



Since the Council work session on Feb 4th, the Administration has received a few comments and questions from employees on the potential conversion of Tier 2 retirement benefits to match the Tier 1 benefit plan. There were a few repetitive themes which are captured and answered here:

1. The decision coming before Council is specifically the decision required by the State Act related to Tier 2 pension plan conversion. Other employee and retiree benefits provided by the City are **not** part of that decision.
2. The presentation to Council at the work session was informational only. It was intended to bring everyone up to a common understanding of the full benefits plan provided to employees, then focus specifically on the pension plan question in the latter portion of the presentation. Some attendees and viewers of the work session incorrectly assumed that since the other benefits were discussed there was some decision pending related to those benefits.
3. The Mayor is **not** bringing forward any proposed changes to those other benefits as part of this process.
4. Council will have to make multiple decisions related to the Tier 2 to Tier 1 question if they choose to pursue the conversion.

First, they must decide whether or not to convert the current Tier 2 employees to Tier 1. If “no” then there is no further action. If “yes”, then...

Second, they must decide whether or not the current Tier 1 employees’ contribution increases from 5% to 7.5% (6% to 8.5% for Police and Fire). If “no”, then they must submit a plan to RSA that establishes a metric or condition under which RSA could force the increase in the future. In simple terms, if economic or financial conditions of the City put the health of the pension plan at risk, RSA would be able to take action to maintain the health of the plan. We certainly expect that would never be necessary but there must be a plan in place essentially as an insurance policy.

5. It is important to note for all our current Tier 2 employees, if the conversion is adopted, increasing your contribution by 1.5% is not optional. Employees cannot opt out of the conversion. Council’s option is either “convert all Tier 2 employees” or “convert none”. Once converted, assuming that is Council’s decision, current Tier 2 employees will have access to a much more robust pension plan upon retirement but will see a decrease in current take-home pay due to the larger contribution.

6. At the Feb 11 Council meeting, the Mayor informed Council he intends to recommend approval of the conversion of current Tier 2 employees to the Tier 1 plan. And he will recommend current Tier 1 employees continue at the 5% contribution rate (6% for Police and Fire).

7. Our current timeline sets March 11 as the Council meeting at which the vote will occur. With their approval, we would then submit the plan to RSA. RSA must review and approve the plan before it is fully adopted. That process would proceed through the Spring and Summer months of this year. Regardless of when final approval is received, the changes would not take affect until October 1<sup>st</sup>.

If you have additional questions, please email [contact@huntsvilleal.gov](mailto:contact@huntsvilleal.gov).