON, CITY MANAGER

FROM: TIA GRONLUND-FOX, DIRECTOR OF HUMAN RESOURCES
KATHY SMITH-ROY, FINANCE DIRECTOR/TREASURER

SUBJECT: RESCIND POLICY ALLOWING THE PURCHASE OF PRIOR
SERVICE CREDIT

DATE: SEPTEMBER 29, 2010

The Policy Governing the Purchase of Prior Service Credit was formally adopted on November 22, 2004 and then amended on December 18, 2006.

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The formal, written policy was drafted and ultimately approved by City Council at the request of the Administration. The Policy was requested in order to set criteria for the purchase of service credit, establish a process for the request and **foremost to make clear the requirements for retiree health care eligibility**, as it related to the purchase of service credit.

At this time it is our recommendation that the Policy allowing the Purchase of Prior Service Credit be rescinded due to the impact on the City's pension system's actuarial accrued liability and the current downturn and uncertainty in the market which is not reflected in the actuary reporting.

We suggest the City not accept any requests to purchase prior service credit that have not previously been submitted to the Finance and Human Resource Departments as of the September 29, 2010.