

City of Grand Rapids Health and Pension Benefit Analysis

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Some pension plan facts:

City of Grand Rapids Police/Fire Pension Contributions:

Current year = \$0.00

City contributions over the last 13 years averaged = \$120,498.00

Average annual pension cost to the City per P/F employee = \$209.00

(\$120,498 / 576 active employees = \$209.00 each per year)

Source - POLICE AND FIRE RETIREMENT SYSTEM 39TH ANNUAL ACTUARIAL VALUATION

The pension fund is currently significantly over funded and no new City contributions are forecast for some time to come.

By comparison:

644 participating municipal plans in the Michigan Municipal Employees' Retirement System (MERS) received \$113 million in employer contributions for 36,467 employees for an average cost of \$3,099 per employee per year.

Source: Municipal Employees' Retirement System of Michigan Annual Actuarial valuation December 31, 2005

Percent (share) of employer compensation costs for retirement benefits, all workers, all private establishments, 1966-1998

Type of retirement benefit	1966	1977	1988	1998
Social Security	2.8	3.7	4.8	4.7
Employer retirement plans	2.6	4.3	3.3	3.8

"Tracking Changes in Benefits Costs" *Compensation and Working Conditions*, Spring 1999.

Therefore, if the City expended the 'average' 3.8% cost for retirement plans above, they would expend \$1,269,200/year or \$2203/year/employee.

Grand Rapids police and fire employees are not covered under Social Security. The City has never made any other pension contributions or paid other retirement taxes on behalf of these individuals.

Clearly the City of Grand Rapids Police Fire retirement costs are NEGLIGIBLE and SIGNIFICANTLY BELOW STATE OR NATIONAL AVERAGES! Grand Rapids police and fire pensions have been largely employee funded for many years.

Some health care cost facts:

Police members may retire after attaining age 50 and completing 10 years of service. Firefighter members are eligible for retirement after attaining age 55 with 10 or more years of service. In fact, the average age of a police retiree

No benefit is available after age 65.

Therefore, the number of years the City pays insurance 10.2 years for the average police retiree and 7.2 years for the average firefighter. The cost the city announced for retiree health care is \$11,172/year/retiree.

A little math indicates, in today's dollars, a lifetime individual expenditure of \$113,954 for a police retiree's health care and \$80,438 for a firefighter.

Given that an average career is 30 years or more, that means the City negotiated a benefit that costs around \$2,500 to \$3,000 per year in total compensation for pension and health care in today's dollars. That equates to about 5.1% of payroll for health and pension costs combined in today's wages. Because they did not fund their promise, they now must pay current in dollars. The City professes their cost is 13% of payroll for retiree health care alone. GRPress Apr24,2007

This is not a new lesson or a pleasant lesson. In the 1960s and early 1970s the pension fund was under funded. The City did not contribute their share. The fund nearly went broke. The City made double contributions (up to 25% or more of payroll) to erase the debt. It was painful and costly to budgets and operations. But the lesson is clear: if you negotiate a benefit, IT MUST BE FUNDED.

The intent of this document is to set out a few facts and draw a simple conclusion. That conclusion is that it is grossly unfair to the current and future retirees to decrease benefits earned and paid for over a career because the City took the opportunity to invest these benefit dollars elsewhere. The employees gave up wages based on a promise of health care. The City negotiated a plan with known costs and set aside no monies from those recovered wages to pay for it. The costs of health care certainly have escalated. But the hand to mouth mentality again sees a bare cupboard and demands that people no longer represented and defenseless take the bite. Once again these deferred costs are evidence of mismanagement and lack of foresight.

It is time the City stopped crying about pension costs, which are minimal. The City of Grand Rapids should fund their health care promises made to dedicated employees who gave up wages every day to negotiate these benefits to protect themselves and their families.