

CITY OF ROCHESTER HILLS

**H**uman  
**R**esources

Pamela M. Lee, Director—ext. 2521

DATE: April 10, 2007

TO: Mayor Barnett

RE: Council Pension

I have been asked to provide a brief description of pension provisions for City Council. As the Director of Human Resources, my responsibilities associated with the pension plan center on labor contracts administration, benefit negotiation and employee orientation. The fiduciaries of the plan are the Finance Director and Treasurer, who are the trustees, and the City Accountant, who is the plan administrator. However, as requested, here are some brief bullet points regarding our current pension plan.

- The City provides a defined contribution-type plan under IRS Code Section 401a, which consists of individual account balances from invested contributions made while the participant is an employee of the City and earnings on those contributions.
- As stated in the The City of Rochester Hills Group Pension Plan document, which was approved by City Council on December 14, 2005, all City Council members are eligible to participate in the Plan.
- The current City contribution for Council members is 12% of total gross earnings, including base pay and meeting pay. Below is an example of average contributions over a four-year term of office based on 2006 compensation.

2006 Base Council Member Pay		\$ 6,577.43
2006 Average paid meetings	75	
Pay per Meeting	\$60	
Meeting Pay		\$ 4,500.00
<b>Annual Pay</b>		<b>\$11,077.43</b>
<b>12% Pension Contribution</b>		<b>\$ 1,329.29</b>
<b>4YR TERM ESTIMATE*</b>		<b>\$ 5,317.17</b>

\*estimate w/o pay adjustments

- The Mayor and City Council members who have completed 45 months of service are considered vested for distribution of their entire account balance upon termination from employment with the City.
- Participants are permitted to make voluntary after-tax contributions to their plan account through payroll deduction ranging from 1% to 12%, which are always 100% vested.

- Participants must choose between self-directed and trustee-directed contribution investment options.
- Vested contributions plus earnings may be withdrawn from the plan in the event of termination, death, or disability in accordance with plan requirements.
- The distribution of pension may be made in a lump-sum, an annuity purchased by the participant for fixed payments over a period of time, or rolled directly into another eligible retirement plan as specified by the participant.
- Note: The Federal tax code restricts the deduction of contributions to IRAs of self-employed individuals if they are active participants in an employer-maintained retirement plan. See your tax advisor for more details.
- Any Council member who wishes to decline participation in the City's Plan may do so in a letter, which should include a statement that they "fully understand" that this is an "irrevocable decision" and that they "release all rights" to pension contributions by the City.

If you have further questions regarding the City's pension plan, please contact Pamela S. Lee in Accounting at ext. 2401.

C: Julie Jenuwine, Finance Director  
Kurt Dawson, Treasurer  
Pamela S. Lee, City Accountant