

CITY OF FARMINGTON HILLS
OAKLAND COUNTY, MICHIGAN

ORDINANCE NO. C-4-2022

AN ORDINANCE TO AMEND THE CITY OF FARMINGTON HILLS CODE OF ORDINANCES, CHAPTER 2 - ADMINISTRATION, ARTICLE V. EMPLOYEE BENEFITS, DIVISION 2 - EMPLOYEES RETIREMENT SYSTEM, AND DIVISION 3 - MEDICAL BENEFITS, TO PROVIDE FOR AMENDMENT OF RETIREMENT BENEFITS AND RETIREE HEALTHCARE BENEFITS IN ACCORDANCE WITH APPLICABLE COLLECTIVE BARGAINING AGREEMENTS AND TO EXTEND CONSISTENT BENEFITS TO EXEMPT AND EXECUTIVE EMPLOYEES OF THE CITY.

THE CITY OF FARMINGTON HILLS ORDAINS:

Section 1 of Ordinance.

The Farmington Hills City Code, Chapter 2, "**Administration,**" Article V, "**Employee Benefits,**" Division 2, "**Employees Retirement System,**" and Division 3, "**Medical Benefits,**" is hereby amended to amend existing Sections 2-270, 2-281, 2-282, 2-290, 2-321, 2-330, and 2-370 and to add a new Section 2-301 **as follows:**

DIVISION 2. – EMPLOYEES RETIREMENT SYSTEM

Sec. 2-270. Definitions.

As used in this division:

- (a) Accumulated member contributions means the balance in a member's individual account in the reserve for member contributions, including accumulated interest on member contributions.
- (b) Actuarially equivalent means that the two (2) benefits being compared have equal actuarial present values. Actuarial equivalents shall be calculated using assumptions adopted by resolution of the retirement board.
- (c) Beneficiary means an individual who is being paid or who has entitlement to the future payment of a pension on account of a reason other than the individual's membership in the retirement system. The beneficiary is required to have an "insurable interest" in the life of the member.
- (d) City means the City of Farmington Hills, State of Michigan, and its various offices, boards, agencies and departments.
- (e) Compensation means the salary or wages paid an employee for personal services rendered the city while a member of the retirement system. Salary and wages shall include: base pay; and pay for periods of absence from work by reason of vacation, holiday, and sickness. For members of all benefit groups, compensation shall include an amount equal to the applicable longevity pay percentage multiplied by base pay at the time of payment of longevity, except for in the fiscal year the employee retires if the employee retires before receiving longevity pay for that fiscal year, then, for the purpose of calculating the final average compensation only, longevity is not pro-rated, but is calculated on the base pay as of July 1st of that fiscal year. The applicable longevity payment will be the longevity payment in effect for each fiscal year without

- interpolation in accordance with the longevity seniority schedule for each benefit group. For members of Benefit Groups C, D, F and P only, compensation shall include lump sum holiday pay. For members of Benefit Group F compensation shall also include four-ten premium pay. Compensation shall not include any remuneration or reimbursement not specifically stated to be included: such as, remuneration for overtime services, allowances for clothing, equipment, cleaning and travel; reimbursement of expenses; bonuses; termination pay; severance pay; payments in consideration of unused vacation and sick leave; the value of any fringe benefit.
- (f) Credited Service means service credited to the member's individual credited service account as provided at section 2-290.
 - (g) Deferred retirement means that if a member terminates employment after being vested but prior to eligibility for normal or early retirement and leaves all accumulated contributions in the retirement system, then the vested former member is eligible for a pension beginning at an age and service level established by contract or policy. "Vested former member" means a former member who terminated employment after attaining the service requirement for vesting but prior to eligibility for normal or early retirement and leaves all accumulated contributions in the retirement system.
 - (h) Defined contribution plan means the City of Farmington Hills 401(a) defined contribution pension program as established by the city.
 - (i) Early retirement means that a member is eligible for a reduced pension benefit at an age and service level established by contract or policy.
 - (j) Final average compensation means the average of the monthly rate of compensation paid a member as of the three (3) consecutive July 1sts producing the highest average contained within the ten (10) years of credited service immediately preceding the member's last termination of employment with the city.
 - (k) Firefighter means a full-time employee of the department of public safety, fire division, with the rank of firefighter or higher.
 - (l) Insurable interest. As used in this retirement ordinance, the only persons considered to have an "insurable interest" in the life of an individual are the individual's legal spouse, a natural or adopted child of the individual, a parent of the individual and a sibling of the individual; and, when applicable, an individual's former spouse may have an insurable interest, if there is an appropriate entered eligible domestic relations order (EDRO), or domestic relations order (DRO) ordering such.
 - (m) Member means any person who is included in the membership of the city's defined benefit retirement system.
 - (n) Normal retirement means a retirement as provided at section 2-231 wherein a member is eligible for an unreduced pension benefit at an age and service level established by contract or policy.
 - (o) Paid callback firefighter is a person who is employed on an "on call" basis with the department of public safety, fire division, without regularly scheduled full-time employee hours and is not eligible for fringe benefits afforded career firefighters.
 - (p) Part-time employees are employees hired on a part-time basis and shall not work more than an average of twenty-nine (29) hours per week calculated over a twelve-month time frame.

- (q) Pension means a series of monthly payments by the retirement system. Payment may be for a temporary period or throughout the future life of a retired member or beneficiary.
- (r) Police officer means an employee of the department of public safety, police division, with rank of patrol officer or higher.
- (s) Retired member means an individual who is being paid a pension on account of the individual's membership in the defined benefit retirement system.
- (t) Retirement system means the City of Farmington Hills Employees Retirement System, a defined benefit plan, as established pursuant to article V, division 2 of the Code of Ordinances of the city.
- (u) Service means personal service rendered the city while a member of the retirement system and qualifying military service pursuant to section 2-300. "Service" for purposes of vesting as provided in section 2-285; or determining benefit eligibility as provided in sections 2-321, 2-340 and 2-410; shall also include personal service rendered the city while a member of the defined contribution plan.
- (v) Temporary employees are employees hired on a temporary basis for a period not to exceed four (4) consecutive months or a total of six (6) months in a calendar year.

Sec. 2-281. Excluded positions.

Excluded positions are:

- (a) Positions filled by part-time or temporary employees.
- (b) Positions which are compensated on a basis not subject to the withholding of federal income taxes or FICA taxes by the city or to existing fringe benefits provided by the city.
- (c) Any position held by a retired member.
- (d) Paid call back firefighters.
- (e) Positions, other than judgeships, for which less than half (½) the public compensation is paid by the city.
- (f) Any position held by a person who is included by law, by action of the city council, by collective bargaining agreement or by individual employment agreement in any other pension or retirement plan by reason of the compensation paid by the city, except the Federal Old Age, Survivors and Disability Insurance Program.
- (g) (h) Employees of Benefit Groups that are hired on or after July 1, 2006., and employees of Benefit Group J that are hired on or after September 1, 2015. In lieu of membership in the retirement system, such employees shall participate in the defined contribution plan. Contribution rates in the defined contribution plan for the employer and employee will be calculated on base pay, as that term is defined in the defined contribution plan document. Employees will contribute five (5) percent of base pay and the city/court will contribute ten (10) percent of the employee's base pay into the defined contribution plan. Employees shall be fifty (50) percent vested in the city's/court's contributions to the defined contribution plan after three (3) full years of employment with the city/court, seventy-five (75) percent vested after five (5) full years of employment, and one hundred (100) percent vested after seven (7) full years of employment.

- (i) Employees of the following Benefit Groups that were hired on or after a date certain were provided membership in the defined contribution plan for a period of time in lieu of membership in the retirement system. These employees are excluded from membership in the retirement system for such period of defined contribution plan participation except as to service credit for vesting and retirement eligibility purposes as provided in section 2-290: (i) Benefit Groups E or G that were hired on or after July 1, 2006 for such period of employment prior to October 10, 2022; (ii) employees of Benefit Group D that were hired on or after January 1, 2007 for such period of employment prior to August 15, 2022; and (iii) employees of Benefit Group T that were hired on or after January 1, 2008 for such period of employment prior to October 10, 2022; and, for such period of employment prior to [ratification by city council of the Ordinance that added this Subsection].

Sec. 2-282. Termination of membership.

- (a) An individual shall cease to be a member of the retirement system upon termination of employment or upon becoming employed in an excluded position. Upon reemployment by the city in an included position entitling the employee to membership, the individual shall again become a member.
- (b) A former employee from Benefit Group A who withdrew his or her accumulated member contributions prior to reemployment, shall participate in the defined contribution plan in lieu of membership in the retirement system (as provided in subsection 2-281(h)).
- (c) Except for members of Benefit Groups C, F and P, an individual whose retirement system membership terminates before retirement shall not qualify for any of the medical benefits provided by the city and the retirement system, to individuals whose retirement system membership continued until retirement.

Sec. 2-290. Credited service—Earned.

- (a) Service rendered by a member while included in the membership of the retirement system shall be credited to the member's individual credited service account in accordance with rules the retirement board shall prescribe. Service shall be in calendar months. For employees whose regular work schedule is based on eight-hour days and forty (40) hours a week, ten (10) or more days of paid service during a calendar month will qualify a member for credited service for that calendar month. For employees whose regular work schedule is based on ten-hour days and forty (40) hours a week, eight (8) or more days of paid service during a calendar month will qualify a member for credited service for that calendar month. For employees whose regular work schedule is based on forty-eight (48) hours a week, seven (7) or more days of paid service during a calendar month will qualify a member for credited service for that calendar month. No credit will be given to a member for a calendar month during which the member has fewer than the minimum qualified days of paid service as provided herein. In no case shall a member receive more than one (1) year of credited service for all service rendered by the member during any one (1) calendar year. Solely for purposes of (i) vesting as provided in section 2-285; (ii) determining benefit eligibility as provided in sections 2-321, 2-340 and 2-410; or (iii) qualification for retiree healthcare stipends as provided in section 2-702(b); service rendered by a member while included in the membership of the defined contribution plan shall be credited to the member's individual credited service account in accordance with rules the retirement board shall prescribe consistent with the provisions in this section.
- (b) Employees described in subsection 2-281(i) ("eligible employees") shall have a one-time opportunity, from April 1, 2023 through May 1, 2023, to elect to purchase the employee's

period of defined contribution plan participation as service credited to the member's individual credited service account for all purposes under the retirement system ("purchase of prior service credits" or "PPSC"). The period of credited service eligible for purchase includes only periods of personal service rendered the city (breaks in service may not be purchased), up to the date that the employee begins participation in the retirement system. The starting date for the period of credited service eligible for purchase begins on each employee's date of hire as a full-time employee with the city and ends on the applicable date for the identified Benefit Groups in Section 2-281(i) (less any breaks in service or other periods during which the employee did not render personal service to the city).

(c) The following rules apply to a PPSC:

- (1) Any eligible employee who wants to make a PPSC must complete and sign a costing request form and return it to the city no later than January 27, 2023. An employee may request up to two (2) costings. The City will pay for the first costing. If an employee chooses to select a second costing, the employee will be required to provide the City, along with the costing request form, a receipt of funds deposited with the City to pay for the second costing.
- (2) For each employee who timely submits a completed costing request form to the city, the actuary will make cost calculations which will indicate the cost that the employee would pay, **based on the employee's election of the prior service credits, to be included on the costing request form. The employee's elected prior service credits** shall be no greater than the period of defined contribution plan participation for which the employee is eligible. The actuary will provide completed PPSC cost calculations to employees no later than March 31, 2023.
- (3) From April 1, 2023 through May 1, 2023, eligible employees who received a PPSC cost calculation and want to make a PPSC must complete and submit to the city an irrevocable PPSC election form, which will include identification of the source of assets that will be used for the purchase, as well as the number of years of credited service purchased elected by the employee. If the employee elects to purchase less than the entire period of credited service eligible for purchase, credited service purchased shall in that case be in 1 year increments. The election to make a PPSC is irrevocable, and this election window is a one-time opportunity to complete a PPSC.
- (4) The PPSC payment may be completed by means of a lump sum payment from any of the following sources:
 - A. A direct trustee-to-trustee transfer from the member's defined contribution plan vested accounts;
 - B. A direct rollover of an eligible rollover distribution from a qualified plan described in section 401(a) or 403(a) of the Internal Revenue Code, including after-tax employee contributions; an annuity contract described in section 403(b) of the Internal Revenue Code, excluding after-tax employee contributions; an eligible plan under section 457(b) of the Internal Revenue Code, which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state;

- C. A direct trustee-to-trustee transfer from a Code Section 457(b) governmental plan or a Code Section 403(b) plan;
 - D. An after-tax lump sum payment; or
 - E. A combination of the above.
- (5) The PPSC payment will be subject to any applicable limits under Section 415 of the Internal Revenue Code.
 - (6) The PPSC payment must be received by the retirement system no later than June 30, 2023. If an employee chooses to transfer assets from the employee's defined contribution plan vested accounts, the transfer would be completed on June 30, 2023. If the assets in the employee's defined contribution plan vested accounts exceeds the PPSC cost, the excess assets will remain in the employee's accounts in the defined contribution plan.
 - (7) Upon completion of the PPSC payment, a member shall be entitled to the credited service purchased in the retirement system that occurred within the period of defined contribution plan participation covered by the PPSC.

Sec. 2-301. Other Governmental Service

- (a) A member who has 30 months or more of credited service and who has attained the age but has not met the service requirements for age and service retirement from the Retirement System shall be entitled to use his or her credited service previously acquired as a member of governmental unit retirement systems in meeting the service **requirements for the Member's applicable benefit group.** If the member has had a break in governmental employment for a period longer than 20 years, his or her service rendered in the employ of the governmental units prior to his or her last break in service shall not be used in satisfying the service requirement for age and service retirement from the Retirement System. Credited service acquired in a governmental unit in which the member was previously employed shall not be used in determining the amount of his or her retirement benefit allowance payable by the Retirement System.
- (b) A member who leaves the employ of the City, has not vested in the Retirement System as provided section 2-285, and enters the employ of another governmental unit, shall be entitled to a retirement benefit allowance payable by the Retirement System subject to the following conditions:
 - (1) The member has 30 months or more of credited service acquired in the employ of the City.
 - (2) The member does not withdraw his or her accumulated member contributions from the Retirement System or if the member has withdrawn the accumulated member contributions, the member deposits with the Retirement System the amount withdrawn together with interest compounded annually at the rate in effect for the Retirement System; the deposit to be made within 20 years after the date the member becomes employed by the succeeding governmental unit.
 - (3) The member enters the employ of each succeeding governmental unit within 20 years after the date of leaving the employ of each preceding governmental unit.

- (4) The member's credited service in force with the Retirement System plus the member's credited service acquired in the employ of preceding and/or succeeding governmental units equals or exceeds the minimum credited service required for age and service retirement in the Retirement System.
- (5) The retirement allowance payable by the Retirement System shall be determined at the time the member ceased to be a member of the Retirement System, upon the basis of the retirement allowance formula, the member's credited service, and the former member's final average salary at the time of separation of employment with the City.
- (6) Payment of the retirement allowance shall begin on the first day of the second calendar month immediately following the month in which proper written application is filed with the Retirement Board on or after attainment of 60 years of age.

(c) As used in this Section:

(1) "Governmental unit" means the state of Michigan to the extent the employees of the state are covered under an applicable employees retirement system; and any county, city, village, township or school district of the first class; any separate corporation or instrumentality established by 1 or more counties, cities or villages, as permitted by law; any corporation or instrumentality supported in most part by counties, cities and villages, or any of them; any public corporation charged by law with the performance of a governmental function and whose jurisdiction is coextensive with 1 or more counties, cities and villages. In case of doubt, the Board shall determine eligible credited service in force in a governmental unit in accordance with the provisions of the Reciprocal Retirement Act, PA 88 of 1091, as amended (MCL 38.1101, et seq.).

(2) "Retirement system" means the retirement, pension or annuity system, plan or fund under which a governmental unit covers its employees. The term "retirement system" shall not include the federal social security old-age survivors' and disability insurance program.

- (d) The provisions of this section do not apply to qualification for retiree health care benefits in Division 3 of this Article.

Secs. 2-302—2-309. - Reserved.

Sec. 2-321. Normal retirement—Age and service requirements.

The age and service requirements for normal retirement are:

- (a) Benefit Groups A, D, E, G, J and T. The member has attained age sixty (60) with eight (8) years of service, or the member has attained age fifty-five (55) and the sum of the member's years of age and years of service is greater than or equal to eighty (80).
- (b) Benefit Group P. The member has twenty-five (25) or more years of credited service earned while employed by the city as a police officer. For purposes of meeting the service eligibility requirements of this subsection, credited service earned while the member was a police cadet shall not be considered.
- (c) Benefit Group C. The member has attained age fifty (50) years and has twenty-five (25) or more years of credited service earned while employed by the city as a police

officer (a member who has twenty-five (25) or more years of credited service and has attained the age of forty-eight (48), may elect to purchase up to two (2) years of service at the members cost to be eligible for normal retirement) or the member has thirty (30) or more years of credited service with the city regardless of age, provided the member has twenty-five (25) years or more of service while employed by the city as a police officer. For purposes of meeting the service eligibility requirements of this subsection, credited service earned while the member was a police cadet shall not be considered.

- (d) Benefit Group F. the member has twenty-five (25) years or more of credited service, earned while employed by the city as a firefighter, regardless of age.

Upon retirement as provided in this section, a member shall be paid a pension computed according to the provisions of section 2-330.

Sec. 2-330. Normal retirement—Amount of pension.

The annual benefit amount under form of payment SL (straight life) is determined as follows:

- (a) Benefit Group A. The normal retirement benefit amount will be the member's final average compensation multiplied by the sum of two and eight-tenths (2.8) percent times years and fraction of a year of credited service not in excess of twenty-five (25) years and one (1) percent times years and fraction of a year of credited service in excess of twenty-five (25) years, with the total benefit not to exceed seventy-five (75) percent of the member's final average compensation.
- (b) Benefit Groups G, J and T. The normal retirement benefit amount will be the member's final average compensation multiplied by the sum of two and eight-tenths (2.8) percent times years and fraction of a year of credited service not in excess of twenty-five (25) years and one (1) percent times years and fraction of a year of credited service in excess of twenty-five (25) years, with the total benefit not to exceed eighty (80) percent of the member's final average compensation.
- (c) Benefit Groups C and E. The normal retirement benefit amount will be the member's final average compensation multiplied by the sum of three (3.0) percent times years and fraction of a year of credited service not in excess of twenty-five (25) years and one (1) percent times years and fraction of a year of credited service in excess of twenty-five (25) years, with the total benefit not to exceed eighty (80) percent of the member's final average compensation.
- (d) Benefit Group D.
 - (1) Until the retiree attains age sixty-seven (67), the normal retirement benefit amount will be the member's final average compensation multiplied by the sum of two and eight-hundredths (2.8) percent times years and fraction of a year of credited service not in excess of twenty-five (25) years, and one (1) percent times years and fraction of a year of credited service in excess of twenty-five (25) years, with the total benefit not to exceed seventy-five (75) percent of the member's final average compensation.
 - (2) At age sixty-seven (67), the normal retirement benefit amount will be the member's final average compensation multiplied by the sum of two and three hundred seventy-five thousandths (2.375) percent times years and fraction of a year of credited service not in excess of twenty-five (25) years, and one (1) percent times years and fraction of a year of credited service in excess of twenty-

five (25) years, with the total benefit not to exceed seventy (70) percent of the member's final average compensation.

(e) Benefit Group F.

- (1) The normal retirement benefit amount will be the member's final average compensation multiplied by the sum of two and eight-tenths (2.8) percent times years and fraction of a year of credited service not in excess of twenty-five (25) years, and one (1) percent times years and fraction of a year of credited service in excess of twenty-five (25) years, with the total benefit not to exceed seventy-five (75) percent of the member's final average compensation.

(f) Benefit Group P.

- (1) The normal retirement benefit amount will be the member's final average compensation multiplied by the sum of two and eight-tenths (2.8) percent times years and fraction of a year of credited service not in excess of twenty-five (25) years, and one (1) percent times years and fraction of a year of credited service in excess of twenty-five (25) years, with the total benefit not to exceed seventy-five (75) percent of the member's final average compensation.

If the member or vested former member has credited service with more than one (1) benefit group, the pension amount shall be computed in accordance with the provisions of section 2-312.

Sec. 2-370. Form of payment of a pension.

A member or vested former member may elect to have pension payments made under any one (1), and only one (1), of the following forms of payment, except that form of payment D may be elected in conjunction with any other form of payment.

The election and naming of a survivor beneficiary must be made on a form furnished by and filed with the retirement system prior to the date the first pension payment is made. An election of form of payment may not be changed on or after the date the first pension payment is made. A named survivor beneficiary may not be changed on or after the date the first pension payment is made, except that a named survivor beneficiary may be changed, or may be more than one (1) person, only if form of payment SL is elected. A named survivor beneficiary must have an insurable interest in the life of the member or vested former member when named. Payment shall be made under form of payment SL if there is not a timely election of another form of payment.

The amount of pension under forms of payment A, B, C and D shall have the same actuarial present value, computed as of the effective date of the pension, as the amount of pension under form of payment SL.

Form of payment SL—Straight life pension. The retired member is paid a pension for life under form of payment SL. All payments stop upon the death of the retired member.

Form of payment A—Life payments with full continuation to survivor beneficiary. The retired member is paid a reduced pension for life under form of payment A. Upon the death of the retired member during the lifetime of the named survivor beneficiary, the named survivor beneficiary is paid a pension until death in the same amount the retired member was receiving. Should the named survivor beneficiary die before the retired member, the retired member's pension shall be recomputed (pop-up) to a straight life pension (form of payment SL).

Form of payment B—Life payments with three-quarters ($\frac{3}{4}$) continuation to survivor beneficiary. The retired member is paid a reduced pension for life under form of payment B.

Upon the death of the retired member during the lifetime of the named survivor beneficiary, the **named survivor beneficiary is paid a pension until death of three-quarters ($\frac{3}{4}$) the amount the retired member was receiving.** Should the named survivor beneficiary die before the retired member, the retired member's pension shall be recomputed (pop-up) to a straight life pension (form of payment SL).

Form of payment C—Life payments with one-half ($\frac{1}{2}$) continuation to survivor beneficiary. The retired member is paid a reduced pension for life under form of payment C. Upon the death of the retired member during the lifetime of the named survivor beneficiary, the **named survivor beneficiary is paid a pension until death of one-half ($\frac{1}{2}$) the amount the retired member was receiving.** Should the named survivor beneficiary die before the retired member, the retired member's pension shall be recomputed (pop-up) to a straight life pension (form of payment SL).

Form of payment D—Life payments with annuity withdrawal. The retired member is paid at retirement the retired member's accumulated member contributions, as defined by city policy or collective bargaining agreement; and a reduced pension for life thereafter under form of payment D. Contributions made pursuant to section 2-300(b), as well as any other contributions deposited to purchase credited service, shall not be refunded. The pension shall be reduced by the amount for which the actuarial present value shall be equal to the amount of accumulated member contributions withdrawn. The actuarial present value of the pension reduction shall be computed using (i) the mortality tables and blending percentages adopted by the retirement board for this purpose; and (ii) the interest rate prescribed by the following:

- (a) Benefit Group A – The interest rate established by the Board of Trustees using the PBGC formula.
- (b) Benefit Group C – For members promoted into Benefit Group C prior to December 31, 2023, the interest rate shall be equal to 2%, or the interest rate established by the Board of Trustees using the PBGC formula, whichever is lower. For members promoted into Benefit Group C on or after January 1, 2024, the interest rate shall be equal to 6%.
- (c) Benefit Groups D, E, G, & T – The interest rate shall be in accordance with the following schedule:
 - i. For retirements that begin on or after July 1, 2023: 1.5%
- (d) Benefit Groups D, E, G, P & T – The interest rate shall be in accordance with the following schedule:
 - i. For retirements that begin on or after July 1, 2024: 2.1%
 - ii. For retirements that begin on or after July 1, 2025: 2.7%
 - iii. For retirements that begin on or after July 1, 2026: 3.3%
 - iv. For retirements that begin on or after July 1, 2027: 3.9%
 - v. For retirements that begin on or after July 1, 2028: 4.5%
 - vi. For retirements that begin on or after July 1, 2029: 5.1%
 - vii. For retirements that begin on or after July 1, 2030: 5.7%
 - viii. For retirements that begin on or after July 1, 2031: 6.0%
- (e) Benefit Group F - For members hired prior to June 1, 2008, and for retirements that occur between July 1, 2023, and July 1, 2033, the interest rate shall be equal to 2%, or the interest rate established by the Board of Trustees using the PBGC formula,

whichever is lower. For members hired on or after July 1, 2008, the interest rate shall be equal to 6% effective July 1, 2022.

If form of payment D is elected in conjunction with form of payment SL, the reduced form of payment D pension will stop upon the death of the retired member. If form of payment D is elected in conjunction with form of payment A or form of payment B or form of payment C, the reduced form of payment D pension will be further reduced for the election of form of payment A, B or C. Upon the death of the retired member during the lifetime of the named survivor beneficiary, the named survivor beneficiary is paid a pension until death equal to the applicable fraction of the amount the retired member was receiving. Should the survivor beneficiary die before the retired member, the retired member's pension shall be recomputed (pop-up) to a reduced form of payment D straight life pension.

A form of payment D election shall be made on a form furnished by and filed with retirement system. The elected refund shall be paid by the later of (i) thirty (30) days after the date of retirement and (ii) sixty (60) days after the filing with the retirement system of a valid election for such refund. Payments shall be made in accordance with and subject to Internal Revenue Code rules and regulations.

Section 2 of Ordinance.

The Farmington Hills City Code, Chapter 2, "Administration," Article V, "Employee Benefits," Division 3, "Medical Benefits," is hereby amended to add new Sections 2-700, 2-701 and 2-702, to amend and renumber existing Sections, 2-701 (now 2-704), 2-702 (now 2-705), 2-703 (now 2-706) and 2-704 (now 2-707), and to renumber Sections 2-700 (now 2-703) and 2-705 (now 2-708), as follows:

DIVISION 3. – MEDICAL BENEFITS

Sec. 2-700. Retiree Medical Plan and Trust

- (a) The Retirement System shall include a Retiree Health Care Plan and Trust to provide health insurance benefits, retiree health care savings plan benefits or such other benefits approved by the City or approved by collective bargaining agreements for the welfare of qualified retirees and the spouses and eligible dependents of such retirees. The City intends the benefits to be provided and funded by the establishment and maintenance of a retiree health care trust fund in conformance with all applicable federal statutes and regulations, state and local law. The Plan and Trust is created, under the authority of the Public Employee Health Care Fund Investment Act, Public Act 149 of 1999 (MCL 38.1211 et seq.) and shall constitute a governmental trust pursuant to Section 115 of the Internal Revenue Code of 1986, as amended.
- (b) Neither the establishment of the Plan, nor the Trust, nor any modification thereof, nor the creation of any fund or account, nor the payment of any benefits, shall be construed as giving to any person covered under the Plan and Trust or other person any legal or equitable right against the City, its elected or appointed officials or employees, the Retirement Board or any individual Retirement Board Member, except as may otherwise be provided in this Chapter.
- (c) Neither the City, nor the Retirement Board, shall be responsible for the validity of

any Insurance Agreement issued in connection with the Plan or Trust or for the failure on the part of the Insurer to make payments provided by such Insurance Agreement, or for the action of any person which may delay payment or render an Insurance Agreement null and void or unenforceable in whole or in part.

Sec. 2-701. Irrevocable Section 115 Trust, Established.

- (a) The Retiree Health Care Trust Fund established in this Division 3 shall be an irrevocable Section 115 Trust and shall conform to all applicable sections of the Internal Revenue Code, the Collective Bargaining Agreements, and all statutes, ordinances, rules, regulations, **arbitrators'** awards and judicial decisions interpreting the foregoing provisions.
- (b) The Trust shall consist of City Contributions, Participant Contributions, any Contributions which may be paid by Retirees and other Qualified Beneficiaries due to the election of additional coverage beyond that provided by the City, all investments made or held under Trust, and all income therefrom, both received and accrued, and any other property, which may be received or held by reason of this Trust. Funds paid by Retirees and other Qualified Beneficiaries as a result of premium sharing required pursuant to applicable Collective Bargaining Agreements and/or City policy, shall be paid directly to the City and/or the applicable Insurance Carrier and shall not be paid into the Trust.

Sec. 2-702. Use of Trust Assets.

- (a) No part of the net earnings of the Trust may inure to the benefit of any Participant, Retiree or other beneficiary other than by benefit payments or for services provided by the Retirement Board in their administration of the Trust. The Trust assets shall not be used or diverted to purposes other than to provide benefits contemplated under this Division III for the exclusive benefit of retirees and their spouses and eligible dependents, except any reasonable administrative expenses for which the Trust is liable. A portion of the net earnings may be used for payment for reasonable and necessary professional services, costs and expenses relating to assisting the Retirement Board and Trust administrator in the operation of the trust.
- (b) All income, profits, recoveries, contributions, forfeitures, and any and all monies, securities and properties of any kind, at any time, received or held by the Retirement Board hereunder, shall become part of the trust when received, and shall be held for the use and purposes hereof.

Sec. 2-703. Benefit groups—Composition.

The following benefit groups are designated for the purpose of determining benefit eligibility conditions, benefit amounts, and retired member contribution rates, as well as other non-uniform provisions.

- (a) Benefit Group A (AFSCME). All retired members who were covered by the AFSCME collective bargaining agreement, when they retired.

- (b) Benefit Group C (Police Command). All retired members who were full-time sworn police officers and who were not in Benefit Group P (Police Officer), when they retired.
- (c) Benefit Group D (Dispatcher). All retired members who were full-time police dispatchers, when they retired.
- (d) Benefit Group E (Executive). All retired members who were designated as full-time executive employees, including the city manager, assistant city managers, the assistant to the city manager and department heads, when they retired.
- (e) Benefit Group F (Fire). All retired members who were full-time firefighters, when they retired.
- (f) Benefit Group G (General-Exempt). All retired members not included in another benefit group, when they retired.
- (g) Benefit Group J (Court). All retired members who were full-time employees of the 47th District Court, when they retired.
- (h) Benefit Group P (Police Officer). All retired members who held the full-time rank of police officer, when they retired.
- (i) Benefit Group T (Teamsters). All retired members who were covered by the Teamsters collective bargaining agreement, when they retired.

In case of doubt, the retirement board shall determine the benefit group(s) that apply to a retired member.

Sec. 2-704. Medical insurance benefits.

Each retired member and beneficiary shall be provided coverage under a group medical insurance or non-insured arrangement participated in by the city if the member or beneficiary meets the applicable requirements stated in (a) below. A beneficiary shall be treated as meeting the requirements in (a) below if the employee on whose behalf the beneficiary is receiving coverage met those requirements. The retired member's spouse shall be provided coverage if the retired member is being provided coverage and the spouse meets the requirements of (c)(5) below. The level of coverage shall be as shown in (b) below.

(a) The requirements for retired member medical benefits are:

Benefit Group	Eligibility Requirement
A, E, and G	For employee hired prior to July 1, 2006; age sixty (60) with fifteen (15) years of service; or, age fifty-five (55) with a minimum of twenty (20) years of service and the sum of age in years and years of credited service is at least eighty (80).
C	Age fifty (50) with twenty-five (25) years of service.
D	For employee hired prior to January 1, 2007; age sixty (60) with fifteen (15) years of service; or, age fifty-five (55) with a minimum of twenty (20) years of service and the sum of age in years and years of credited service is at least eighty (80).
F	For employee hired prior to July 1, 2008; after twenty-five (25) years of service, regardless of age.
J	For employee hired prior to September 1, 2015; age sixty (60) with fifteen (15) years of service; or, age fifty-five (55) with a minimum of twenty (20) years of service and the sum of age in years and years of credited service is at least eighty (80).

P	For employee hired prior to January 1, 2008; after twenty-five (25) years of service, regardless of age.
T	For employee hired prior to January 1, 2008; age sixty (60) with fifteen (15) years of service; or, age fifty-five (55) with a minimum of twenty (20) years of service and the sum of age in years and credited service is at least eighty (80).

The age and service requirements for receiving retiree medical benefits do not apply if a retired member is receiving a disability pension.

The retired member shall (i) authorize the retirement board to deduct the difference, if any, between the cost of the coverage and the applicable maximum amount specified in subsection (c) from the retired member's pension payments, or (ii) remit said difference to the retirement board at least one (1) month in advance of the premium payment date.

The retired member or beneficiary and the spouse of the retired member shall not be eligible for any coverage or benefits described in this section 2-701, for any period of time during which the member or beneficiary has accepted a health insurance waiver allowance provided under section 2-702.

- (b) The medical care coverage shall provide the applicable levels of coverage as stated in each benefit groups contract or city policy, as may be amended from time-to-time. A coverage that is equivalent may be provided in lieu of any of the coverages stated.
- (c) The applicable retired member medical benefits shall be provided subject to the following restrictions:
 - (1) The maximum premium or payment that the retirement system will pay for medical care coverages for the combination of the retired member and spouse, if any, is as follows:

Benefit Group	Eligibility Requirement	Maximum Monthly Premium Paid by the System
A, D, E, G, J, T	Age 60 with 15 years of service;	\$400.00
	Or age 55 with a minimum of 20 years of service and the sum of age in years and years of service is at least 80	Employees Retired Prior to January 1, 2013 - No maximum. Employees Retired on or after January 1, 2013 - The Retiree will pay a premium co-pay, with the amount determined by Contract and/or City Policy, as may be amended from time-to-time.
C	Age 50 with 25 years of service	Employees Retired Prior to January 1, 2013 - No maximum. Employees Retired on or after January 1, 2013 - The Retiree will pay a premium co-pay, with the amount determined by Contract and/or City Policy, as may be amended from time-to-time.
F	After 25 years of service, regardless of age	Employees Retired Prior to October 1, 2013 - No maximum. Employees Retired on or after October 1, 2013 - The Retiree will pay a premium co-pay, with the amount determined by Contract and/or City Policy,

		as may be amended from time-to-time.
P	After 25 years of service, regardless of age	Employees Retired Prior to January 1, 2013 - No maximum. Employees Retired on or after January 1, 2013 - The Retiree will pay a premium co-pay, with the amount determined by Contract and/or City Policy, as may be amended from time-to-time.

With the exception of the four hundred dollar (\$400.00) maximum premium (net of any retiree co-pay) paid by the retiree health care trust fund, as described above, no maximum premium and no co-pay shall apply to retired members once the member is covered by Medicare, regardless of Medicare eligibility of the member's spouse.

- (2) The retired member, beneficiary and/or spouse must apply for Medicare (or any other government sponsored program of health benefits for which the individual might be eligible) when eligible. Upon qualification for such program, the retired member or beneficiary shall be provided coverage that is complementary to Medicare (or other government sponsored program).
- (3) There shall be a coordination of benefits with any other health insurance held by the retired member or beneficiary or the spouse.
- (4) In the coordination described in paragraphs (2) and (3) above, the retirement system medical benefits shall be considered the secondary benefits.
- (5) The only person covered by the retired member medical benefits as the retired member's spouse is the person to whom the retired member was lawfully married on the date the retired member's pension commenced. Subject to the other provisions of this section, the retired member's spouse shall be eligible for medical benefits as long as the retired member is alive and receiving pension payments, and after the retired member's death while the spouse is receiving pension payments due to the retired member's election of form of payment A, B or C.
- (6) A retiree and spouse will be ineligible for retiree health benefits if the retiree is receiving the city's retiree health waiver allowance in lieu of retiree health benefits. Reenrollment in the retiree health plan shall be subject to the provisions of the city's retiree health waiver program and the bargaining agreement, if any, covering the participant at retirement. The retiree health waiver allowance is paid by the retiree health care plan rather than the city.
- (7) The retirement system shall provide the medical benefits for retired members, spouses and beneficiaries as described in this section from the retirement system's retiree medical benefit assets. Effective May 15, 2000, the city established the City of Farmington Hills Post-Retirement Health Care Fund as the new funding vehicle for retiree health benefits for retired City of Farmington Hills employees. Effective May 15, 2000, the obligation of the City of Farmington Hills Employees' Retirement System with regard to retiree health benefits shall be solely to invest its retiree health assets until they have been exhausted and to make disbursements from those retiree health assets for the retiree health benefits for qualifying retirees and beneficiaries until those retiree health assets have been exhausted.

Sec. 2-705. Medical insurance benefits waiver.

A retiree who is eligible for retired member medical benefits from the retirement system may voluntarily waive his or her rights to all medical benefits coverage after providing evidence that the retiree then has other health insurance coverage. For any month during which a valid waiver is in effect, the retirement system shall provide no retiree medical benefits coverage for the retiree and no retiree medical benefits coverage for the spouse of or any dependent of the retiree on behalf of the retiree. For any month during which a valid waiver is in effect, the retirement system and the city shall not be responsible for any health related claims for the retiree or for the spouse for any dependent of the retiree on behalf of the retiree. For any month during which a valid waiver is in effect, the city shall pay the retiree a waiver allowance. The amount of the waiver allowance is two hundred dollars (\$200.00) per month for single coverage and four hundred dollars (\$400.00) per month for double coverage, or as may be amended from time-to-time, but shall not exceed the waiver allowance provided in section 4.03 of the city's medical reimbursement plan, for an active employee eligible for the same health insurance coverage for the same month. If a waiver is in effect for a month during which the cost to the retirement system is not paid for by insurance premiums, the cost to the retirement system of one (1) person retiree medical benefits for a retiree shall be determined by the retirement board on a basis that is intended to fairly represent such cost.

(Ord. No. C-3-2013, § 1 , 6-24-13)

Sec. 2-706. Member contributions—Amounts; procedures.

- (a) Member contributions to the retiree health care trust fund shall be deducted from each member's paychecks and shall be the following percentage of the member's annual compensation as defined in subsection 2-270(d).
 - (1) Benefit Group A—One and one-half (1.5) percent for medical benefits.
 - (2) Benefit Group C—One and one-half (1.5) percent for medical benefits.
 - (3) Benefit Group D—One and one-half (1.5) percent for medical benefits.
 - (4) Benefit Group E—One and one-half (1.5) percent for medical benefits.
 - (5) Benefit Group F—One and one-half (1.5) percent for medical benefits.
 - (6) Benefit Group G—One and one-half (1.5) percent for medical benefits.
 - (7) Benefit Group J—One and one-half (1.5) percent for medical benefits.
 - (8) Benefit Group P—One and one-half (1.5) percent for medical benefits.
 - (9) Benefit Group T—One and one-half (1.5) percent for medical benefits.
- (b) Continuation of employment by the member shall constitute consent and agreement to the deduction of the applicable member contributions. Payment of compensation less the deduction shall be full and complete discharge of all claims and demands for compensation for personal service rendered the city.
- (c) The person responsible for preparing the city payroll shall cause the member contributions to be deducted from the compensation of each member on each and every payroll. The deducted contributions shall be paid to the retirement system within five (5) working days and shall be credited to the members' individual accounts in the reserve for member contributions.

Sec. 2-704. Retirement health savings plan.

- (a) A retirement health savings (RHS) plan is herein created for employees hired on or after the dates provided in the below table. In lieu of the retiree medical insurance benefits provided in this division, such employees shall participate in the retirement health savings plan as adopted by the city. The city shall contribute the below employer contribution amounts into the individual RHS member accounts for each full month of credited service. The term service is defined in article V, division 2, section 2-270(t) of the Code of Ordinances for each affected employee. Employees shall contribute on an annual basis one and five-tenths (1.5) percent of the employee's annual salary. Employees may make additional voluntary contributions to the RHS plan in accordance with the terms and conditions of the RHS plan. Employees shall be fifty (50) percent vested in the city's contributions to the RHS plan after three (3) full years of employment with the city, seventy-five (75) percent vested after five (5) full years of employment, and one hundred (100) percent vested after seven (7) full years of employment.

Benefit Group	Hire Date (Employed on or after)	Employer Contribution	Mandatory Employee Contribution
A	Hired on or after July 1, 2006	Eff. 7/1/06: \$1,200 annually - \$100/mo.	1.5% of annual salary
		Eff. 7/1/08: \$1,500 annually - \$125/mo.	
		Eff. 7/1/17: \$1,750 annually - \$145.83/mo.	
E or G	Hired on or after January 1, 2006	Eff. 7/1/06: \$1,200 annually - \$100/mo.	1.5% of annual salary
		Eff. 7/1/08: \$1,500 annually - \$125/mo.	
		Eff. 7/1/17: \$1,750 annually - \$145.83/mo.	
D	Hired on or after January 1, 2007	Eff. 7/1/22: \$1,400 annually - \$116.67/mo.	1.5% of annual salary
		Eff. 1/1/07: \$1,200 annually - \$100/mo.	
		Eff. 7/1/22: \$960 annually - \$80/mo.	
T	Hired on or after January 1, 2008	Eff. 7/1/06: \$1,200 annually - \$100/mo.	1.5% of annual salary
		Eff. 7/1/08: \$1,500 annually - \$125/mo.	
		Eff. 7/1/17: \$1,750 annually - \$145.83/mo.	
F	Hired on or after July 1, 2008	Eff. 7/1/22: \$1,400 annually - \$116.67/mo.	1.5% of annual salary
		Eff. 7/1/08: \$1,500 annually - \$125/mo.	
		Eff. 7/1/17: \$1,750 annually - \$145.83/mo.	

P	Hired on or after January 1, 2008	Eff.7/1/06: \$1,500 annually - \$125/mo. Eff.7/1/14: \$1,700 annually - \$142/mo. Eff.7/1/16: \$2,500 annually - \$208.33/mo.	1.5% of annual salary
		Eff. 7/1/22: \$2,000 annually - \$166.67/mo.	
C	Hired on or after *****	Eff.7/1/06: \$1,500 annually - \$125/mo. Eff.7/1/17: \$2,700 annually - \$225/mo.	1.5% of annual salary
		Eff. 7/1/22: \$2,160 annually - \$180/mo.	

- (b) Effective on the dates provided below, employees that participate in the retirement health savings plan, shall upon retirement, receive a retiree health care stipend credited to their RHS Plan Account for each full calendar month after retirement in the amount \$200/month for singles and \$400/month for doubles/families for those employees who, at the time of retirement, have and meet the following applicable requirements:

Benefit Group	Effective Date	Eligibility Requirement
D	August 15, 2022	Attained 60 years of age with 15 or more years of credited service
T, E, G & F	October 10, 2022	Attained 60 years of age with 15 or more years of credited service
P	August 15, 2022	25 or more years of credited service
C	August 15, 2022	Attained 50 years of age with 25 or more years of credited service, or 30 or more years of service regardless of age

- (c) For purposes of meeting the credited service requirement for the retiree health care stipend in subsection (b) only, the employee shall be entitled to use his or her credited service in force previously acquired as a member of governmental unit retirement systems as otherwise defined and qualified under the Reciprocal Retirement Act, PA 88 of 1961, as amended (MCL 38.1101 et seq.).
- (d) The city may prefund the retiree health care stipend in Retiree Health Care Trust Fund. The city shall also make an annual verification of single or double/family status in such manner as they deem appropriate.

Sec. 2-708. - Mandatory bargaining subjects.

Notwithstanding any other provisions of this division, any matter relating to the retirement system provided by this division applicable to current employees represented by a collective bargaining agent is a mandatory subject of bargaining under the Public Employment Relations Act, Act No. 336 of the Public Acts of 1947, being MCL 423.201—423.216. The provisions contained in the collective bargaining agreements shall supersede any conflicting provisions contained in this division.

Section 3 of Ordinance. Repealer.

Subject to the savings clause in Section 4 of this Ordinance, the Sections of Chapter 2, Article V, Division 2 and Division 3, of the Farmington Hills City Code, that existed prior to and are amended by this Ordinance, and all other Ordinances or parts of Ordinances in conflict herewith are hereby repealed only to the extent necessary to give this Ordinance full force and effect, and the Farmington Hills Ordinance Code shall remain in full force and effect, amended only as specified above.

Section 4 of Ordinance. Savings.

All proceedings pending and all rights and liabilities existing, acquired, or incurred at the time this Ordinance takes effect are saved and may be consummated according to the law in force when they were commenced.

Section 5 of Ordinance. Severability.

If any section, clause or provision of this Ordinance shall be declared to be unconstitutional, void, illegal or ineffective by any Court of competent jurisdiction, such section, clause or provision declared to be unconstitutional, void or illegal shall thereby cease to be a part of this Ordinance, but the remainder of this Ordinance shall stand and be in full force and effect.

Section 6 of Ordinance. Effective Date.

The provisions of this Ordinance are hereby ordered to take effect on the date provided by applicable law following publication.

Section 7 of Ordinance. Enactment.

This Ordinance is declared to have been enacted by the City Council of the City of Farmington Hills at a meeting called and held on the 12th day of December, 2022, and ordered to be given publication in the manner prescribed by law.

AYES:	BARNETT, BRIDGES, BRUCE, KNOL, MASSEY AND NEWLIN
NAYES:	NONE
ABSTENTIONS:	NONE
ABSENT:	BOLEWARE

STATE OF MICHIGAN)
)ss
COUNTY OF OAKLAND)

I, the undersigned, the qualified and acting City Clerk of the City of Farmington Hills, Oakland County, Michigan, do certify that the foregoing is a true and complete copy of the ordinance adopted by the City Council of the City of Farmington Hills at a meeting held on the 12th day of December, 2022, the original of which is on file in my office.

Pamela B. Smith, City Clerk
City of Farmington Hills

Introduced: November 28, 2022
Adopted: December 12, 2022
Effective: January 2, 2022
Published: December 18, 2022