

**SPECIAL MEETING
OF THE
WAYNE COUNTY COMMISSION
AGENDA**

NINTH DAY – EQUALIZATION SESSION

Wednesday, August 11, 2010, 10:00 a.m.

Commission Chamber, Mezzanine, Guardian Building, Detroit, Michigan

I. CALL TO ORDER AND ROLL CALL – EDWARD A. BOIKE, JR., Chairman
John Pfeiffer, Acting Clerk of the Commission

ALISHA R. BELL
MOE BLACKWELL
LAURA COX
JOAN GEBHARDT
TIM KILLEEN

BURTON LELAND
KEVIN M. MCNAMARA
JOSEPH PALAMARA
BERNARD PARKER
JEWEL WARE

DIANE L. WEBB
GARY WORONCHAK
ILONA VARGA, Vice-Chair Pro Tempore
KEITH D. WILLIAMS, Vice-Chair
EDWARD A. BOIKE, JR., Chairman

II. PLEDGE OF ALLEGIANCE TO THE FLAG OF THE UNITED STATES OF AMERICA

III. INVOCATION

IV. SPECIAL ORDERS OF BUSINESS

- A.** First Reading of proposed ordinance to amend Section 141-32 of the Wayne County Code of Ordinances, Inflation Equity Programs to provide new guidelines for distribution of excess funds from the inflation equity reserve which is commonly known as the 13th check; and to provide a substantial reduction in County expenditures; and enhance the solvency of the retirement system and help secure the defined benefits promised to current retirees as well as active employees who will be retiring in the future. (2010-31-055)

V. PUBLIC COMMENTS

VI. QUORUM CALL

VII. ADJOURNMENT

Thursday, August 26, 2010 at 10:00 a.m.

JP/cl



Robert A. Ficano
County Executive

Wayne County Commission
July 1, 2010 10:03 a.m.
Office of the County Executive
500 Griswold
Detroit, Michigan 48226
(313) 224-0286
Fax (313) 967-6558

Wayne County Commission
August 11, 2010
Agenda Item VII.A.

June 30, 2010

The Honorable Edward A. Boike, Jr.
Chairman, Wayne County Commission
500 Griswold, 7th Floor
Detroit, MI 48226

RE: Proposed Amendment to Section 141-32 of the Wayne County Code of Ordinances, *Inflation Equity Programs*

Dear Commissioner Boike:

Attached for consideration by the Wayne County Commission is a proposed amendment to the Retirement Ordinance, specifically Section 141-32 of the Wayne County Code, *Inflation Equity Programs*, which, in pertinent part, governs bonus distribution of excess funds to retirees from the inflation equity reserve through what is commonly known as the "13th check."

As noted, 13th checks are bonus distributions from the Retirement System's inflation equity reserve account. That account is funded, in general terms, from the excess of the rate of return on the system's defined benefit assets over the defined benefit liabilities. Currently, the Retirement Ordinance permits these bonus payments without regard to whether the retirement system is actuarially underfunded in a given fiscal year.

However, the effect of bonus distributions of "excess" earnings when the Retirement System was underfunded, coupled with the significant reduction in system assets caused by the general economic pressures facing the County, including the County's Retirement System, make it imperative to find ways to protect the solvency of the retirement system and stabilize County finances. This is particularly urgent in light of the increasing contributions to the Retirement System that have been required of the County due in no small part to the bonus distributions. We are proposing this amendment to advance those goals.

The ordinance amendment complements the budget we have submitted, and is necessary to achieve the savings presented there. The amendment would realize savings by:

Edward A. Boike, Chairman
Wayne County Commission
June 30, 2010
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- Allowing the distribution of 13th check bonuses only when the actuarial value of relevant assets exceeds liabilities by at least 5% in a given fiscal year;
- Ensuring that funds used for 13th checks do not include the County's retirement contributions;
- Limiting 13th check funds for actual distribution to 50% of the total pool of excess dollars eligible for the bonus distribution; and
- Crediting 50% of the available 13th check funds toward the County's retirement contribution in the next fiscal year.

We believe these proposed changes achieve a reasonable balance between the needs of the County and the goals of the inflation equity program. The amendment will not only provide a substantial reduction in County expenditures, it will also enhance the solvency of the retirement system and help secure the defined benefits promised to current retirees as well as active employees who will be retiring in the future.

We ask that you forward this proposed amendment to the appropriate committee for review.

Sincerely,



Carla E. Sledge
Chief Financial Officer

Attachment

DOCUMENT APPROVAL FORM

Primary Control Number <p style="text-align: center; margin-left: 100px;">10-31-055</p>	Commission Approval Required <input type="checkbox"/> yes <input type="checkbox"/> no
Related Control Number	Department Code
Document Code	Requesting Contact Person and Department CARLA E. SLEDGE, CFO
Individual or Organization MANAGEMENT AND BUDGET	Phone Number 313-224-0696
Address 500 GRISWOLD	City State Zip DETROIT, MI 48226

Description
 PROPOSED AMENDMENT TO SECTION 141-32 OF THE WAYNE COUNTY CODE OF ORDINANCES, INFLATION

EQUITY PROGRAMS

Fund	Business Unit	Object	Subsidiary	Subledger/Type	Amount
N/A	N/A	N/A			N/A

Federal Funding Source YES NO
State Funding Source YES NO
Local Funding Source YES NO

Budget Adjustment Required <input type="checkbox"/> Y <input checked="" type="checkbox"/> N	Budget Adjustment Number	Matching Funds <input type="checkbox"/> Y <input checked="" type="checkbox"/> N	Match %	Match \$
Begin Date	Ending Date	Fiscal Year Amount Total: N/A		

(Check x only required signatures)

TOTAL APPROVALS REQUIRED ARE: 4

Approved as to form:

<input checked="" type="checkbox"/> <u>Carla E. Sledge</u> <u>6-30-10</u> Department Authorization Date	<input type="checkbox"/> _____ Date Corporation Counsel
<input checked="" type="checkbox"/> <u>Ken Hong</u> <u>6-30-10</u> Budget Date	<input type="checkbox"/> _____ Date Personnel and Human Resources
<input type="checkbox"/> _____ Date Grants and Contracts	<input checked="" type="checkbox"/> <u>Carla E. Sledge</u> <u>6-30-10</u> Chief Financial Officer Date

CEO AUTHORIZATION:
Robert A. Ficano
 ROBERT A. FICANO, Wayne County Executive

Date Approved
7/1/10

Res: _____
 Date: _____
 WAYNE COUNTY

1 SHALL ESTABLISH THE PORTION OF THE EXCESS FUNDS CONSTITUTING
2 THE FUNDS AVAILABLE FOR DISTRIBUTION, AND THAT PORTION SHALL
3 NOT EXCEED FIFTY PERCENT (50%) OF THE TOTAL AMOUNT OF THE
4 EXCESS FUNDS CREDITED TO THE RESERVE.

5 (2) THE CALCULATION OF "DEFINED BENEFIT ASSETS" SHALL
6 EXCLUDE THE COUNTY'S RETIREMENT CONTRIBUTION FOR THAT
7 FISCAL YEAR AS SET FORTH IN SEC. 141-36, AND AT THE REQUEST OF
8 THE CHIEF EXECUTIVE OFFICER OF THE COUNTY, THE RESERVE SHALL
9 BE CREDITED TO THE TRUST AND SHALL BE COUNTED FOR ACTUARIAL
10 PURPOSES IN ORDER TO REDUCE OR ELIMINATE THE COUNTY'S
11 CONTRIBUTION REQUIREMENT FOR THE NEXT FISCAL YEAR.

12 ~~(c) The retirement commission may, not more frequently than once per year,~~
13 ~~distribute to retired members and survivor beneficiaries a percentage of the~~
14 ~~balance in the reserve for inflation equity. The retirement commission may also~~
15 ~~use a portion of the distribution to provide a minimum permanent pension. The~~
16 ~~percentage of the balance to distribute shall be selected by the retirement~~
17 ~~commission.~~

18 (C) IF THE ACTUARIAL VALUE OF DEFINED BENEFIT ASSETS EXCEEDS
19 THE ACTUARIAL VALUE OF THE DEFINED BENEFIT LIABILITIES BY AT
20 LEAST 5% AS REPORTED IN THE ANNUAL ACTUARIAL VALUATION, THE
21 RETIREMENT COMMISSION MAY, NOT MORE FREQUENTLY THAN ONCE
22 PER YEAR, DISTRIBUTE TO RETIRED MEMBERS AND SURVIVOR

1 BENEFICIARIES A PERCENTAGE OF THE BALANCE IN THE RESERVE
2 UNDER SUBSECTION (B) AS FOLLOWS:

3 (1) NO MORE THAN FIFTY PERCENT (50%) OF THE FUNDS
4 AVAILABLE FOR DISTRIBUTION SHALL BE DISTRIBUTED TO RETIRED
5 MEMBERS AND SURVIVOR BENEFICIARIES, OR TO PROVIDE A MINIMUM
6 PERMANENT PENSION.

7 (2) AN AMOUNT IDENTICAL TO THE AMOUNT OF FUNDS
8 DISTRIBUTED UNDER (C) (1) SHALL BE TRANSFERRED TO THE TRUST IN
9 ORDER TO REDUCE OR ELIMINATE THE COUNTY'S REQUIRED
10 CONTRIBUTION TO THE RETIREMENT SYSTEM FOR THE NEXT FISCAL
11 YEAR.

12 (d) The retirement commission may restrict the distribution and/or the minimum
13 permanent pension to retired members and survivor beneficiaries having a
14 pension effective date prior to dates selected from time to time by the retirement
15 commission.

16 (e) The formula for the distribution shall be as from time to time determined by
17 the retirement commission and shall take into account the period of retirement
18 and period of credited service.

19

20 (F) THE RETIREMENT COMMISSION SHALL NOT MAKE ANY
21 DISTRIBUTION THAT WOULD CAUSE DEFINED BENEFIT LIABILITIES TO
22 EXCEED DEFINED BENEFIT ASSETS.

1 (G) NOTHING IN THIS SECTION SHALL PRECLUDE THE COUNTY FROM
2 REDUCING OR ELIMINATING ITS CONTRIBUTION FOR A FISCAL YEAR IN
3 WHICH DEFINED BENEFIT ASSETS EXCEED DEFINED BENEFIT
4 LIABILITIES.

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