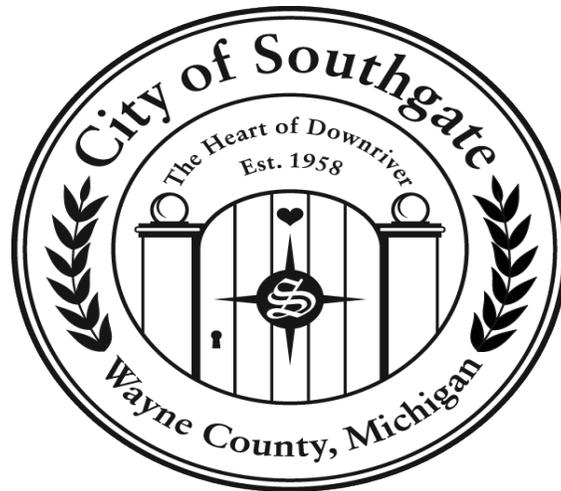


**City of Southgate Employee Compensation Plan**

**2012**

**Economic Vitality**  
**Incentive Program (EVIP)**



Mayor's Office  
14400 Dix-Toledo  
Southgate, Michigan 48195

In accordance with State of Michigan Public Act 63 of 2011 the City of Southgate has created and intendeds to implement the following plan for employee compensation.

- A. New hires eligible for retirement plans will be placed in retirements plans that cap annual employer contributions:
- i. 10% of base salary
  - ii. 16.2% of base Salary (Police and Fire Personnel)

The City of Southgate currently has two different retirement systems for new hires of police and fire service (Act 345) and municipal employees:

- i. All new municipal employees are entitled to participate in a Defined Contribution Retirement Plan where the City will contribute 7% of the employee's pre-tax wages into a retirement savings account. This will occur if and only if the employee contributes 7% of their pre-tax wages as well.
- ii. The Police and Fire Retirement system remains a Defined Benefit Plan. Employer contributions are variable and based on the overall condition and health of the retirement system. We will continue to negotiate with our labor unions to reduce the employer's required contribution.

B. Defined benefit plans:

- i. A maximum 1.5% multiplier if employee is eligible for social security. If there is no retiree health care, a maximum 2.25% multiplier.
- ii. A maximum 2.25% multiplier if employee is not eligible for social security. If there is no retiree health care, a maximum 3.0% multiplier.

The City of Southgate operates as an Act 345 Community thereby having different standards for Defined Benefits which are as follows:

- i. The current pension multiplier is set at 2.25% for all municipal employees hired before July 1, 2008. For all employees hired after July 1, 2008 the pension multiplier is set at 1.5%. The City of Southgate will pursue through contract negotiations the reduction of the multiplier for all active employees.
- ii. The current pension multiplier is set at 2.69% for all police and fire serviceman. The City of Southgate will pursue through contract negotiations the reduction of the multiplier for all active employees.

C. Also for defined benefit plans the final average compensation shall be computed using at a minimum 3 years compensation and can't include more than 240 hours of paid leave. It also cannot include over time.

- i. All municipal employee plans are currently capped at (3) three years. Also, it is impermissible to include vacation and sick leave.
- ii. All Police Officers and Firefighters hired after July 1, 2008 final average compensation will include only base wage, longevity pay, and unused vacation (capped at 120 hours). For all Police Officers and Firefighters hired before July 1, 2008 final average compensation shall include and be based upon base wage, overtime, longevity, holiday pay, accumulated and accrued unused vacation days at the time of retirement, officer training bonus, gun allowance, and sick leave to a maximum of 100 days.

The City of Southgate will utilize the collective bargaining process to aggressively restructure our long term legacy costs. These costs have been building over a sustained period of time and we have been working to reduce the long term legacy obligations of our City. This can only be done through negotiating with our labor unions.

D. Health care premium costs for new hires shall include a minimum employee share of 20%, OR the employer's share shall be cost competitive with the new state preferred provider organization health plan on a per-employee basis.

- i. At the time, PA 152 was adopted which states in relevant part, "If a collective bargaining agreement or other contract that is inconsistent with sections 3 and 4 is in effect for a group of employees of a public employer on the effective date of this act, the requirements of section 3 or 4 do not apply to that group of employees until the contract expires." was adopted all six (6) of the then existing Collective Bargaining Agreements were then closed, City will work towards implementing this requirement once labor negotiations resume in June of 2013. Also, the City of Southgate has aggressively worked to reduce health care costs in general and currently participates in a HMO Plan that has controlled costs; the average employee cost is below what PA 152 would require as a maximum employer cost.