



**City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS**

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Legislative File No: 2010-0128

TO: Mayor and City Council Members

FROM: Keith Sawdon, Director of Finance

DATE: March 9, 2010

SUBJECT: March 9, 2010 Restatement of the City's Group Pension Plan Document

REQUEST:

We are requesting that the attached March 9, 2010 Restatement of the City of Rochester Hills Group Pension Plan Document be adopted by City Council.

BACKGROUND:

As some of you may or may not know, the City of Rochester Hills Group Pension Plan ("the Plan") was established and is administered as a qualified governmental defined contribution (DC) pension plan under section 401 of the Internal Revenue Code, as amended ("IRC" or "Code") and is a tax-exempt Plan under section 501 of the IRC.

From time to time the Plan Document is reviewed to ensure that it conforms to all state and federal law as well as agreements that the City may have with its employee groups. Two recent law changes (Pension Protection Act of 2006 (PPA) and the Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART ACT)) prompted our review of the Plan Document.

A group consisting of the Plan Trustees (the Finance Director and the City Assessor/Treasurer) and the Plan Administrator (City Accountant) were formed to review the Plan Document. The group reviewed plan provisions in light of applicable state and federal laws and regulations, past practices of the Plan, current agreements with employee groups, as well as current practices being used by public pension systems.

To help with this process, the group enlisted the services of attorney Cynthia Billings of Sullivan Ward who specializes in public pension plans. You may recall that Cynthia also assisted us in the writing of our two Retiree Health Care Trusts in 2009. The group, via email, worked with Cynthia to determine first, if a restatement of the Plan Document was necessary and second, if a restatement was necessary, what needed to be changed.

It was determined that a restatement was necessary to incorporate applicable changes to federal law, remove obsolete material and to incorporate accumulated changes to employee/employer agreements. A strike out version of the proposed changes to the Plan Document is attached so you can easily see the changes made to the 2005 adopted Plan Document. We have also included a clean version of the proposed Restatement of the Plan Document for your convince.

It should be noted that in order to have a *qualified* governmental defined contribution pension plan, it is important that our Plan Document be up to date with changes to state and federal law as well as Internal Revenue Code. Even with this restatement we may still require amendments, in the future, brought about by changes with labor agreements and/or changes with administrative processes. Any future amendments to this restated plan will be performed administratively, as in the past and those amendments, will be incorporated into the next restatement.

It should also be noted that the restatement of our Plan Document serves to improve the administration of the Plan, ensure that we are in conformance to state and federal law and comply with Internal Revenue Code provisions. It is not our intent to modify or amend the retirement benefits currently provided by the City's labor agreements with employee groups.

RECOMMENDATION:

We are recommending that the attached March 9, 2010 Restatement of the City of Rochester Hills Group Pension Plan Document, as presented, be adopted by City Council.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
City Council Liaison		