

CITY OF CLARKSTON

ITEM NO: G3

CLARKSTON CITY COUNCIL MEETING

HEARING TYPE:
Council Meeting

BUSINESS AGENDA / MINUTES

ACTION TYPE:
Resolution

MEETING DATE: November 6, 2013

SUBJECT: Resolution to Amend Employee Retirement Benefit Formula

DEPARTMENT: Administration

PUBLIC HEARING: YES NO

ATTACHMENT: YES NO
Pages: 1

INFORMATION CONTACT: Keith Barker
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PURPOSE:

To consider and approve the attached Resolution to Amend the Employee Retirement Benefit Formula

NEED/ IMPACT:

The City's current Defined Benefit Retirement Plan was adopted in July 1980. No significant review of the employee benefit formula has occurred since the plans adoption. The City's retirement benefit formula calculates at a 1.25-2.0% rate with a dynamic breakpoint formula. The prevailing industry standard for a Defined Benefit Retirement Plan is 2.25%. For the City to continue to retain and attract qualified employees, it is essential to offer a competitive retirement program as part of an overall employee benefit package.

Staff has undertaken a cost study analysis of the current plan and reviewed options to improve the employee benefit formula. The option to provide an increased benefit formula for total years of credited service was considered but deemed too costly. The proposed benefit formula change would only pertain to employment service after January 2014. All retirement calculations for service prior to January 1, 2014 will continue to be provided under the existing formula. The cost for the benefit formula increase will be \$54,000 in fiscal year 2014. Total minimum contributions to the plan are based upon an annual valuation.

The attached resolution declares the city's intent to amend the employee retirement benefit formula to a flat 2.25% for credited service earned from January 1, 2014 forward and will apply to qualified employees who are actively employed with the City as of the approval date of the plan. This resolution is required to clarify the city's intent in case of an employee separation after January 1, 2014 and prior to the plan amendment adoption in February or March.

RECOMMENDATIONS:

Staff recommends passing the attached Resolution to Amend the Employee Retirement Benefit Formula.