



# MLGMA

<http://www.mlgma.org>

## **MICHIGAN LOCAL GOVERNMENT MANAGEMENT ASSOCIATION**

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# The Manager

The official newsletter of the Michigan Local Government Management Association

Affiliated with the Michigan Municipal League

September 2005

## Michigan Managers Performing on the Edge

### *Cool Weather, Hot Topics*

*By Jason Eppler, DeWitt City  
Administrator; Chair, 2005 Summer  
Workshop Planning Committee*

Over 100 local government managers were greeted with cooler summer temperatures as they arrived at Garland Resort for this year's MLGMA Summer Workshop. Garland Resort proved to be a beautiful backdrop and a periodic distraction as managers furthered their education so that they may continue to perform on the edge.

Dr. Joe Ohren from Eastern Michigan University set the tone for the entire workshop at the keynote session on Wednesday. Joe's fast-paced, interactive presentation on performance measurement and management made us all think about our ability as managers to influence our organization's activities and outcomes—helping our organizations to perform on the edge.

The keynote was complemented on Thursday with a presentation by representatives of the City of Ann Arbor, outlining the methods they used to redefine local service delivery. As a result of retirements and reorganization, the City of Ann Arbor has been able to streamline operations while improving services based on a process relying heavily on employee involvement. The efforts of the City of Ann Arbor were

amplified by City Administrator Roger Fraser's presentation on how the City has taken back the operations of its fire department. Roger's "you could hear a pin drop" session on reclaiming control of the operations of the fire department made many of us with paid on-call departments realize that a little old-boy camaraderie within our departments may not be as difficult of an issue to maneuver as we may think. Roger's challenges in Ann Arbor have certainly been monumental.

Other workshop session topics ranged from a review of the financial picture in Lansing to Brownfield redevelopment. Despite the four beautiful golf courses at Garland and the pleasant weather sessions were well attended.

Since all workshop invoices have not yet been received, the financial success of the workshop is not known. Good attendance and several workshop sponsors should permit this year's workshop to end in the black.

I wish to thank the members of the workshop planning committee for their solid ideas, hard work and follow-through as we planned this year's workshop. Also, a thank you to all who attended, working collaboratively to make sure we had a great time at Garland!

# Exploring Your Retirement Plan Distribution Alternatives

By Jeff Kingzett, Financial Advisor, UBS Financial Services, Inc.\*

You may not have to retire to be entitled to receive a distribution from an employer-sponsored retirement plan, such as a 401(k), profit sharing, money purchase pension, defined benefit or employee stock ownership (ESOP) plan. You may, for example, be entitled to a distribution if you are leaving your company, if your company is terminating its retirement plan, or if you are the beneficiary of a deceased plan participant.

Regardless of when and why you become eligible for a distribution from an employer-sponsored retirement plan, what you decide to do next may well be one of the most important financial decisions you will make.

Since your qualified retirement plan (QRP) distribution could represent the largest sum of money you'll ever receive at one time, it is important to do your homework and evaluate your options before you receive your distribution. It also makes sense to consult with a financial advisor and/or tax attorney who can provide expert advice and help you select the best distribution alternative to fit your individual circumstances.

Although the number of distribution alternatives available to you will vary depending on the terms of your specific QRP, there are three common distribution alternatives.

## *Annuitized Payments*

Generally, when you elect an annuity form of payment from a QRP, you will receive a set monthly benefit amount either for your life (or the joint life expectancy of you and your spouse) or for a predetermined number of years. Most annuity options are structured to guarantee you (and your spouse, if you are married) will not outlive your retirement savings.

The annuity form of distribution has several distinct disadvantages to be aware of.

- You generally cannot elect to modify the payment terms should your financial circumstances change.

- Depending on the terms of the annuity, distributions often may cease at your death, meaning that no further benefits under the annuity contract would be paid to your heirs.
- You bear the risk that the purchasing power of your annuity payments may not keep up with inflation.

## *Lump Sum Distribution*

Many QRPs permit the participant or beneficiary to elect to have the entire benefit amount paid in the form of a lump sum distribution. Under certain circumstances, taking a lump sum distribution may entitle you to special tax treatment. For example, when all or part of your lump sum distribution is comprised of employer securities, you may be eligible to defer taxes on the portion or your distribution that constitutes "net unrealized appreciation" (NUA) until the stock is sold.

If you elect to take a lump sum distribution from a QRP, you will generally have to decide between:

- Paying taxes on the entire lump sum distribution in the first year, or
- Rolling over part or all of the distribution to a Rollover IRA.

If you are not eligible for special tax treatment, your lump sum distribution generally will be included with your other taxable income. That means it could be subject to a federal tax rate, which could be as high as 35%. State income taxes also generally apply to lump sum distributions.

## *Rolling Over Distributions to an IRA<sup>1</sup>*

The third distribution option available under many QRPs is to roll over the amount of the retirement distribution to an individual retirement account (IRA). By rolling over some or all of the distribution to an IRA, you can defer taxes on the amount rolled over and you will have the ability to decide how to invest your money.

There are significant benefits to rolling over your distribution to an IRA:

- The avoidance of what could be a hefty, immediate tax burden,

allowing you to invest more money now;

- The opportunity for faster accumulation of your money over time through tax-deferred growth, and
- The ability to invest your retirement assets any way you like.

## Understanding the Mandatory Federal Withholding Rules

Any portion of an eligible rollover distribution that is paid directly to you is subject to mandatory 20% federal income tax withholding.<sup>2</sup> And if you are younger than 59-1/2 at the time of distribution, you may be subject to a 10% early distribution penalty tax in addition to ordinary income taxes. (If you separate from service during the year you become age 55, or later, however, and then receive a distribution from your former employer's QRP, the 10% penalty tax will not apply.)

## Making the Right Choice

To help you decide how to receive your distribution, your employer is required by law to give you written notice (at least 30 days but no more than 90 days before the distribution) describing your options, including direct rollovers. At this point it would be prudent to review the advantages and disadvantages of each distribution option with your tax and/or financial advisor and determine which option best meets your personal needs and circumstances.

*Jeff Kingzett is a former local government manager. Call him at 248-650-1613; email [jeff.kingzett@ubs.com](mailto:jeff.kingzett@ubs.com); or learn more at [www.ubs.com/fa/jeffkingzett](http://www.ubs.com/fa/jeffkingzett).*

<sup>1</sup> If you are a non-spouse beneficiary of a deceased QRP participant, you are not eligible for the Rollover IRA option.

<sup>2</sup> Certain types of distributions are exempt from the mandatory 20% tax withholding.

\* UBS Financial Services Inc. does not provide tax or legal advice. Consult with your tax and legal advisors regarding your specific situation

# ICMA News

## ICMA Develops Financial/Recruitment Strategy

By Jane Bais-DiSessa, ICMA-CM, Berkley City Manager, ICMA Vice President—Midwest Region

This year's ICMA conference in Minneapolis marks the end of my second term as an ICMA Vice President for the Midwest Region. Every year, I hear colleagues say, "Given recent budget cuts, it's getting tougher to justify my membership to ICMA—it's so expensive and I really don't get anything out of my membership." As a manager who's been there, thankfully, eliminating my membership in either my state or national associations has never been an option. For me, these memberships provide the information and tools I need to be an effective and productive manager.

During my first year with the ICMA board, I learned that, like my colleagues, the board was grappling with this same issue. In response, at the 2004 ICMA annual conference held in San Diego, the board approved an implementation plan recommended by the Task Force on Financing ICMA. Briefly, this plan includes the following strategies to help reduce costs:

- Recruit new corporate sponsors who demonstrate support for Association values, generate revenue, and are clearly explained to the membership;
- Create all-electronic memberships for students, interns, and Life members;
- Provide incentives to state and affiliate associations who recruit new ICMA members from their memberships by agreeing on a package of incentives.
- Implement a .8 % salary-based dues structure for Corporate members;
- Establish a cap on salary-based dues at \$175,000 that declines to \$150,000 over 5 years and increases at the rate of inflation after that;
- Reduce dues rates for non-Corporate members (Affiliates) from .8 % to .5 %;
- Establish a 5% discount for each Corporate member when there are two or more Corporate members in a local government;

- Aim for a broader local government audience and use profits to subsidize professional development for members; and
- Seek cost underwriting to help fund member training, but exercise care in how such sponsorship is displayed and ensure that ICMA retains control of training content.

Also, the Task Force recommendations gave particular attention to increasing the number of members from targeted membership groups—managers in state associations who do not belong to ICMA, principal assistants whose managers belong to ICMA, and those early in their careers who will be the next generation of managers.

I'm proud to report that all of the ICMA vice presidents are personally committed to help recruit these members and to actively engage in member recruitment and retention. The board's goal for 2005 is to recruit 153 net new members, a 3% increase. Over the next five years, ICMA's goal is to increase net new members by 24%. For Michigan, this means 10 new members a year.

Lastly, in 2005, ICMA is working with several states and affiliate associations to establish agreements identifying recruitment incentives. So, as you can see, your ICMA Board has been quite busy.

Now that I've briefly described the Board's strategy to reduce membership fees while keeping the organization afloat—the next big question, "What is the value of being an ICMA member?" was best explained by fellow ICMA Vice President Ken Parker, City Manager of Port Orange, Florida, at a presentation to the Alabama City/County Management Association. Ken said, "ICMA and its members set the standards by which local government management and professionalism are measured. It is the premier professional governmental management association and has a worldwide membership."

It's that simple. Thanks, Ken.

For more details on this plan, click on [www.icma.org](http://www.icma.org).

## President's Message

by Randall D. Byrne, Grand Blanc City Manager; 2005-2006 MLGMA President

As your new president, I'm writing this column a little bit sooner than I had planned. As you know by now, Tom Wieczorek accepted a position as executive director of the Committee on Fire Accreditation International. He has become the Executive Director of that organization.

Tom will leave big shoes to fill and will be missed. I know that everyone wishes him success in his new job. Tom laid out a plan for MLGMA in January at our Winter Institute and we will continue to work as an Association to achieve those goals.

Tom was able to attend the Summer Workshop, where the Association thanked him for his years of service. Mike Herman and I had the honor of presenting Tom with his Past President's pin and a plaque for his outstanding service to MLGMA.

The MLGMA Board met on Tuesday July 26, 2005 and acted on the following items:

1. The Board accepted Tom Wieczorek's resignation as president of MLGMA in accordance with our bylaws.
2. The ICMA's Midwest Vice President Rotation Agreement was approved.
3. Jack Duso, ACM Midland, will draft a policy to allow MML staff members to post messages to the listserv.
4. Al Vanderberg, Ottawa County Administrator, was appointed to the 2006 ICMA Conference Planning Committee to be held in San Antonio, Texas.

I look forward to working with you and serving as your president over the next 17 months. To reach me, phone (810) 694-1118; fax (810) 694-9517; or email [citymanager@cityofgrandblanc.com](mailto:citymanager@cityofgrandblanc.com).

# Back page news & Calendar

## Regional Managers Groups

### BORDER BANDITS

Hillsdale/Branch/Calhoun Counties. *Contact:* Bill Stewart, CM, Coldwater.

### GENESEE COUNTY

Genesee County—meetings held first Thursday of the month. *Contact:* Michael Senyko, CM, Fenton.

### LAKE AREA

Macomb County, parts of St. Clair County and the Grosse Pointe area—lunch meetings held 3rd Thursday, every other month. *Contact:* Brian Vick, AA, Grosse Pointe.

### MIDDLE OF THE MITTEN

Lansing metro area—meetings held 1st Thursday of the month. *Contact:* Theodore J. Staton, CM, East Lansing.

### MID-MICHIGAN CITY/COUNTY

Upper Central Lower Peninsula. *Contact:* Ken Hibel, CM, Clare.

### NORTHERN MICHIGAN L.P.

Meetings held 4th Thursday of the month. *Contact:* George Korthauer, CM, Petoskey.

### OAKLAND COUNTY

Meetings held 2nd Tuesday of the month, excluding July and August. *Contact:* Carolyn Lehr, CM, Keego Harbor.

### SAGINAW COUNTY

Saginaw County—meetings held last Friday of the month. *Contact:* Ron Lee, Saginaw Township Manager.

### SOUTHEAST MICHIGAN

Wayne/Washtenaw/Lenawee/Monroe Counties—meetings held 3rd Wednesday of the month. *Contact:* George Brown, CM, Adrian.

### SOUTHWEST MICHIGAN

Berrien/Kalamazoo/St. Joseph/Cass/Van Buren Counties—meetings held 3rd Tuesday of the month. *Contact:* Larry Nielsen, CM, Bangor.

### THUMB NUTS

Thumb area—meetings held three times each year. *Contact:* Charlie Graham, CM, Frankenmuth.

### U.P.

Meetings held twice each year. *Contact:* John Siira, CM, Wakefield.

### WEST MICHIGAN

Kent/Muskegon/Ottawa Counties; Ludington/Portland areas—lunch meetings held in Grand Rapids, 3rd Wednesday of each month, except July and August. *Contact:* Ken Krombeen CM, Grandville.

## Calendar

### 2005

#### September

- 20- MML Annual Conference
- 23 Amway Grand Plaza, Grand Rapids
- 25- ICMA Annual Convention
- 28 Minneapolis, MN

#### Sept. 26

**ICMA Michigan Dinner**  
6:00 p.m., Solera Restaurant  
Minneapolis, MN

### 2006

#### January/February

- 31- MLGMA Winter Training Institute
- 3 Radisson Hotel, Kalamazoo

#### March

- 21- MML Legislative Conference
- 22 Lansing

## 2005 MLGMA Board Schedule

- **Thursday, Sept. 22, 2005**  
8:00–9:30 a.m., Amway Grand Plaza, Grand Rapids
  - **Friday, Nov. 18, 2005**  
10 a.m.–Noon, MML Lansing
- Please send agenda items, correspondence, etc. at least two weeks before the scheduled meeting, to MLGMA President, Randall Byrne [phone: (810) 694-1118, fax: (810) 694-9517 or e-mail: [citymanager@cityofgrandblanc.com](mailto:citymanager@cityofgrandblanc.com)].

### DEADLINE

MLGMA members are encouraged to submit articles for publication in *The Manager*. Please submit all copy for the Dec. 2005 issue to the editor, Sue Lee, [leeford@comcast.net] by Monday, November 1, 2005.

*2005 ICMA Michigan Dinner*  
*Minneapolis, Minnesota*  
*Please join us at Solera Restaurant*  
*on Monday, September 26. Hors D'Oeuvres*  
*and cash bar will begin at 6:00 P.M., followed*  
*by dinner. Registration information has been*  
*sent. Please be aware that you need*  
*to sign up ahead of time!*  
*We look forward to seeing you there!*