



CITY OF MILAN – PLAN FOR EMPLOYEE COMPENSATION



April 2012

Category 3 of the State of Michigan Economic Vitality Incentive Program (EVIP)

City of Milan – Plan For Employee Compensation

A REPORT TO MEET THE REQUIREMENTS OF PART III OF THE STATE OF MICHIGAN ECONOMIC VITALITY INCENTIVE PROGRAM

The State of Michigan Economic Vitality Incentive Program (EVIP) was created in 2011 as a replacement for the Statutory Revenue Sharing Program. Under EVIP, each qualifying local unit of government must meet the requirements in each of three categories in order to receive their EVIP payments. Under Category III, which relates to “Employee Compensation.” The City of Milan must:

- Certify to the Michigan Department of Treasury that the local unit listed below has developed an employee compensation plan that the local unit intends to implement with any new, modified, or extended contract or employment agreements for employees not covered under contract or employee agreement. The plan shall be made available for public viewing in the clerk’s office or posted on a publicly accessible internet site.
- Submit to Treasury a copy of the employee compensation plan.

This report serves to meet the requirements of Category III of the Economic Vitality Incentive Program. The employee compensation plan reviews the four requirements outlined in Category III of the State of Michigan Economic Vitality Incentive Program, addresses them in the context of the City of Milan’s current policies and procedures, and affirms the City of Milan’s intent to comply with the requirements.

1. New hires who are eligible for retirement plans are placed on retirement plans that cap annual employer contributions at 10% of base salary for employees who are eligible for social security benefits.

Current Practices

Currently, the City of Milan employs full-time employees in one of five retirement “groups” – Department Heads, Mid-Management, POLC General (police officers and dispatchers), POLC Command (police sergeants), and AFSCME (DPW and clerical staff). With the exception of the Department Head retirement group, all retirement plans are currently in compliance with this requirement. City administrative staff will be proposing changes to the Department Head group retirement plan that will bring it into compliance prior to the hiring of the new Police Chief during mid 2012.

Compliance Statement

It is the intention of the City of Milan, through labor negotiations and/or policy changes, that new hires who are eligible for retirement plans are placed on retirement plans that cap annual contributions at 10% of base salary for employees who are eligible for social security benefits.

2. For defined benefit plans, where post-employment health care is not provided, the maximum multiplier shall be 2.25%

Current Practices

The City of Milan currently has five defined benefit retirement plans with multipliers of 2.5%. However, all but one of those defined retirement plans are now closed, having been replaced with 401(k) style defined contribution plans. City administrative staff will be proposing changes to the Department Head group retirement plan that will bring it into compliance with this requirement prior to the hiring of the new Police Chief during mid 2012.

Compliance Statement

It is the intention of the City of Milan, through labor negotiations and/or policy changes, that for defined benefit plans, where post-employment health care is not provided , the maximum multiplier shall be 2.25%

3. For defined benefit pension plans, the final average compensation for all employees is calculated using a minimum of three 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.

Current Practices

The City of Milan currently only has one open defined benefit retirement plan, and this open plan is currently in compliance with these requirements. In addition, City administrative staff will be proposing changes to the Department Head group retirement plan that will continue to be in compliance with these requirements.

Compliance Statement

It is the intention of the City of Milan, through labor negotiations and/or policy changes, that for defined benefit pension plans, the final average compensation for all employees is calculated using a minimum of three 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.

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

Current Practices

The City of Milan, over the past three years, has instituted several group health care plan changes, including higher co-pays, higher costs of prescriptions, tighter coverage and self-funded deductibles order to control escalating health care costs. It is estimated that these changes saved the City of Milan \$132,000 in health care cost in 2011 alone, representing a 26% savings. However, due to the provisions of Public Act 152 of 2011, the City is again in the process of bargaining changes to the City health care plan that will further reduce City expenses. This new plan will be in compliance with these provisions as well.

Compliance Statement

It is the intention of the City of Milan, through labor negotiations and/or policy changes, that health care premium costs for new hires shall include a minimum employee share of 20%; or, the employer’s share of the total health care plan costs shall be competitive with the new state preferred provider organization health plan, on a per-employee basis.

SUMMARY

The State of Michigan EVIP Category III requirements call for the City of Milan to state its intent to comply with several employee compensation plan provisions in order to be eligible for the EVIP category III payments. This report has confirmed the City of Milan intention to comply with these provisions.