

QUESTIONS FROM RESIDENT JIM RILEY WITH ANSWERS FROM CITY ADMINISTRATOR MARK MEYERS

- How we got into this mess is not nearly as important as is the plan to get on track to fully fund the promises made to Norton Shores employees. My understanding, as of our last meeting, is that no plan currently exists. Is that correct? **No.** In 2010 a long term plan was developed with the goal of obtaining 80% funding to meet the MERS requirement for closing the defined benefit plan and offering a defined contribution plan.
- You and your team have made certain adjustments to employee compensation but I have not seen your analysis of exactly how these changes will help (or hurt) the goal of full funding. Do you have that analysis? Will it be made available to the council? **We have implemented strategies to reduce benefit costs and can quantify current and future cost savings. We are developing new strategies and they will be quantified and provided to the city council and public.**
- Your Internal Memo dated 9-14-2016 (attached) shows "additional contributions per fiscal year" to the pension fund totaling approximately \$1 million from 1998-2013. (16 years. Approx. \$62,500/yr.) An additional \$500,000 for FY 2015 with the same promised for 2016 and 2017. Are the 2016-2017 amounts locked into the city budget? **Yes, and the appropriations have been expended.**
- Given that an additional \$500,000 is only 2% of the "best case" (\$24,619,315 using 7.25% rate of return) net pension liability, do you believe that \$500,000 additional per year above the required deposit is adequate to bring the pension fund to your goal of 80% funded? **As I stated at our meeting, more must be done.**
- Even with "additional contributions...", the city pension underfunding rose from 2005-- \$10,211,605 to 2015-- \$20,334,449. Almost a double in 10 years. **As stated in my memo, the fund lost \$4.2 million during the recession. At the same time, MERS reduced the amortization period from 30 to 23 years.**
- Almost \$7 1/2 MILLION dollars has been diverted from retiree funds in just the last six years. With an upward trend in the last three. **Why did this happen? It didn't happen. It has been funded on a "pay as you go" basis, not pre-funded, other than the establishment of the OPEB trust fund. No retiree funds were diverted.**
- Clearly, many believe this is a very serious financial situation. Is this on any upcoming city agenda? **New strategies are being developed and will be presented to the city council within approximately 60 -90 days.**

Questions from previous letter:

- If the city suffers serious financial problems because the retiree funds are underfunded, will current retirees be affected? Current employees? **Retiree benefits that have been earned are protected by the Michigan State Constitution. Current employees have and will continue to be effected as we lower benefit costs and increase funding levels.**

- The annual required contributions to the retiree healthcare fund had declined precipitously in recent years. Why? Again, retiree health care has been funded on a "pay as you go basis" , not pre-funded, other than the establishment of the OPEB trust fund.
- The "funded ratio" is 4.35%. With over \$38 million underfunded. Are you comfortable with this? Why/Why not? No. Again, more must and will be done.
- Why do you use 8.25% return when your money managers show expected returns of 2-6.56% ? MERS establishes the rate of return.
- What have been the pension fund investment returns for past years? Market Rate of Return: 2003: 24.13%; 2014: 14.24%; 2005: 6.24%; 2006: 12.61%; 2007: 7.89%; 2008: (25.59%); 2009: 17.10%; 2010 13.94%; 2011: 1.83%; 2012: 10.41%; 2013: 14.47%; 2014: 6.13%; 2015: (1.74%)
- You have plans to fix underfunding. Are they written? What are they? My report includes past and current strategies. Again, staff is developing additional strategies.
- Will citizens be able to attend meetings to discuss this issue? Yes. Council meetings are public and anyone may attend.
- Muskegon county posts their employee contracts online. Will Norton Shores do the same? The City has provided employee contracts online for several years.
- Are there any other pension programs or retiree healthcare programs other than these? Please clarify what you mean by "these."
- Is there something that we citizens can do to help the situation? Yes. Support the City's strategies.
- Are any new hires offered defined benefit plans and/or retiree healthcare benefits? Yes, at reduced benefit levels. Please refer to my report.
- Have you considered looking into other cities that have 100% funding? Yes
- Are you willing to meet together with other cities to understand and adopt similar pension and health programs. Yes, we have in the past are will be in the future.
- How can we approach this issue as a team? (Citizens and the council they elected serving together). Again, support our strategies.