

minutes are Subject to Correction and Approval

The Marquette County Board of Commissioners met in Regular Session on Tuesday, February 16, 2010, at 6:00 P.M., in Room 231 of the Henry A. Skewis Annex, 234 W. Baraga Avenue, Marquette, Michigan.

Chairperson Corkin called the meeting to order. Present: Comm. Arsenault, Comm. Bergdahl, Comm. Cihak, Comm. Heikkila, Comm. Joseph, Comm. Pellow, Comm. Struck, and Chairperson Corkin. Absent and Excused: Comm. Wallace.

A Salute to the Flag was given followed by the Pledge of Allegiance.

It was moved by Comm. Pellow, seconded by Comm. Cihak, and unanimously carried by voice vote that the minutes of the County Board of Commissioners Meeting held on February 2, 2010 be approved.

PROCLAMATIONS, PRESENTATIONS AND AWARDS

Chairperson Corkin read the following Resolution Honoring Frank C. Donckers, III on his Retirement:

*MARQUETTE COUNTY BOARD OF COMMISSIONERS
RESOLUTION
HONORING SERVICE OF FRANK C. DONCKERS, III
ON HIS RETIREMENT*

*WHEREAS, Government has an obligation to provide its citizens with services of the highest quality; and
WHEREAS, quality services can only be provided by employees of the highest
caliber; and*

*WHEREAS, Frank Donckers began his career with the County of Marquette on June 21, 1990, as an
Electrical Inspector in the Building Codes Division of the Resource Management/Development Department. He
has held the position of Electrical Code Inspector/Plan Reviewer for Marquette County since March 1997; and*

*WHEREAS, as Electrical Code Inspector/Plan Reviewer, Frank has been conducting on-site inspections
of electrical systems throughout the County ensuring compliance with State Electrical Codes. Frank also
worked with contractors, engineers and architects reviewing plans for code compliance and approval of permit
applications; and*

*WHEREAS, Frank served in the Navy Reserve while working for Marquette County. Prior to the Navy
Reserve Frank served nearly six years active duty with the Navy and served a tour of duty in Vietnam in 1971-
1972 near the city of Da Nang. Frank joined the reserve in 1987 where he served with the Seabees until he
retired in 2006 as an E-7 Chief. In addition to state side duty he served on missions in Japan, the Philippine
Islands and Hawaii; and*

*WHEREAS, Frank Donckers is commended for his years of service to our country in a leadership
position with the Naval Reserve while simultaneously serving Marquette County for over 19 years as an
Electrical Code Inspector/Plan Reviewer. Marquette County is proud to support our citizen soldiers. We
understand the demands placed on them and the sacrifices they and their families make; and*

*WHEREAS, Franks' extensive education and training in the electrical field along with his many years of
experience, work ethics and knowledge has made him a very valuable, dependable and respected employee; and*

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WHEREAS, Marquette County recognizes and thanks Frank for his dedication to the safety of the general public and contractors in the construction and electrical field.

THEREFORE, BE IT RESOLVED, that the Marquette County Board of Commissioners gratefully expresses its appreciation to Frank Donckers, III for over 19 years of service to Marquette County; and

BE IT FURTHER RESOLVED, on behalf of all County Citizens, the Marquette County Board wishes Frank a long, healthy, and happy retirement.

Vice Chair Joseph presented the plaque to Mr. Donckers. Mr. Donckers announced that all good things must come to an end! He also stated that one of the nicest things that has happened in the last twenty years is having the opportunity to work for Marquette County. He commended the Building Codes Department saying it is second to none.

It was moved by Comm. Arsenault, seconded by Comm. Struck, and unanimously carried by voice vote that the agenda be approved with the following Late Addition: 11a) Discussion of Airport Advisory Committee.

Chairperson Corkin opened the meeting for public comment. Michael Quayle, Marquette, addressed the Board regarding the retire/rehire program.

Jim Gallant, Skandia, addressed the Board regarding the retire/rehire program and Robert's Rules of Order.

There being no further public comment, Chairperson Corkin closed this portion of the meeting.

It was moved by Comm. Pellow, seconded by Comm. Struck, and unanimously carried by voice vote that Claims and Accounts for the period February 5, 2010 through February 11, 2010 in the amount of \$393,487.81, and Bi-Weekly Payroll for the period ending February 6, 2010 in the amount of \$648,433.65, be approved.

INFORMATIONAL ITEMS

It was moved by Comm. Struck, seconded by Comm. Heikkila, and unanimously carried by voice vote that the following Informational Items be accepted and placed on file:

- a. Thank You from Senator Mike Prusi for Resolution re: Statutory Mandates.
- b. Memo from Senator Prusi re: Energy Efficiency & Conservation Block Grant (EECBG).
- c. Progress of 2009 and Hopes for 2010 from Senator Carl Levin.
- d. Communications from James F. Sodergren, Retired County Treasurer, regarding Tax Reform.
- e. Memo from J. Thomas Sumbler, Peninsula Fiber Network, LLC, regarding Broadband.
- f. Dept. of Natural Resources & Environment re: Wildlife Resources.
- g. Information: United States Census 2010.

ACTION ITEMS

It was moved by Comm. Cihak, seconded by Comm. Arsenault, and unanimously carried by voice vote Action Items 10a), 10b), 10c), 10d), 10e), 10f), 10g), and 10h) be approved as follows:

10a) Committee of the Whole Recommendation to approve the FEMA 2009 Hazard Mitigation Assistance Grant Agreement for Pre-Disaster Mitigation Programs: C.R. 510 Flood Mitigation Project and the Lake Superior Dune Restoration Project.

10b) Committee of the Whole Recommendation to approve the Contract between CUPPAD and the County of Marquette U.S.-41/M-28 Comprehensive Corridor and Access Management Plan.

10c) Committee of the Whole Recommendation to approve the Distribution of the Proposed Natural Features & Resources of the County Comprehensive Plan.

10d) Committee of the Whole Recommendation to approve the final adoption of the Recreation Plan Amendment by authorizing the Board Chair to sign the following Resolution:

**MARQUETTE COUNTY BOARD OF COMMISSIONERS
RECREATION PLAN AMENDMENT
RESOLUTION FOR ADOPTION**

WHEREAS, the Marquette County Planning Commission has undertaken a Parks and Recreation Plan Amendment which describes changes to the Five Year Parks and Recreation Plan originally adopted in 2008 and indicated actions to be taken to improve and maintain recreation facilities during the same five year period, and

WHEREAS, a public comment session was held on February 3, 2010 at Room 231, Henry A. Skewis Annex – 7:00 p.m. to provide an opportunity for citizens to express opinions, ask questions, and discuss all aspects of the Recreation Plan Amendment, and

WHEREAS, after the public meeting, the Marquette County Planning Commission voted to recommend the Marquette County Board of Commissioners adopt said Recreation Plan Amendment,

NOW, THEREFORE BE IT RESOLVED the Marquette Board of Commission hereby adopts the Marquette County Recreation Plan Amendment.

Gerald O. Corkin, Chairperson
Marquette County Board of Commissioners

10e) Committee of the Whole Recommendation to accept the Emergency Efficiency & Conservation Multi-Purpose Block Grant and authorize the Board Chair to sign the grant agreement and further, direct Staff to administer the grant.

10f) Committee of the Whole Recommendation to approve entering into a one-year lease with Forsyth Township for the continued use of the Sawyer Public Safety Building (Parcel B1-S); and approve entering into a one-year Aircraft Emergency Response Agreement.

10g) Committee of the Whole Recommendation to approve the Agreements for Services by Mead & Hunt, Inc. with a not-to-exceed total of \$216,280.00, and authorize the Board Chair and County Clerk to sign.

10h) Committee of the Whole Recommendation to approve the request by Richard Dunn, owner and operator of SR&D Enterprises, to allow for a combined concession of Thrifty and Dollar Car Rentals, effective March 1, 2010, for the remaining term of their three-year agreement at Sawyer International Airport, pending full execution of the agreements by the office of Civil Counsel, and authorize the Board Chair to sign.

ACTION ITEMS CONT'D.

10i) The County Board considered Argonics, Inc. Loan Modification Request. Scott Erbisch, Sawyer Operations Manager, explained that Argonics, Incorporated has requested consideration for a reduction in its IRP loan interest rate. The current interest rate is 7.5%. The loan, which has a Loan Agreement date of July 24, 2008, is amortized over ten (10) years with a maturity date of July 24, 2018 and a monthly payment of \$2,969.00. Argonics, Inc. is not requesting any changes to the remaining terms and conditions of the loan.

The current Wall Street Journal Prime Rate is 3.25%. The IRP Policy allows for the interest rate to be fixed at Prime or as high as four points above Prime.

Argonics is in good standing with its loan payment. It does not appear that reducing the interest rate will create additional risk to the IRP Program and the repayment of the loan. Mr. Erbisch explained the options for the County Board to consider.

It was moved Comm. Bergdahl, seconded by Comm. Cihak, and carried by voice vote 7 Ayes to 1 Abstention (Comm. Arsenault), that the County Board reduce the loan interest rate to Prime (3.25%) plus two (2%), plus .25% for the Wells Fargo handling and administrative fee, with a total fixed interest rate of 5.5% and an estimated monthly loan payment of \$2,773.00; additionally, provide for an option for the IRP Committee/County Board to review the interest rate during the fifth (5) year of the loan to determine if the rate should be increased. If an increase is recommended it would not exceed the original interest rate of 7.5%. *(NOTE: The monthly loan payment is calculated based on the 8.42 years remaining with the loan. This will reduce the monthly payment by approximately \$196 dollars per month or approximately \$19,000 over the remaining term of the loan).*

10j) The County Board considered the MERS Rehire Program. The following memo from Steve Powers, County Administrator, and the Actuarial Report from GRS (Gabriel Roeder Smith & Company) were distributed to Commissioners for consideration and discussion:

To: Board of Commissioners
From: Steve Powers, County Administrator
Date: February 10, 2010
Re: Rehire Program

Background

An agenda item for the February 16 Board of Commissioners meeting is consideration of submitting comment to the Municipal Employees' Retirement System of Michigan (MERS) Board regarding MERS plan amendments.

The proposed plan amendments:

- increase to 180 days the separation from service period that is required before a retiree may become re-employed without suspension of benefits;
- suspend benefits for elected or appointed officials who retire and continue in office unless there is a minimum break of at least one year between the old and new term in office.

MERS is accepting comments until February 23, 2010, for consideration by the MERS Board at its March 2010 meeting.

According to Mr. Thomas Petroni, Senior Deputy General Counsel, MERS, in a November 6, 2009, memorandum to Anne Wagner, Chief Executive Officer, MERS, in 2004, the MERS Board eliminated Plan restrictions on post-retirement employment under Plan Section 31(1) with wide support by the MERS Employer Advisory Group. The elimination of those restrictions on post-retirement employment was primarily intended to give municipalities a cost-saving personnel option. Mr. Petroni adds that "national attention has turned to alleged abuses in government spending, and anxiety over health care and pension costs has increased. The practice of double dipping by public sector employees has come under greater scrutiny and criticism." He notes that of particular controversy for MERS are the instances of double dipping by elected county officials. Mr. Petroni also notes the changes would reduce the potential for "sham" retirements.

At no point in his November 6, 2009, memorandum to Ms. Wagner does Mr. Petroni say that Marquette County was involved in "sham" retirements. In fact, Mike Moquin, MERS Chief General Counsel, in a July 23, 2008, letter stated Marquette County has acted in a forthright and proactive manner.

This memorandum and attachment provide information requested by commissioners as well as staff analysis of the proposed amendments. Marquette County has requested an actuarial analysis of the impact of the Rehire Program on the county's MERS Defined Benefit costs. The analysis will be completed February 12, 2010.

Analysis of Stated Reasons for Plan Amendments**Double Dipping**

The underlying policy that the MERS Board will have to consider, as well as the Marquette County Board of Commissioners if it chooses to revisit its decision regarding the rehire program, is that drawing retirement

benefits and receiving a wage for additional or other work is "double dipping". The logical, although exaggerated, extension of this policy is that anyone who receives retirement benefits from whatever employer should never work again.

Employers, including Marquette County, should be cautious about limiting its human resources choices. While the state and national economies and budget problems of the past several years have quieted concerns regarding employers' future workforce needs, the immediate demographic reality is that 75 million baby boomers will reach 65 by 2011. Nationally, no growth is anticipated in the 25-34 year old age group for the next 20 years. Any growth in the labor market will likely come from older baby boomer workers and immigrants. The extensive national and state demographic analysis of the retiring baby boomers suggests that employers should be considering how to attract and retain talent, regardless of age and pension status. Hiring, or re-hiring, trained, experienced employees, can be a cost effective tool. A policy against hiring persons receiving pension payments would be damaging to Marquette County's ability to provide services. Such a policy could also be illegal.

The staff proposal to amend the MERS Plan makes no reference to reinstating the prohibition that existed from 1966 to 1980 against a MERS retiree working for any MERS employer. If double dipping is the real issue, why isn't the MERS Board considering reinstating the prohibition? Currently, a Marquette County employee can retire and the next day go to work for another MERS employer. Of course, there is nothing MERS (or Marquette County) can do about a Marquette County retiree leaving fully trained and going to work the next day for the federal government, state government, or private business.

Marquette County has 20 county employees or elected officials who are currently qualified to receive or are receiving a retirement income from a previous employer. An additional 13 will qualify for a second retirement income in the future. A number of Marquette County employees retired and went to work for another public employer.

Sham Retirements

The MERS legal staff is concerned about "sham retirements" occurring within its local government membership. A "sham retirement" is where the employee and employer agree to pre-arranged dates of termination and reemployment. MERS is relying on its members to administer plan requirements, such as severance from employment, whether that severance is one day or 30 days. Marquette County has no "sham retirements" and has been, and remains, in compliance with MERS Plan requirements.

County governments do have a unique challenge within the MERS membership because a large portion of the employees may or may not be subject to County Personnel Policy. Elected department directors and the judiciary have the statutory right to negotiate with their employees and hire whomever they believe is best for the positions in their departments. Marquette County elected officials and courts have chosen to participate in the county's collective bargaining and personnel policies.

Financial Considerations

The Plan amendments are not being proposed for financial reasons; the MERS November 6, 2009, staff comments make no reference to the fiscal impact of requiring longer severance periods.

The Marquette County Board of Commissioners has discussed the financial impact of Marquette County's Rehire Program. Marquette County's Defined Benefit costs have increased in total dollars and percentage of payroll. The Defined Benefit plan has unfunded liabilities. The reasons for the increase are plan changes, investment performance, actual plan experience (mortality rates, wage changes, etc.) not matching actuarial assumptions, and no new Defined Benefit participants since 2000. In 2000, Marquette County closed the Defined Benefit plan to new members.

Understanding the financial health of pension plans, according to the federal Governmental Accounting Office, can be measured by the yearly contributions made to the plan, funded ratios, and unfunded liabilities. The three measures should be viewed together over time to have a picture of the plan's funded status. Nationally, state and local government pension plans are under funded by \$1 to \$3 trillion dollars, with the recent recession reducing funded levels by \$1 trillion dollars.

Recommendation

If the Board of Commissioners finds that changes are necessary to the Rehire Program availability/eligibility, the changes should be made at the MERS level. MERS plan amendments apply to all employees regardless of employer policy or collective bargaining agreements or whether they are employed by an elected official.

Elected officials are independent of County Personnel Policy or programs. If the MERS Board and MERS members are under political or public pressure to prevent elected officials from actual or perceived "sham retirements" or "double dipping", the one-year severance for elected and appointed officials should be supported.

Rather than an arbitrary standard that may or may not address the concern over "sham retirements", a reinstatement of an earnings limit would be an effective, logical policy. In 1992, the legislature replaced a 60-day severance requirement with an earnings limitation. The earnings limitation remained until it was repealed by the MERS board in 2004.

By amending the plan to reinstate an earnings limitation, employers would have the flexibility to bring back an employee under limited and controlled circumstances on an ongoing basis compared to a lengthened severance period. Tying the earnings to a maximum percentage of wages would give employers flexibility to restructure, downsize, and meet difficult or unique work needs. A percentage of up to 50% of final wage would also be a deterrent to employees considering early retirement for the sole purpose of drawing their earned pension and returning to work for the same employer. A percentage is also consistent with the MERS policy goals of providing a defined benefit retirement plan that offers a benefit equal to a percentage of final wages. There could also be the severance period of 30 days to ensure a complete separation from employment.

An earnings limitation would be administratively feasible at the employer and MERS level. Final wage is reported to MERS by employers. Employers record, monitor, and audit payroll information. The up-to 50% earnings limitation would be added to those requirements, as was the earnings limitation that was in place until 2004. The up-to 50% limit could be tied to the employer's fiscal year.

If the actuarial study shows that the Rehire Program has a negative impact on Marquette County finances, the program should be suspended. The suspension should be reconsidered after the MERS Board's action on the Plan amendments.

The Board of Commissioners could eliminate the rehire policy, understanding that elected department directors and the courts may or may not agree that a retired Marquette County employee should not be considered for re-employment.

Other Information

Commissioners requested information regarding the Rehire Program and the MERS plan. The information is attached. If additional information is desired, please contact me.

REHIRE PROGRAM QUESTIONS

2/10/10

Other costs or savings from rehired employees

Of the 27 individuals who are now working for the county and receiving a county MERS pension, 11 have more than 30 years of service and nine of those are at the maximum pension amount. Based on that information and conversations with employees over the years, without the rehire program, a minimum of nine of these employees and up to 14 would no longer be with the county.

In 2009, the estimated health insurance and defined contribution savings related to all rehired employees was \$508,343 on an annualized basis. If we assume that only nine of the 27 would no longer be employed but for the rehire program, the 2009 savings would amount to \$169,448. Similarly, if 14 were no longer employed, the savings would have been \$263,585. For 2010, the nine positions result in \$177,195 in annualized savings and the 14 positions \$275,637.

Ten-Year Projected MERS Expense

Based on the December 31, 2008, actuarial report's projected increases in the MERS contributions, current level of employment, a 1.5% annual increase in wages, no change in the defined contribution, and defined benefit employees at retirement replaced with defined contribution employees.

<i>PROJECTED RETIREMENT EXPENSE</i>	<i><u>2010</u></i>	<i><u>2015</u></i>	<i><u>2020</u></i>
<i>MERS DEFINED BENEFIT</i>	<i>1,874,868</i>	<i>3,000,000</i>	<i>1,700,000</i>
<i>DEFINED CONTRIBUTION</i>	<i><u>526,230</u></i>	<i><u>825,000</u></i>	<i><u>1,103,000</u></i>
<i>TOTAL ANNUAL EXPENSE</i>	<i>2,401,098</i>	<i>3,825,000</i>	<i>2,803,000</i>

What bargaining agreement language would have an impact on a change to the rehire program, such as extending the separation period or eliminating the program altogether?

If the Board decided to extend the period of separation (i.e. from 30 days to 90 days), collective bargaining agreements should be changed to mirror whatever changes the board may make to the rehire program. If the county were to

eliminate the program language extinguishing seniority at the time of termination, retirement or voluntary separation, the change should be included in all contracts where there is posting and bidding language.

It may be a struggle to get this type of language into contracts, particularly if MERS does not make any changes to the Plan.

As negotiations are nearing an end on these agreements, and because this matter has not been addressed at the bargaining table as of yet, the language may not be able to be changed this year.

The board has never adopted a policy preventing the rehire of an employee who has retired from Marquette County. The earnings restriction placed by MERS on retirees returning to work limited retirees from being rehired, but there was never an actual policy that said employees could not return.

What posting and/or advertising occurred for positions that were ultimately filled by rehire?

Since the spring of 2005, and subsequent to the initial MERS opt-out group, for whom there was no separation and thus no posting or advertising, there have been 22 employees who were rehired following retirement. Of these 22 positions, 16 were posted and/or advertised. This includes all courthouse union positions and one of the non-union positions. The remaining six positions were all non-represented positions working for an elected official where there was no requirement for posting or advertising. Eighteen of the 22 employees are still employed by the county, three on a part-time basis.

Over that same time period, we have had 57 new hires (more than twice as many new hires as rehires) and ten positions have been eliminated.

What benefits are paid to retirees and to rehires?

Although the benefits payable to a retiree vary somewhat by bargaining agreement, a qualified retiree, in addition to their MERS pension and BCBSM health insurance, receives a payout for unused vacation and some sick leave.

When a retiree is rehired under the same job description they held prior to retirement, they receive an hourly wage at the same step as when they retired. They remain on retiree health insurance and do not receive any further MERS contributions, either defined benefit or defined contribution. They start from zero with vacation and sick leave accumulation. Courthouse and unrepresented employees have a cap on accumulated sick leave of 104 hours. Deputies have the same cap on their PTO "reserve bank" and have further limitations on any future payout. Other than MERS, health insurance, and paid time off limitations, rehired employees receive the same benefits as other active employees.

ANNUAL PERCENTAGE OF WAGES AND EXPENSE FOR MERS							
	ANNUAL		ANNUAL MERS DEFINED BENEFIT %				
	DEFINED BENEFIT		EMPLOYER		EMPLOYEE		
	WAGE						
EST. 2010	3982000		1874868	47.08%		99750	2.51%
2009	4275906		1700949	39.78%		107110	2.50%
2008	4715924		1697287	35.99%		117268	2.49%
2007	4890644		1590466	32.52%		121232	2.48%
2006	4932351		1534211	31.11%		121460	2.46%
2005	5446598		1253984	23.02%		135946	2.50%
2004	6008870		1154722	19.22%		149903	2.49%
2003	6220948		1086030	17.46%		155188	2.49%
2002	6565034		1014920	15.46%		159924	2.44%
2001	6528532		898275	13.76%		130546	2.00%
2000	7598594		1176568	15.48%		152130	2.00%
	ANNUAL DEF.		ANNUAL RETIREMENT CONTRIBUTION %				
	CONTRIB. WAGES		EMPLOYER		EMPLOYEE		
EST. 2010	4868000		526230	10.81%		97360	2.00%
2009	4525995		489820	10.82%		90520	2.00%
2008	4007329		417583	10.42%		80147	2.00%
2007	3590345		359036	10.00%		71807	2.00%
2006	3111609		311161	10.00%		62232	2.00%
2005	3091329		308972	9.99%		61827	2.00%
2004	3071848		307184	10.00%		61437	2.00%
2003	3221067		321968	10.00%		64421	2.00%
2002	3075260		307256	9.99%		61505	2.00%
2001	3034613		303429	10.00%		60692	2.00%
COMBINED ANNUAL TOTALS FOR BOTH DEFINED BENEFIT AND DEFINED CONTRIBUTION							
	WAGES		EMPLOYER		EMPLOYEE		
EST. 2010	8850000	0.55%	2401098	27.13%		197110	2.23%
2009	8801901	0.90%	2190769	24.89%		197630	2.25%
2008	8723253	2.86%	2114870	24.24%		197415	2.26%
2007	8480989	5.43%	1949502	22.99%		193039	2.28%
2006	8043960	-5.79%	1845372	22.94%		183692	2.28%
2005	8537927	-5.98%	1562956	18.31%		197773	2.32%
2004	9080718	-3.83%	1461906	16.10%		211340	2.33%
2003	9442015	-2.06%	1407998	14.91%		219609	2.33%
2002	9640294	0.81%	1322176	13.72%		221429	2.30%
2001	9563145		1201704	12.57%		191238	2.00%

February 12, 2010

Mr. John S. Greenberg
Human Resources and Risk Manager
County of Marquette
234 W. Baraga Avenue
Marquette, MI 49855

Re: Marquette County Policy of Rehiring Retired Participants – Impact on the Municipal Employees Retirement System

Dear Mr. Greenberg:

We have been asked to study the impact on Marquette County's contributions and liability in the Municipal Employees Retirement System of Michigan (MERS), of the policy of rehiring certain former employees after these employees have retired from the County. This report presents the results of our study.

This report was prepared at the request of the County of Marquette. This report may be provided to parties other than the County of Marquette only in its entirety and only with the permission of the County.

The analysis was based on information provided directly to us by the County of Marquette and by the County to MERS for use in developing the annual actuarial valuation reports. Data was checked for internal consistency but was not otherwise audited by us.

The analysis in this report deals only with the effect of the retirements of rehired retirees on the County's MERS Defined Benefit plan. The economic effect of the policy on other areas of compensation (effect on payroll, cost of providing medical benefits, training costs, loss of institutional knowledge, etc.) should also be considered. Such analysis is beyond the scope of this report.

The reader of this report must understand that measuring liabilities for benefits scheduled to be paid at points in the future necessitates making assumptions of future events. It is impossible to know with certainty the economic value of a stream of retirement benefits before the last benefit has been paid (and perhaps not even then). We believe that the assumptions used are within a reasonable range of probabilities in the aggregate, however it should be noted that a different set of assumptions may produce a different conclusion from this report.

Background

Marquette County employees hired prior to January 1, 2000 participate in the MERS Defined Benefit retirement plan. Contributions to the plan are designed to fund participant’s benefits during their working careers. Assumptions about future events (for example, a participant’s age at retirement, the age at death, expected investment return) are required in order to compute the employer’s annual contribution rate. This forward-looking, prospective approach is necessary if the goal is to prefund the Defined Benefit plan, that is, to fund the plan during the period the benefits are earned, as opposed to paying for the benefits as they come due.

Please note that in a Defined Benefit arrangement employer contributions are calculated to provide sufficient assets to fund the covered population as a whole. Contributions are not calculated for individuals and they do not fund individual accounts.

Prior to 2004, MERS allowed a retiree of a municipality to be reemployed by that municipality and receive both compensation and a retirement pension, subject to the requirement that the MERS pension be suspended when either annual earnings reached \$15,000 or the employee attained age 65. In 2004, the MERS Retirement Board amended the plan document to remove the earnings limit and age 65 provisions, and reaffirmed the position that a rehired retiree is not considered a participant for purposes of future accruals. We understand that, beginning in 2004, Marquette County initiated a policy of rehiring certain retired employees.

Analysis

We were provided with a list of 34 retired participants who were rehired prior to the end of 2009 for our analysis (the “study group”). Of this group of 34, 7 rehired retirees have ceased employment with the County (“re-retired”). The 34 members retired from the following 4 divisions: Division 1 – AFSCME 2914, Division 2 – Shrff AFSCME, Division 11 – Gnrl NonUnion, and Division 12 – Elctd Dpt Hds. During the period from January 1, 2005 through December 31, 2008 (the date of the most recent annual valuation) there were 67 retirements from the County’s MERS Defined Benefit plan, 50 of which were from Divisions 1, 2, 11, and 12.

The table below summarizes the average age and service at retirement for the study group. The eligibility requirement for retirement benefits in the County’s MERS plan is the attainment of either: a) Age 50 with 25 years of service, b) Age 55 with 15 years of service, or c) Age 60 with 10 years of service.

Division	Number of Rehires	Average Age at Retirement	Average Service at Retirement
1	21	55.0	22.1
2	3	55.2	27.9
11	8	56.2	23.6
12	2	56.7	30.9

On average, the study group members can be considered "full career" employees. The minimum period of service at retirement for members of this group was 12.25 years (for a 62 year old retiree) and the maximum period of service was 32 years (for a 53 year old member). The average pensionable pay in the year preceding retirement for the study group was about \$48,000, with a minimum of \$28,098 and a maximum of \$118,931.

The following table compares the average age at retirement for the study group to the average age at retirement for the retiree population as of December 31, 2004, the most recent valuation date before the influx of rehired retirees.

Division	Average Age at Retirement:	
	Rehired Retirees	Retirees on or before 12/31/04
1	55.0	59.5
2	55.2	53.5
11	56.2	58.8
12	56.7	59.2

As a general rule, for an employee working a full career, the earlier the employee retires the larger the liability to the retirement system. When analyzing the effect of the rehire policy on the retirement system one question then, is whether the policy results in participant's retiring earlier than they would have in the absence of the policy.

It is important to note that all of the members in the study group were eligible for retirement exclusive of the rehire policy. In other words, the rehire policy did not change the member's eligibility for a retirement benefit. Only each individual in the study group knows the extent to which the rehire policy caused the decision to retire. We do not have any special knowledge of the retirement plans of the individual rehired retirees, so we have assumed that the average retirement age for the study group in the absence of the rehire policy is the same as the average retirement age of the retiree population as of 2004. Under this assumption the table shows that, with the exception of Division 2, the study group retired earlier on average than otherwise would have been expected.

At what age are the rehired retirees leaving reemployment? Four of the seven rehired retirees who have left employment did so before the average retirement age for their division. On average, this group retired at age 56.1 and worked 1.8 years before leaving employment. The shortest period of reemployment was 5 months for a 55 year old retiree, and the longest period was 4.2 years for a 57 year old retiree.

Because the number of study group members who actually re-retired is small it may be more instructive to look at a subset of the 22 study group members rehired before 2008 (we exclude the group rehired since January 2008 due to the limited period of reemployment).

Retirees Rehired Before 2008

Re-retired before average retirement age	3
Re-retired after average retirement age	3
Still employed, age on 12/31/09 greater than average retirement age	10
Still employed, age on 12/31/09 less than average retirement age	6
Total	22

The chart above shows that over half the subset worked (or is continuing to work) past the average retirement age. Under the assumption that the average retirement age of the division is equal to the age the study group would have retired at in the absence of the rehire policy, this implies that the rehired retirees are working longer, on average, than assumed (that is the age of re-retirement is higher than the average retirement age).

This may be significant for two reasons:

1. Assuming a constant number of County employees, extending a rehired retiree's period of employment delays the start date for a new hire. Retirement and other fringe benefits that would otherwise be paid to the new hire are not required during the period between the date the retiree would have otherwise retired and the rehired retiree's re-retirement date.
2. To the extent a rehired retiree's position would be filled by promotion from the ranks of members covered under the Defined Benefit plan, the promotion and any associated pay increase are delayed. This could result in the retirement benefit for the individual whose promotion was delayed being lower than otherwise assumed, reducing employer liability. Experience has shown that MERS members do not all retire when first eligible to do so. The retirement assumptions used in the MERS annual valuations reflect probabilities of retirement from earliest eligibility age through age 70. These assumptions were chosen to be reasonable for MERS municipalities as a group. This means it is expected that increases in liability for members retiring earlier than expected are offset by decreases in liability from members retiring later than expected, such that the liability for the group remains close to that anticipated by the assumptions.

A review of the ages of retirement of the study group shows that the majority of retirements are at ages earlier than expected, with almost 40% of retirements occurring within one year of first eligibility age. This would imply that the retirements of the study group increased the County's MERS liability over what was expected.

The increase in liability did not increase the County's contribution requirement all in one year. Rather the increase was amortized over several years, according to MERS amortization funding policy.

To understand the impact on the County's contribution it is helpful to understand how contributions are developed. Contributions for an active MERS member consist of two components: the Normal Cost, which provides for benefits accrued in the upcoming year, and an amortization payment made toward paying off any Unfunded Actuarial Accrued Liability (the difference, if any, between accrued liabilities and valuation assets).

In the year following a member's retirement a Normal Cost payment is no longer required, because the member is no longer accruing a benefit. Because the Marquette County MERS Defined Benefit plan does not cover new hires, the decline in Normal Cost due to a member's retirement is not offset by an increase in Normal Cost for a new member.

Even though the liability increased due to retirements of the study group, with a resultant increase in Unfunded Liability, the resulting increase in the amortization payment was likely offset by a decrease in Normal Cost, lowering the County's contribution in the year following retirement.

Conclusions

This study is based, in part, on assumptions of future events, including assumptions of what the study group would have done in the absence of the retiree rehire policy. While we believe the assumptions used are reasonable for valuing the County's liability in the MERS Retirement System in the aggregate we make no representation that the assumptions are reasonable for any particular individual covered by this study. We are unable to definitively determine the effect of the rehire policy on the County's MERS liability because we cannot determine the extent the policy affected individual retirement decisions.

Based on the data we received and the assumptions described above, we make the following observations:

- The 34 rehired participants studied in this report retired, on average, at ages earlier than the average age at retirement for participants retiring before the rehire policy.*
- The 34 rehired retirees represent a fraction of the 67 members retiring from the County's MERS program during the study period. 50 members retired from the four divisions (Divisions 1, 2, 11, and 12) covered by the study group. We do not know how many of the retirees outside the study group were offered, but declined, rehire.*
- It appears there is a high likelihood that, on average, the rehired retirees will terminate employment (re-retire) at ages greater than the average age of retirement for the group prior to the rehire program.*
- It is likely that the retirements of the study group increased County liabilities in the MERS Defined Benefit Plan.*
- Required contributions in the year following retirement for the study group were likely lower than otherwise expected. This is a temporary phenomena, however, as the overall increases in liability will need to be offset by increased County contributions.*
- It may be reasonably assumed that the combination of the retirement pension income and income from reemployment allowed certain members of the study group to retire earlier than they otherwise would.*

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Comments

If the rehire policy is to continue we recommend that the program be reviewed by qualified legal counsel to determine the legality of any formal or informal agreements providing for rehire of retired participants. In addition, it may be beneficial to contact MERS to ensure the rehire policy satisfies the provisions of the Retirement System.

This analysis is based upon assumptions regarding future events, which may or may not materialize. If you have reason to believe that the assumptions that were used are unreasonable, that the rehire policy is incorrectly described, that important plan provisions relevant to this analysis are not described, or that conditions have changed since the analysis was made, you should contact the author of this report prior to relying on information in the report.

If you have reason to believe that the information provided in this report is inaccurate, or is in any way incomplete, or if you need further information in order to make an informed decision on the subject matter of this report, please contact the author of the report prior to making such a decision.

The Actuary issuing this report is a Member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

*Sincerely,
W. James Koss, ASA, EA, MAAA*

Steve Powers, County Administrator, stated that the impact of the actuarial study, if not negative, is unquantifiable. He reviewed his recommendation with Commissioners.

A lengthy discussion followed debating and weighing the decision to rescind the policy. Commissioners were extremely frustrated with the actuarial analysis given the \$9,000.00 cost.

Chairperson Corkin stated that the analysis did not provide an answer as to the amount of savings for the County. It did not quantify what the costs were. He explained that if the rehire program is not doing what was intended, it should be eliminated. The County has more important issues. This one needs to be put to rest.

Comm. Heikkila wanted discussion prior to voting on eliminating the policy. He also distributed information regarding co-employer relationship between county commissioners and elected officials.

Comm. Pellow also wished to hear comments from all Commissioners before voting to eliminate the program. She stated that the ten-year projected MERS expense as explained by Administrator Power is reason enough to rescind the program. She stated that it is not saving the County money. Comm. Pellow had questions regarding the co-employer relationship with elected officials. She questioned the issue of elected officials being able to hire a retiree if the policy is rescinded. She pointed out the economic issues that the Board of Commissioners is responsible for.

Comm. Cihak questioned if or how the County could be in violation if the policy is rescinded because of recent contract language. He also does not agree that Marquette County is in compliance with the rehire program. He feels this issue should be put behind us and that we need to move forward. He supports rescinding the policy.

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Comm. Heikkila feels that if a retiree is rehired the pension should be suspended. He suggested that higher restrictions be placed on the rehire policy if it remains. He also commented on the information he distributed regarding the co-employer relationship between county commissioners and elected officials.

Comm. Struck stated that the analysis is vague and inconclusive. However, the rehire program is used as a tool. The role of the Board of Commissioners is to serve the public. He feels this program assists the Board in that role.

Comm. Joseph suggested suspending the program rather than rescind it until the MERS Board makes a decision. He feels it would be a simpler solution than having to change any contract language.

Comm. Arsenault stated that the actuarial analysis does not say anything definite, it agrees with both sides. He also explained that he has supported the rehire program because it is a tool to keep skilled employees. He questioned whether rescinding the rehire policy would affect the 2011 budget. He also questioned whether the practice if rescinded, would affect those already on the program.

Comm. Bergdahl questioned whether there would be a conflict with MERS if the policy is rescinded.

It was moved by Comm. Arsenault, seconded by Chairperson Corkin, and carried by voice vote 7 Ayes to 1 Nay (Comm. Joseph) that the County Board rescind the Rehire Policy.

LATE ADDITIONS

11a) Comm. Cihak requested appointment to the Airport Advisory Board. He feels he has the background needed to be a contributing member. He has had a private pilot license for 42 years, has a strong interest and the time, to contribute to the success at Sawyer. He has discussed this issue with the Airport Advisory Board and was informed that the matter was tabled.

Chairperson Corkin explained that the Airport Advisory Board is appointed by the County Board, with the exception of one County Board Representative appointed by the Board Chair. He has no doubt that Comm. Cihak would do a great job, however he suggested that Comm. Cihak follow the process and apply in one of the remaining categories.

Comm. Pellow feels that a County Commissioner with 42 years of experience as a pilot, and has an interest in serving, should be a member.

Comm. Struck, a Representative on the Airport Advisory Board, also feels that the process should be followed. The Airport Advisory Board will continue their discussion and make a recommendation to the County Board.

Comm. Heikkila suggested another possibility would be to appoint Comm. Cihak as an ex-officio (non-voting) member.

Comm. Arsenault expressed concern that adding Comm. Cihak as a member would be setting a precedent.

No action was taken.

Chairperson Corkin opened the meeting for public comment. Mike Quayle, Marquette, addressed the County Board regarding the action taken on the rehire policy.

Jim Gallant, Skandia, addressed the County Board regarding the Board of Commissioners Rules of Order. He also spoke regarding Pathways.

There being no further public comment, Chairperson Corkin closed this portion of the meeting.

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COMMISSIONER COMMENTS, STAFF COMMENTS, AND ANNOUNCEMENTS

Chairperson Corkin announced that the Water Ballot Initiative is off. Individuals may try to put in on the 2012 ballot. All Counties in Michigan, along with the AFL-CIO, Michigan Chamber of Commerce, and others, gave strong support in opposition of the initiative. Good News for the U.P.

Comm. Struck commended Comm. Cihak for his sincere interest in serving on the Airport Advisory Board. He will bring all comments to the next Airport Advisory Board and report back to the County Board.

Comm. Pellow understands the great relationship the County Board has with Elected Officials, however she requests that Civil Counsel review the information provided by Peter A. Cohl regarding the Co-employer Relationship between County Commissioners and Elected County Officers to see if the information is correct or misleading, and if correct, to provide the Board of Commissioners with their boundaries.

Comm. Joseph requested clarification as to the Board responding to the MERS Comment Period.

Comm. Cihak requested that the action taken to rescind the rehire policy be sent to MERS for information only.

Comm. Cihak will respect the process of the Airport Advisory Board and wait for their decision. He also spoke regarding the CJRP program funding. The Governor has relinquished the elimination directive, and will discuss how to refund the program. The CJRP is short funding by the State in the amount of \$17,400.

Comm. Arsenault responded to comments made by Jim Gallant regarding parliamentary procedure and rules of order. He also responded to comments made by Mike Quayle regarding the rehire policy and loss of jobs.

There being no further business to come before the County Board, the meeting adjourned at approximately 8:00 P.M.

Respectfully Submitted,



Connie M. Branam
Marquette County Clerk