

Municipal Stability Board

Wednesday, June 17, 2020 at 11:00 a.m.
Virtual Public Meeting
via Microsoft TEAMS

I. Call to Order

- A. Roll Call
- B. Approval of May 20, 2020 Minutes

II. Public Comment

- A. 2 minute limit

III. Correspondence

- A. Treasury Update

IV. Old Business

- A. Local Government Assistance Public Comment

V. New Business

- A. Local Government Assistance Schedule and Timeline
- B. Corrective Action Plan Monitoring Policies and Procedures Updates and Review Schedule
- C. Receipt of Corrective Action Plans
 - i. City of Negaunee
 - ii. Roscommon County Road Commission
- D. Approvals and Disapprovals of Corrective Action Plans (Resolution 2020-6)
 - i. Dexter Area Fire Department
 - ii. MBS International Airport Commission
 - iii. City of St. Ignace
 - iv. City of Vassar
- E. Corrective Action Plan Noncompliance (Resolution 2020-7)
- F. Removal from Corrective Action Process and Purview of the Board (Resolution 2020-8)

VI. Public Comment

A. 2 minute limit

VII. Board Comment

VIII. Adjournment

MUNICIPAL STABILITY BOARD

**Wednesday, May 20, 2020
11:00 a.m.**

Virtual Public Meeting via Microsoft TEAMS

DRAFT Meeting Minutes

CALL TO ORDER

Chairman Eric Scorsone called the meeting to order at 11:03 a.m.

ROLL CALL

Members Present: Three

Eric Scorsone

John Lamerato

Barry Howard

Let the record show that three board members eligible to vote were present. A quorum was present.

APPROVAL OF MINUTES

A motion was made to approve the April 15, 2020 board meeting minutes by Barry Howard and supported by John Lamerato. The Board unanimously approved the April 15, 2020 meeting minutes. 3 Ayes and 0 Nays.

PUBLIC COMMENT

There was no public comment.

CORRESPONDENCE

Nick Brousseau presented the Board with the Treasury update, which included an updated report on the Department of Treasury's communication and outreach and an overview of local governments who are now noncompliant for failure to resubmit corrective action plan(s).

NEW BUSINESS

CORRECTIVE ACTION PLAN EXTENSION REQUESTS

Nick Brousseau informed the Board that two local governments requested a 45-day corrective action plan extension request after the Board's meeting packet was distributed. The Board motioned to add the extension requests to their agenda.

A motion was made to add extension requests to the agenda by John Lamerato and supported by Barry Howard. The Board unanimously approved amending the agenda to include the corrective action plan extension requests. 3 Ayes and 0 Nays.

Then, the Board motioned to approve the corrective action plan extension requests from Roscommon County Road Commission and the City of Negaunee.

A motion was made to approve the extension requests by Barry Howard and supported by John Lamerato. The Board unanimously approved the corrective action plan extension requests. 3 Ayes and 0 Nays.

OPEN MEETINGS ACT NOTICES DESIGNATION (RESOLUTION 2020-3)

Nick Brousseau reviewed the Open Meetings Act Notices Designation (Resolution 2020-3) with the Board.

Barry Howard asked for additional information about what the resolution authorizes. Nick Brousseau explained that this resolution authorizes Treasury to modify notifications for virtual Board meetings, meeting cancellations, etc., without the Board having to vote.

A motion was made to approve the Open Meetings Act Notices Designation (Resolution 2020-3) by John Lamerato and supported by Barry Howard and Eric Scorsone.

The Board unanimously approved the Open Meetings Act Notices Designation (Resolution 2020-3). 3 Ayes and 0 Nays. Resolution 2020-3 was passed.

PUBLIC ACT 202 OF 2017: LOCAL GOVERNMENT CORRECTIVE ACTION PLAN ASSISTANCE

Nick Brousseau reviewed with the Board the Public Act 202 of 2017 Local Government Corrective Action Plan Assistance.

Barry Howard asked if this had been put out for public comment, and if the goal was to approve for public comment or to enact now. Nick Brousseau explained the intent was to adopt the document and then open the individual parts for public comment. Barry Howard noted this does change things significantly and recommends requesting public comment on this document and reviewing those comments next month.

A motion was made to send the document out for public comment and revisit at next month's meeting by Barry Howard and supported by John Lamerato and Eric Scorsone.

The Board unanimously approved to send the document out for public comment. 3 Ayes and 0 Nays.

RECEIPT OF CORRECTIVE ACTION PLANS FROM 4 LOCAL GOVERNMENTS (4 PLANS)

Nick Brousseau provided the Board with corrective action plans for the following 4 local governments (4 plans):

- Dexter Area Fire Department
- MBS International Airport Commission
- City of St. Ignace
- City of Vassar

A motion was made to receive the corrective action plans by Barry Howard and supported by John Lamerato and Eric Scorsone.

The Board unanimously received the corrective action plans. 3 Ayes and 0 Nays.

APPROVALS AND DISAPPROVALS OF CORRECTIVE ACTION PLANS FROM 5 LOCAL GOVERNMENTS (6 PLANS) (RESOLUTION 2020-4)

Nick Brousseau was asked to review the Treasury recommendations for Approval and Disapproval of Corrective Action Plans (Resolution 2020-4) with the Board. Eric Scorsone asked if it was known for Genesee County the reduction in liabilities that was related to the change in discount rate. Nick

Brousseau responded that based on the presented documentation from Genesee County, actuarial assumption changes likely accounted for 10-15% of the reduction.

A motion was made to approve the Approvals and Disapprovals of Corrective Action Plans (Resolution 2020-4) by John Lamerato and supported by Barry Howard and Eric Scorsone for the following local governments:

- Brownstown Charter Township (Approved)
- East China Township (Approved)
- Genesee County (Approved)
- Montmorency County (2 plans) (Pension: Approved; OPEB: Disapproved)
- Sanilac County Road Commission (Approved)

The Board unanimously approved the Approvals and Disapprovals of Corrective Action Plans (Resolution 2020-4). 3 Ayes and 0 Nays. Resolution 2020-4 was passed.

CORRECTIVE ACTION PLAN NONCOMPLIANCE (RESOLUTION 2020-5)

Nick Brousseau reviewed with the Board the Corrective Action Plan Noncompliance (Resolution 2020-5). Roscommon County Road Commission and the City of Negaunee submitted extension requests and will need to be removed since they were approved. Thetford Township has now filed a fiscal year 2019 5572 showing they are not underfunded; therefore, Treasury recommends removing them as well.

A motion was made by Barry Howard to remove Roscommon County Road Commission, the City of Negaunee, and Thetford Township from the Corrective Action Plan Noncompliance list and was supported by John Lamerato and Eric Scorsone. The motion passed. 3 Ayes and 0 Nays.

A motion was made by Barry Howard to approve the Corrective Action Plan Noncompliance as amended (Resolution 2020-5) and was supported by John Lamerato and Eric Scorsone. The Board unanimously approved the Corrective Action Plan Noncompliance as amended (Resolution 2020-5). 3 Ayes and 0 Nays. Resolution 2020-5 was passed.

PUBLIC COMMENT

No public comment.

BOARD COMMENT

The Board members each stated that there would likely need to be additional discussions about retirement issues in the future once the full scope of the current situation is realized.

NEXT MEETING

The next regular meeting will be on June 17, 2020 at 11:00 a.m.

ADJOURNMENT

A motion was made to adjourn by Barry Howard and supported by John Lamerato and Eric Scorsone.

The Board unanimously approved the motion to adjourn. 3 Ayes and 0 Nays.

There being no further business, the meeting adjourned at 11:49 a.m.

Treasury's Public Act 202 of 2017 Update

As of 6/9/2020

Table 1: Upcoming CAP Reviews

Public Act 202 of 2017: Corrective Action Plan Review Schedule						
LOCAL GOVERNMENT TYPE	Tentative Month of Corrective Action Plan Review					
	June	July	August	September	October	November
NON-PRIMARY	1	0	1	0	3	0
PRIMARY	2	1	0	2	9	2
TOTAL	3	1	0	2	12	2

CAP Monitoring Notifications

- **Three local governments** received a Corrective Action Plan Monitoring: Application for Certification of Compliance form on **June 3, 2020**
- **Two local governments** scheduled for monitoring notification at the **end of June**

Attachment A: Corrective Action Plan Monitoring: Application for Certification of Compliance (Form 5720)

Treasury Department Communication and Outreach Report

- **219 one-on-one 30-minute calls** scheduled by local governments to discuss the Public Act 202 process
 - 1 individual call since the April Board meeting
- **Outreach to 1 local governments** being referred for noncompliance for failure to submit a corrective action plan

Executive Order 2020-75

- Temporary authorization of remote participation in public meetings and hearings and temporary relief from monthly meeting requirements for school boards
- Scheduled to expire June 30, 2020

Local Government COVID-19 Webpage

- www.Michigan.gov/Treasury | Local Government | COVID-19 Updates for Local Governments and School Districts
 - Local government resources and Treasury guidance
 - Registration for Treasury webinars and links to previous webinars

Attachment A

Michigan Department of Treasury
5720 (03-20)

Protecting Local Government Retirement and Benefits Act Corrective Action Plan Monitoring: Application for Certification of Compliance

Issued under the authority of Public Act 202 of 2017

LOCAL GOVERNMENT INFORMATION

Local Government Name: _____ Six-Digit Muni Code: _____

Defined Benefit Retirement System Name: _____

System Type: Pension Retirement Health Care (OPEB)

Contact Name (Administrative Officer): _____

Title (if not Administrative Officer): _____ Telephone: _____

Email (Communication will be sent here): _____

Fiscal Year System was Determined to be Underfunded: _____

I. GENERAL INFORMATION

Corrective Action Plan Monitoring: The Municipal Stability Board (the Board) shall monitor each underfunded local government's compliance with Public Act 202 of 2017 (the Act) and any approved corrective action plan (CAP). The Board shall adopt a schedule, not less than every 2 years, to certify that the underfunded local government is in substantial compliance with the Act.

Due Date: The local government has **90 days from the date the CAP Monitoring Form is sent** to return the form to the Board.

Filing: The submitted monitoring form must demonstrate through distinct supporting documentation that the local government is addressing its underfunded status in accordance with its CAP and the Act. Consistent with the Board's best practices document, supporting documentation utilized should include a projection within their annual valuation that includes, but is not limited to, actuarially determined contributions (ADC), retirement benefit payments, assets, liabilities, and discount rates.

The completed monitoring form must be submitted via email to Treasury at LocalRetirementReporting@michigan.gov for review by the Board. **If you have CAPs for multiple systems, you are required to complete separate monitoring forms and send a separate email for each CAP.** Please attach each plan as a separate PDF document in addition to all applicable supporting documentation.

The subject line of each email should be in the following format: **Corrective Action Plan Monitoring, Local Government Name, Retirement System Name, System Type** (e.g. Corrective Action Plan Monitoring, City of Lansing, Employee Retirement System, Pension). Treasury will send an automatic reply acknowledging receipt of the email. Your individual email settings must allow for receipt of Treasury's automatic reply. This will be the only notification confirming receipt of the form.

Municipal Stability Board: The Board shall certify and vote whether each local government is compliant with their CAP and the Act. If a CAP is certified as compliant, the Board will continue to monitor the CAP and review the local government's compliance with the Act not less than every two years.

Review Process: After receiving your submitted CAP monitoring form, Treasury will provide it to the Board to review and certify the local government for compliance with the Act.

CAP Monitoring Approval Criteria: A CAP may be certified as compliant by meeting the Board approved [CAP monitoring criteria](#). In general, certification of compliance by the Board will occur if a local government is able to demonstrate through distinct supporting documentation that the CAP addresses:

- 1) **Underfunded Status:** The local government continues to address underfunded status in a reasonable timeframe (60% funded for pension systems or 40% funded for OPEB systems OR; if the local government is a city, village, township, or county, the ADC as a percentage of governmental fund revenues is less than 10% for pensions or 12% for OPEB);
- 2) **Substantial Changes:** The actions documented in the CAP remain substantially the same, OR alternative actions have been implemented to address underfunded status;
- 3) **Sustainability:** The local government and the Board certify that the projected payments remain sustainable and affordable both now and into the future.

Certification of Compliance: Following a review of the monitoring process for each CAP, the Board will certify a local government as one of the following:

- *Compliant:* A local government certified as compliant has met all published criteria from the Board.
- *Complaint with Conditions:* A local government certified as compliant with conditions has met the published criteria, but the Board has determined that the local government's plan(s) may not be sustainable or the Board is unable to reasonably confirm future sustainability. With this certification, the local government will have until the next monitoring period to address the stated concerns regarding the plan(s).
- *Noncompliant:* A local government certified as noncompliant failed to meet one or more of the Board's published criteria for monitoring certification of compliance or failed to file the monitoring form. If voted noncompliant, the Board shall notify the local government within 15 days, detailing the reasons for the determination for noncompliance. The local government has 60 days to address the determination of noncompliance.

2. UNDERFUNDED STATUS CERTIFICATION

Previously, local governments demonstrated that they would be addressing their underfunded status within a reasonable timeframe in accordance with the Board's [Corrective Action Plan Development: Best Practices and Strategies](#) guide. The purpose of this section is for the local government to certify that their plan is still addressing its underfunded status within this approved timeframe.

Please check the applicable answer:

- I. Referencing supporting documentation, is the local government addressing its underfunded status in the same timeframe or less than the CAP?

- Yes, we are addressing underfunded status by fiscal year _____ as originally approved.**
- No, underfunded status will be now be addressed by fiscal year _____, which is within the Board's required timeframe.**

Required timeframe: As general guidance, a local government with a severely underfunded pension system (45% funded or less) should reach a funded ratio of 60% within 20 years of the original determination of underfunded status. A local government with a severely underfunded retirement health care system (25% funded or less) should reach a funded ratio of 40% within 30 years of the original determination of underfunded status.

If no, provide additional explanation:

3. SUBSTANTIAL CHANGES CERTIFICATION

The Board recognizes that as a local government implements the prospective actions in their CAP, specific solutions may need to be adjusted to continue to address its underfunded status. This section asks the local government to certify that the corrective actions documented in the plan to address underfunded status remain substantially the same.

Please check the applicable answer:

Does the CAP remain substantially the same as the originally approved submission?

- Yes**
- No** (If no, please complete a revised [Form 5597](#) for OPEB or [Form 5598](#) for pension and attach to this form)

Please check all that apply:

Actions Implemented from CAP – What actions included in the CAP has the local government implemented?

Sample Statement: *In June 2019, our local government began making additional payments of \$100,000 per year above its ADC to the **General Employees' Retirement System**, as stated in our CAP. Page 8 of our actuarial valuation (attachment 2a) shows our pension will be **62%** funded by **fiscal year 2028**.*

Actions Not Implemented from CAP – What corrective actions has the local government failed to implement since the plan was approved?

Sample Statement: *In the June 2019 contract negotiations, our local government sought to lower the system's multiplier for current employees from 2.5X to 2X for the **General Employees' Retirement System**. We were able to negotiate to a 2.25X multiplier. On page 8 of our actuarial valuation (attachment 2a), it shows we will be **62%** funded by **fiscal year 2028 instead of 2024**, as outlined in our CAP. The revised fiscal year remains within the Board's required timeline.*

<Insert User Entry Box>

Additional Actions Approved – What additional actions has the local government implemented or planned to implement to supplement the CAP since the plan was originally approved? (**Provide proof of governing body approval for all additional actions**)

Sample Statement: *Since our local government was unable to lower the multiplier to 2X as outlined in our CAP, we implemented additional actions to address our underfunded status within the Board's required timeframe. Beginning in **fiscal year 2020**, we will begin amortizing the unfunded portion of the pension liability using a **level-dollar amortization method over a closed period of 10 years**. This will allow the retirement system to reach a funded status of **62%** by fiscal year **2028** as shown on page 8 of the actuarial analysis (attachment 2a).*

<Insert User Entry Box>

4. SUSTAINABILITY CERTIFICATION

The local government must certify the plan is still affordable through detailed supporting documentation. This includes documentation that the local government's retirement costs are not increasing at a rate greater than what can be afforded through reasonable revenue growth. Retirement costs also must not have substantially increased above the original projection in the CAP.

The Board recommends that supporting documentation include a projection of all annual retirement payments (Pension ADC(s) + OPEB Benefit Payment(s) + all additional contributions) as a percentage of projected governmental fund revenues over the next five years. A local government should project governmental fund revenues using a reasonable forecast based on historical trends and projected rates of inflation. This analysis may include projected enterprise funds specifically allocated to pay retirement costs.

What is the highest combined annual retirement payment as a percentage of your projected governmental revenues over the next five fiscal years? ([Examples](#))

Fiscal year: _____

1. Total pension ADC(s): _____
2. Total OPEB benefit payment(s): _____
3. Total additional contributions for pension: _____
4. Total additional contributions for OPEB: _____
5. Total governmental fund revenues: _____
6. Enterprise funds used to pay retirement costs (if applicable): _____

Total percentage [(Payments #1-4)/(Revenues #5-6)]: _____

Do the projected annual payments increase by an amount greater than an average of 5% per year over the next five fiscal years?

- Yes** (Explain and list actions implemented or planned to implement to address increased payments)
- No**

<Insert User Entry Box>

Utilizing a projection of all annual retirement payments, do the approved corrective actions listed in this plan allow for the local government to continue to make, at a minimum, the ADC payment for the defined benefit pension system(s) and/or any applicable statutorily required payments for retirement health benefit system(s), according to your long-term budget forecast? Note: For retirement health benefit systems, local governments are required to make all retiree premium payments, as well as any applicable normal cost payments for employees first hired after June 30, 2018 in accordance with Section 4(1) of Public Act 202 of 2017.

- Yes**
- No** (Explain and list actions implemented or planned to implement to address increased payments)

5. REQUIRED DOCUMENTATION

Documentation should be attached as a PDF with this monitoring form. The documentation should detail and confirm the claims made in this document regarding the CAP that is being implemented to adequately address the local government's underfunded status. Please check all documents that are included as part of this form and attach in successive order as provided below. When attaching documents, please use the naming convention below:

Naming Convention

Type of Document

Attachment – 1

(Required) This CAP monitoring form;

Attachment – 2a

(Required) An actuarial projection, an actuarial valuation, or an internally developed analysis (in accordance with GASB and/or actuarial standards of practice), which illustrates how and when the local government will reach the Act's required funded ratio. Or, if the local government is a city, village, township, or county, how and when the ADC as a percentage of governmental revenues will be less than the Act's requirements. The Board recommends that supporting documentation show a projection for the duration of the CAP that includes, but is not limited to, assets, liabilities, funded ratios, normal cost payments (if applicable), actuarial assumptions, and retiree benefit payments, using reasonable calculations;

Attachment – 2b

(Required) An actuarial projection, an actuarial valuation, or an internally developed analysis (in accordance with GASB and/or actuarial standards of practice), which projects all annual retirement payments (Pension ADC(s) + OPEB Benefit Payments(s) + all additional contributions) as a percentage of projected governmental fund revenues over the next five fiscal years. A local government should project governmental fund revenues using a reasonable forecast based on historical trends and projected rates of inflation. This analysis may include projected enterprise funds specifically allocated to pay retirement costs;

Attachment – 3

(Required if applicable) Documentation from the governing body approving additional corrective actions including documentation of commitment to additional payments or actions not previously included in the CAP (e.g. resolution, ordinance);

Attachment – 4

(Required if applicable) In the event that the previous plan is no longer substantially in effect, a separate CAP to address its underfunded status which includes documentation of prior actions, prospective actions, governing body approval, and the positive impact on the system's funded ratio;

Attachment – 5

Other documentation not categorized above.

6. CORRECTIVE ACTION PLAN CRITERIA

Please confirm that each of the CAP monitoring criteria listed below have been satisfied when submitting this document. Specific detail on CAP criteria can be found in the [Corrective Action Plan Monitoring: Policy and Procedures](#) document.

CAP Monitoring Criteria

Description

- | | |
|--|---|
| <input type="checkbox"/> Underfunded Status | The local government certifies that there is adequate supporting documentation showing that the CAP will continue to address the local government's underfunded status in a reasonable timeframe; |
| <input type="checkbox"/> Substantial Changes | The local government certifies that the corrective actions documented in the CAP remain substantially the same OR; the local government has implemented or planned to implement additional actions to continue to address their underfunded status; |
| <input type="checkbox"/> Sustainability | The CAP continues to allow the local government to make all required annual retirement payments, without increasing to a level that is unsustainable. |

7. LOCAL GOVERNMENT'S ADMINISTRATIVE OFFICER APPROVAL OF CORRECTIVE ACTION PLAN MONITORING FORM

I, _____, as the government's administrative officer (Ex. City/Township Manager, Executive Director, Chief Executive Officer, etc.) **(insert title)** _____ approve this *Corrective Action Plan Monitoring: Application for Certification of Compliance* and will continue to implement the actions of the CAP.

I confirm to the best of my knowledge that because of the actions referenced within this form, one of the following statements will occur:

- The _____ **(insert retirement system name)** will achieve a funded status (60% for pension or 40% for OPEB) by fiscal year _____ as demonstrated by required supporting documentation listed in Section 5.

OR, if the local government is a city, village, township, or county:

- The ADC for all defined benefit pension or retirement health benefit (OPEB) systems as a percentage of governmental fund revenues will be less than the Act's underfunded status threshold (10% for pension or 12% for OPEB) by fiscal year _____ as demonstrated by required supporting documentation listed in Section 5.

Signature: <insert signature>

Date: <insert date>



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: May 20, 2020

TO: The Municipal Stability Board (the Board)

FROM: Community Engagement and Finance Division (CEFD), Department of Treasury

SUBJECT: Public Act 202 of 2017: Local Government Corrective Action Plan Assistance

Suggested Action: In response to the Board's prior request, the Board motions to authorize the CEFD to implement the assistance proposals documented within this memo to further assist local governments that have a corrective action plan (CAP) required under Public Act 202 of 2017 (the Act). The proposed actions represent previously scheduled actions with an enhanced focus on assisting local governments to address current economic conditions, as well as newly proposed support actions.

Assistance Proposals:

- Review accelerating the timeline of the Act's statutorily required annual review of the Board's [Best Practices and CAP Criteria Guide](#) to potentially address loss of revenue and increasing annual payments and provide findings to the Board;
 - Distribute for public comment if changes are proposed
- Review [CAP Monitoring Criteria](#) to potentially provide additional flexibility in terms of sustainability as well as the monitoring timeframe and provide findings to the Board;
 - Create a draft CAP monitoring schedule
 - Distribute for public comment if changes are proposed
- Continue outreach activities providing individualized reviews to local governments upon request through the local retirement calendar. Additionally, staff during the monitoring process, will identify local governments with the most significant sustainability concerns and proactively offer an in-depth individualized review to provide further technical assistance.
- Explore training opportunities including offering a webinar in conjunction with association/auditing/actuarial partners to provide guidance specifically related to market projections along with CAP timelines and requirements.

Background: CAP's that are approved by the Board document a local government's plan to address their underfunded status in accordance with benchmarks set forth in the Act. Potential economic downturns may result in substantial losses to retirement system market value, which may result in increased annual payments for local governments. However, many local governments will not see annual payment calculations affected by poor market performance until fiscal year 2021 or fiscal year 2022. This will provide local governments time to evaluate their benefit offerings or opportunities to reduce costs while working to preserve benefits for employees and retirees.

Staff are available to answer any questions regarding these recommendations.

Brousseau, Nicholas (TREASURY)

From: Williams, Melissa A. [REDACTED] >
Sent: Monday, June 8, 2020 2:42 PM
To: Brousseau, Nicholas (TREASURY)
Subject: FW: Treasury "Helps" for Local Governments on Corrective Action Plan ciproal Stability Board Seeks Public Input for Underfunded Local Governments
Attachments: MSB Local Government Assistance Memo_vf.pdf

CAUTION: This is an External email. Please send suspicious emails to abuse@michigan.gov

Good afternoon Nick,

Denise Donohue from the County Road Association forwarded a group of us road commission finance directors. I checked my emails for 5/28 and sure enough, there it was. I glossed over it not thinking it needed attention.

I am currently the Committee Chair for the County Road Association Finance & HR Committee. I forwarded the email to the committee in hopes that they will respond as well. I will be sure to register for the webinar when it comes out. In May of 2019, your office participated in our Finance & HR conference. At that conference, it was shared that the MSB was focusing on improvement in the unfunded status. In addition, if your waiver was approved in a prior year, you were improving and sticking to the plan, your waiver would most likely be approved again. At the Road Commission for Oakland County, the OPEB does not meet the 40% minimum funding status. Our waiver and CAP was approved for the 2019 filing. Our position improved over the past year. I plan on approval this year.

The challenge will be the negative impact the economy has on all plans in addition to our ability to meet our planned contributions. Looking at your documentation from the email, the economy was addressed but options were not given. If this were a part of the webinar, I'm sure that would be helpful.

Good luck on your feedback and have a nice day,
Melissa Williams

Melissa Williams, Director of Finance



31001 Lahser Road, Beverly Hills, MI 48025
(248) 645-2000

From: Denise Donohue [REDACTED]
Sent: Monday, June 8, 2020 1:50 PM
To: Williams, Melissa A. [REDACTED]; [REDACTED]; Lisa M. Powell, CPA
[REDACTED]; 'Jerry Heim' [REDACTED]; [REDACTED]
Subject: Treasury "Helps" for Local Governments on Corrective Action Plan ciproal Stability Board Seeks Public Input for Underfunded Local Governments

Good Afternoon – I finally had the opportunity to look this over during the weekend. Treasury's Municipal Stability Board (Mary, are you on this or did you give advice to them in some listening session at some point?) appears to be

proposing these four helpful things for local governments under a corrective action plan. They send this out in the midst of the pandemic and appears have had NO RESPONSES to their ideas – from anyone from townships to counties to road commissions to municipalities.

I am sending it to Melissa as FHR chair, three members of our Underfunded Liabilities Work Group and Mary as someone who has been at Treasury’s CEFD input sessions.

They are saying they would like responses BY THURSDAY, JUNE 11. Go ahead and reply directly to them with comments – or maybe someone on this email wishes to aggregate responses from road agencies., May 20th to June 11th isn’t much time. But at least they are asking. I think it went out earlier on GOV delivery, which CRA does not receive. But my apologies if we previously overlooked it here. - Denise

From: Brousseau, Nicholas (TREASURY) <BrousseauN@michigan.gov>

Sent: Tuesday, June 2, 2020 9:50 AM

To: [REDACTED] Deena Bosworth [REDACTED] Judy Allen
[REDACTED] Brad Biladeau
[REDACTED]; Michael VanOverbeke [REDACTED]; Denise Donohue

Cc: Taylor, Rodney (TREASURY) <TaylorR23@michigan.gov>; Horn, Daniel (TREASURY) <HornD6@michigan.gov>

Subject: FW: Municipal Stability Board Seeks Public Input for Underfunded Local Governments

Good Morning,

A notice was sent last week to local government officials on behalf of the Municipal Stability Board (the Board) seeking input on additional ways that the Board may support local governments under their purview. The request for public comment was in response to a memo detailing proposed options that the Board considered during their most recent meeting. The full email sent to local governments is listed below, but the specific document for which they are seeking public input is attached. To date, we have not received any feedback, so if you could please review, as well as to make sure that your members are aware, it would be greatly appreciated. Public comment is due by Thursday June 11, 2020.

Thank you, your assistance in this matter is greatly appreciated. Please let us know if there are any additional questions, as well as to provide any comments you may have.

Nick Brousseau

Michigan Department of Treasury
Community Engagement and Finance Division
www.michigan.gov/CEFD

From: Michigan Department of Treasury <MITreasury@govsubscriptions.michigan.gov>

Sent: Thursday, May 28, 2020 1:00 PM

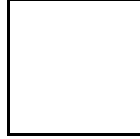
To: Brousseau, Nicholas (TREASURY) <BrousseauN@michigan.gov>

Subject: Municipal Stability Board Seeks Public Input for Underfunded Local Governments

Under the Protecting Local Government Retirement and Benefits Act (PA 202 of 2017), the Municipal Stability Board (the Board) is charged with the development of best practices, approval of corrective action plans, and monitoring those plans. Local governments that first received their corrective action plan approvals will begin to be monitored later this year. At their May 20, 2020 meeting, the Board discussed its role in supporting local governments as they address their underfunded status, as documented in the [board meeting packet \(page 38\)](#). This includes reviewing the Board's approved [Best Practices and CAP Criteria Guide](#) and the [CAP Monitoring Criteria](#). Please provide input to the Board through written comment to Treas-MunicipalStabilityBoard@Michigan.gov by Thursday, June 11th, 2020.

Additionally, the Department of Treasury has developed a webpage with numbered letters, memorandums, and resources regarding COVID-19 updates for local governments and school districts. This webpage was created to ensure that communities have access to the most up-to-date guidance and is updated frequently with information and resources as they become available. The link to the COVID-19 updates for Local Governments and School Districts is available at: https://www.michigan.gov/treasury/0,4679,7-121-1751_98769---,00.html.

This service is provided to you at no charge by the



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Lansing, Michigan 48922 | [Contact Us](#)

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■



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: June 17, 2020

TO: The Municipal Stability Board (the Board)

FROM: Community Engagement and Finance Division (CEFD), Department of Treasury

SUBJECT: Public Act 202 of 2017: Local Government Corrective Action Plan Assistance Schedule

Suggested Action: The Board motions to authorize the included timeline for CEFD to implement the assistance proposals as documented in the *Public Act 202 of 2017: Local Government Corrective Action Plan Assistance* memo during the May 20, 2020 Board meeting. The proposed schedule documents a timeline for CEFD to enact the proposals to support local governments in addressing current economic conditions and the Board's role in the Act.

Assistance Proposal Timelines:

- Review [CAP Monitoring Criteria](#) to potentially provide additional flexibility in terms of sustainability as well as the monitoring timeframe and provide findings to the Board;
 - ❖ **June 2020 Board Meeting:** Board to review revised timeframe and schedule for Board review of CAP monitoring certification forms, and app. Board to review and approve for public comment the revised CAP Monitoring Criteria guide.
 - Treasury to collect and incorporate public comment (where applicable) in final draft of document
 - ❖ **Following a 30-Day Public Comment Period:** Board to review public comments and approve revised timeframe and schedule for Board review of CAP monitoring certification forms and approve revised CAP monitoring Criteria Guide.
- Review accelerating the timeline of the Act's statutorily required annual review of the Board's [Best Practices and CAP Criteria Guide](#) to potentially address loss of revenue and increasing annual payments and provide findings to the Board;
 - ❖ **Mid-Summer Board Meeting:** Board to review updated draft document and approve for public comment
 - Treasury to collect and incorporate public comment (where applicable) in final draft of document
 - ❖ **Following a 30-Day Public Comment Period:** Board to review public comments and approve updated Best Practices and CAP Criteria Guide for distribution
- Continue outreach activities providing individualized reviews to local governments upon request through the local retirement calendar. Additionally, staff during the monitoring process, will identify local governments with the most significant sustainability concerns and proactively offer an in-depth individualized review to provide further technical assistance.

❖ **Perform when requested and/or as needed.**

- Explore training opportunities including offering a webinar in conjunction with association/auditing/actuarial partners to provide guidance specifically related to market projections along with CAP timelines and requirements.

❖ **Late Summer/Early Fall 2020**

Background: In their May 20, 2020 meeting, the Board requested that the assistance proposals documented in the *Public Act 202 of 2017: Local Government Corrective Action Plan Assistance* memo be released for public comment. The CEFD has developed a schedule to ensure that these prospective actions are able to be effectively implemented.

Staff are available to answer any questions regarding these recommendations.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: June 17, 2020
TO: Municipal Stability Board (the Board)
FROM: Community Engagement and Finance Division, Department of Treasury
SUBJECT: Corrective Action Plan Monitoring (CAP) Update and Board Review Schedule

Suggested Action: The Board motions to approve the revised CAP monitoring review schedule and updated CAP monitoring policies and procedures document for distribution seeking public comment. This schedule is subject to change depending on extenuating circumstances (e.g. staffing levels, etc.) Additionally, the number of monitoring reviews per year will remain consistent with the proposed schedule, with 3 reviews scheduled in 2020, and 175 in 2021, in-line with what is currently scheduled.

Table 1: Public Act 202 of 2017: Corrective Action Plan Monitoring Review Schedule										
	Tentative Month of Corrective Action Plan Monitoring Review									
	Dec. 2020	Jan. 2021	Feb. 2021	March 2021	April 2021	May 2021	June 2021	July 2021	Aug. 2021	Sept. 2021
CURRENT LOCAL GOVERNMENT REVIEW SCHEDULE	3	2	27	64	13	9	22	8	5	6
PROPOSED LOCAL GOVERNMENT REVIEW SCHEDULE	3	2	20	20	20	20	20	20	20	5

CAP Monitoring Policies and Procedures Update: To provide the Board additional flexibility in scheduling and performing CAP monitoring reviews, a few minor technical changes have been recommended to the attached CAP monitoring policies and procedures document (attachment A), so as to allow the Board and Department of Treasury to provide local governments additional individualized focus in reviewing CAP monitoring certification submissions.

Board CAP Monitoring Review Schedule Criteria and Methodology: In Table 1, there are currently several months with large numbers of reviews scheduled to occur in the same month. To provide relief in reviewing the CAP monitoring submissions, as well as to allow for additional one-on-one assistance to local governments, an alternate schedule has been proposed. Local governments will continue to be sent the CAP monitoring certification request approximately 6 months prior to their review date, and Treasury and the Board will continue to have approximately 3 months to provide a review, however reviews will be capped at 20 local governments per month. Local governments with CAP monitoring reviews occurring during a larger review month will be prioritized based on the following criteria:

1) Current Board Review Date:

- a. *Example* - All local governments with a current review date in March will be reviewed before the Board will review local governments with a current review date in April

2) Combined Actuarially Determined Contribution (ADC) as a percent of Governmental Revenues

- a. *Example* – City A and the City B are both currently scheduled to be reviewed in March of 2021. To prioritize which would be reviewed first, the local government with the highest ADC as a percent of governmental revenues for all retirement systems would be scheduled for review first. Therefore, City A with a combined ADC/Revenue of 40.7% would be prioritized for review over City B with a combined

ADC/Revenue of 27.8% The rationale is that local governments with a higher combined ADC/Revenue have a greater retirement concern and should be reviewed first.

Per Section 10(6) of Public Act 202 of 2017: “The board shall adopt a schedule, not less than every 2 years, to certify that the underfunded local unit of government is in substantial compliance with this act.”

Attachments:

- I) Attachment A: Revised CAP Monitoring Policies and Procedures**

Corrective Action Plan Monitoring: Policy and Procedures

PA 202 of 2017 Sec. 10(6): The Municipal Stability Board (the Board) shall monitor each underfunded local unit of government's compliance with Public Act 202 of 2017 (the Act) and any corrective action plan. The Board shall adopt a schedule, not less than every 2 years, to certify that the underfunded local unit of government is in substantial compliance with this act.

Monitoring Methodology and Intent: Corrective action plans (CAP) thus far have been approved under a broad scope in support of locally developed plans. As such, the Board has provided great flexibility in approval of these CAPs to allow local governments to determine the components of their plan. CAPs were approved based on the CAP Approval Criteria, but much of the supporting documentation provided to support the approval criteria has been imprecise. To ensure that the local governments are reaching the goals outlined in their CAPs, the CAP monitoring process is intended to provide greater scrutiny and validation of the components and details of local government plans. This process will ensure that local governments are taking the necessary steps to address their underfunded status.

Timeline: Local governments must begin implementation within 180 days of CAP approval and will be monitored for substantial compliance with the Act every two years.

CAP Changes: If at any time after a CAP has been approved, a local government determines its previous submission is no longer substantially in effect, the local government may file an updated CAP for review by the Board.

Corrective Action Plan Monitoring Process¹

Local Government Communication: Monitoring Notifications

- **Step 1: 180-Day Implementation Notification**
 - 180 days after a local government is notified that its CAP is approved, a letter is sent to the local government informing them that it has reached the 180-day deadline to begin implementing the actions listed in their CAP as required by the Act.
 - Treasury will provide guidance in this notification that local governments should be receiving projections within their annual valuations in accordance with the Board's best practices document as follows:
 - Actuarially Determined Contributions (ADC), retirement benefit payments, assets, liabilities, and discount rate
 - The Board recommends that local governments utilize these projections as part of their monitoring certification
- **Step 2: CAP Monitoring Form – Sent approximately 1.5 years after initial CAP approval**
 - In the CAP monitoring notification, local governments will be reminded that the Retirement System Annual Report (Form 5572) is due annually six months after their fiscal year end
 - Failure to submit the Form 5572 could result in a determination of noncompliance
 - **Local governments will be required to submit the proposed "CAP Monitoring Form" to be used by the Board when evaluating CAP compliance and implementation**
 - The completed CAP monitoring form is due 3 months after receipt
 - Treasury will provide administrative support by preparing a detailed review and recommendation for the Board's compliance certification
 - The Board will review and certify the local government for compliance with the Act approximately every 2 years²

¹ A local government's CAP monitoring timeline for all underfunded systems is established by the notification date of the first CAP to be approved by the Board

² The Board will limit the number of reviews to 20 local governments per month to ensure local governments are provided with adequate resources in their review

Proposed Municipal Stability Board Corrective Action Plan Monitoring Criteria

To assist local governments in preparing for the statutorily required monitoring process for their approved CAP(s), the Board is publishing CAP monitoring approval criteria. The Board will consider this criteria when monitoring corrective action plan implementation and will determine if the local government has made funding progress as outlined in the CAP. Local governments are encouraged to continue to use a balanced approach to address their underfunded status by using one or more of the [best practice principles](#) published by the Board. Additionally, local governments may use CAP monitoring approval criteria to ensure their approved corrective actions are compliant with the Act and the Board's requirements.

CAP Monitoring Criteria:

1. Underfunded Status

- Using detailed supporting documentation, is the local government addressing their underfunded status in the same timeframe or less, as the approved CAP?
 - **Supporting documentation**
 - The Board recommends that supporting documentation show a projection for the duration of the CAP that includes, but is not limited to, assets, liabilities, funded ratios, normal cost payments (if applicable), actuarial assumptions, and retiree benefit payments, using reasonable calculations
 - **If underfunded status is not being addressed in a timeframe less than or equal to the approved CAP timeframe:**
 - If a corrective action plan by a local government is not addressing its underfunded status within the original approval criteria timeframe (20 years for pension or 30 years for OPEB, for severely underfunded systems), the local government may be found noncompliant with the Board's CAP monitoring criteria
 - As general guidance, a local government with a severely underfunded pension system is 45% funded or less. A local government with a severely underfunded retirement health care system (OPEB) is 25% or less

2. Substantial Changes

- A local government must certify that the corrective action plan remains substantially the same as the original approved submission.
 - **If a local government cannot certify that its plan is substantially the same as the approved submission, the local government must provide the following with its CAP Monitoring Form:**
 - All proposed actions the local government was *able* to implement
 - All proposed actions the local government was *unable* to implement.
 - Any actions in addition to the original CAP
 - Governing body approval is required for additional actions
- The Board will use the CAP criteria from the initial CAP approval to approve or disapprove CAP changes, thereby certifying compliance with the Act or finding the local government in noncompliance

3. Sustainability

- **Local governments must certify sustainability**
 - The local government must certify the plan is still affordable, through detailed supporting documentation. This includes documentation that the local government's retirement costs are not increasing at a rate greater than what can be afforded through reasonable revenue growth. Retirement costs also must not have substantially increased above the original projection in their approved CAP.
 - Local governments with a combined payment that increases by greater than 5% annually as a percentage of governmental fund revenues may be determined to be unsustainable by the Board.
 - The Board recommends that supporting documentation include a projection of all annual retirement payments (Pension ADC(s)+OPEB Benefit Payments(s)+all additional

contributions) as a percentage of projected governmental fund revenues for the ensuing 5 years. A local government should project governmental fund revenues using a reasonable forecast based on historical trends and projected rates of inflation. This analysis may include projected enterprise funds allocated specifically to pay retirement costs.

- The local government must confirm that corrective actions listed in the CAP allow for the local government to make, at a minimum, the actuarially determined contribution (ADC) payment for pension plans and/or the retiree health care premium payment, as well as the normal cost payment for new hires for retirement health benefits (*Sec. 4(1) of the Act, MCL 38.2804*). This confirms that local governments have linked long-term future payment expectations with revenue expectations and have concluded that those payments are sustainable now and into the future, without additional changes to their CAP.
- **If the local government cannot document that the CAP will continue to be sustainable or the Board determines that the plan may no longer be sustainable:**
 - The Board may certify compliance; however, the Board will note that the local government is not on track, as its annual payments have significantly increased. Prior to the next monitoring period, the local government must address the change in affordability, or it may be determined noncompliant.

Step 3: Certification of Compliance

- **Compliant:** If a local government has met all published CAP monitoring criteria and satisfied all reporting requirements:
 - The Board certifies the local government is in compliance with the Act.
- **Compliant with Conditions:** If a local government is unable to certify sustainability or determined to be unsustainable, but all other criteria and reporting requirements are met:
 - The Board certifies the local government is in compliance with conditions.
 - Affordability concerns must be addressed prior to the subsequent monitoring period, to the Board's satisfaction.
- **Noncompliant:** If a local government does not meet CAP monitoring criteria or did not satisfy annual reporting requirements:
 - The Board may determine the local government noncompliant
 - The local government will have 60 days to address the reasons for noncompliance.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: June 17, 2020
TO: The Municipal Stability Board (the Board)
FROM: Community Engagement and Finance Division, Department of Treasury
SUBJECT: Receipt of Corrective Action Plan(s)

Suggested Action: The Board motions to receive the following corrective action plans, which will be considered at their next scheduled meeting:

Fiscal Year 2018 Plans

- I. City of Negaunee
 - A. Pension – MERS

- II. Roscommon County Road Commission
 - A. OPEB – OPEB Health Care

Corrective Action Plan Review: Following receipt of these corrective action plans, the Board shall approve or disapprove each corrective action plan within 45 days. The Board will vote on these corrective action plans at their next scheduled meeting. Corrective action plan resubmissions that fail to materially address the reason(s) for prior disapproval, or are withdrawn by a local government, may not be reviewed by the Board.

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

1. MUNICIPALITY INFORMATION

Local Unit Name: City of Negaunee Six-Digit Muni Code: 522030
Defined Benefit Pension System Name: MERS
Contact Name (Administrative Officer): Nathan Heffron
Title if not Administrative Officer: City Manager
Email: treasurer@cityofnegaunee.com Telephone: (906) 475-7700

2. GENERAL INFORMATION

Corrective Action Plan: An underfunded local unit of government shall develop and submit for approval a corrective action plan for the local unit of government. The local unit of government shall determine the components of the corrective action plan. This Corrective Action Plan shall be submitted by any local unit of government with at least one defined benefit pension retirement system that has been determined to have an underfunded status. Underfunded status for a defined benefit pension system is defined as being less than 60% funded according to the most recent audited financial statements, and, if the local unit of government is a city, village, township, or county, the annually required contribution (ARC) for all of the defined benefit pension retirement systems of the local unit of government is greater than 10% of the local unit of government's annual governmental fund revenues, based on the most recent fiscal year.

Due Date: The local unit of government has **180 days from the date of notification** to submit a corrective action plan to the Municipal Stability Board (the Board). The Board may extend the 180-day deadline by up to an additional 45 days if the local unit of government submits a reasonable draft of a corrective action plan and requests an extension.

Filing: Per Sec. 10(1) of PA 202 of 2017 (the Act), this Corrective Action Plan must be approved by the local government's administrative officer and its governing body. **You must provide proof of your governing body approving this Corrective Action Plan and attach the documentation as a separate PDF document.** Per Sec. 10(4) of the Act, failure to provide documentation that demonstrates approval from your governing body will result in a determination of noncompliance by the Board.

The submitted plan must demonstrate through distinct supporting documentation how and when the local unit will reach the 60% funded ratio. Or, if the local unit is a city, village, township, or county, the submitted plan may demonstrate how and when the ARC for all of the defined benefit pension systems will be less than 10% of annual governmental fund revenues, as defined by the Act. Supporting documentation for the funding ratio and/or ARC must include an actuarial projection, an actuarial valuation, or an internally developed analysis. The local unit must project governmental fund revenues using a reasonable forecast based on historical trends and projected rates of inflation.

The completed plan must be submitted via email to Treasury at LocalRetirementReporting@michigan.gov for review by the Board. **If you have multiple underfunded retirement systems, you are required to complete separate plans and send a separate email for each underfunded system.** Please attach each plan as a separate PDF document in addition to all applicable supporting documentation.

The subject line of the email(s) should be in the following format: **Corrective Action Plan-2017, Local Unit Name, Retirement System Name** (e.g. Corrective Action Plan-2017, City of Lansing, Employees' Retirement System)

Pension Plan). Treasury will send an automatic reply acknowledging receipt of the email. Your individual email settings must allow for receipt of Treasury's automatic reply. This will be the only notification confirming receipt of the application(s).

Municipal Stability Board: The Municipal Stability Board (the Board) shall review and vote on the approval of a corrective action plan submitted by a local unit of government. If a corrective action plan is approved, the Board will monitor the corrective action plan for the following two years, and the Board will report on the local unit of government's compliance with the Act not less than every two years.

Review Process: Following receipt of the email by Treasury, the Board will accept the corrective action plan submission at the next scheduled meeting of the Board. The Board shall then approve or reject the corrective action plan within 45 days from the date of the meeting.

Considerations for Approval: A successful corrective action plan will demonstrate the actions for correcting underfunded status as set forth in Sec. 10(7) of the Act (listed below), as well as any additional solutions to address the underfunded status. Please also include steps already taken to address your underfunded status as well as the date prospective actions will be taken. A local unit of government may also include in its corrective action plan, a review of the local unit of government's budget and finances to determine any alternative methods available to address its underfunded status. A corrective action plan under this section may include the development and implementation of corrective options for the local unit of government to address its underfunded status. The corrective options as described in Sec. 10(7) may include, but are not limited to, any of the following:

- (i) Closing the current defined benefit plan.
- (ii) Implementing a multiplier limit.
- (iii) Reducing or eliminating new accrued benefits.
- (iv) Implementing final average compensation standards.

Implementation: The local unit of government has up to 180 days after the approval of a corrective action plan to begin to implement the corrective action plan to address its underfunded status. The Board shall monitor each underfunded local unit of government's compliance with this act and any corrective action plan. The Board shall adopt a schedule, not less than every 2 years, to certify that the underfunded local unit of government is in substantial compliance with the Act. If the Board determines that an underfunded local unit of government is not in substantial compliance under this subsection, the Board shall within 15 days provide notification and report to the local unit of government detailing the reasons for the determination of noncompliance with the corrective action plan. The local unit of government has 60 days from the date of the notification to address the determination of noncompliance.

3. DESCRIPTIONS OF PRIOR ACTIONS

Prior actions are separated into three categories below: System Design Changes, Additional Funding, and Other Considerations. Please provide a brief description of the prior actions implemented by the local government to address the retirement system's underfunded status within the appropriate category section. Within each category are sample statements that you may choose to use to indicate the changes to your system that will positively affect your funded status. For retirement systems that have multiple divisions, departments, or plans within the same retirement system, please indicate how these changes impact the retirement **system** as a whole.

- **Please Note:** If applicable, prior actions listed within your waiver application(s) may also be included in your corrective action plan.

Please indicate where in the attached supporting documentation these changes are described and the impact of those changes (i.e. what has the local unit of government done to improve its underfunded status, and where can we find the proof of these changes in the supporting documentation?).

Note: Please provide the name of the system impacted, the date you made the change, the relevant page number(s) within the supporting documentation, and the resulting change to the system's funded ratio.

Category of Prior Actions:

- System Design Changes** - System design changes may include the following: Lower tier of benefits for new hires, final average compensation limitations, freeze future benefit accruals for active employees in the defined benefit system, defined contribution system for new hires, hybrid system for new hires, bridged multiplier for active employees, etc.

Sample Statement: *The system's multiplier for current employees was lowered from 2.5X to 2X for the **General Employees' Retirement System** on **January 1, 2017**. On page **8** of the attached actuarial supplemental valuation, it shows our funded ratio will be **60%** by fiscal year **2020**.*

- Additional Funding** – Additional funding may include the following: Voluntary contributions above the actuarially determined contribution, bonding, millage increases, restricted funds, etc.

Sample Statement: *The local unit provided a lump sum payment of **\$1 million** to the **General Employees' Retirement System** on **January 1, 2017**. This lump sum payment was in addition to the actuarially determined contribution (ADC) of the system. The additional contribution will increase the retirement system's funded ratio to **61% by 2025**. Please see page **10** of the attached enacted budget, which highlights this contribution of **\$1 million**.*

The City of Negaunee has been focused on achieving fully funded status for our police pension system by contributing an excess of \$570,696 between 2014 and 2018. This shows our capability to fund more than required by the actuarially determined contribution. The recently enacted Payments in Lieu of Taxes charge to our Electric Fund will allow the city to categorize an additional general fund revenue that can be directed towards our pension liabilities.

- Other Considerations** – Other considerations may include the following: outdated Form 5572 information, actuarial assumption changes, amortization policy changes, etc.

Sample Statement: *The information provided on the Form 5572 from the audit used actuarial data from **2015**. Attached is an updated actuarial valuation for **2017** that shows our funded ratio has improved to **62%** as indicated on page **13**.*

The City of Negaunee has 3 healthy enterprise funds. Our electric, water and wastewater funds had a 2018 combined revenue of \$6,005,512. These funds account for 40% of our retirement liabilities, yet we could not include enterprise revenue as part of our governmental funds. The attached analysis shows that our revenue ratio would only be 5.4% when including enterprise funds within the calculation.

4. DESCRIPTION OF PROSPECTIVE ACTIONS

The corrective action plan allows you to submit a plan of prospective actions which are separated into three categories below: System Design Changes, Additional Funding, and Other Considerations. Please provide a brief description of the additional actions the local government is planning to implement to address the retirement system's underfunded status within the appropriate category section. Within each category are sample statements that you may choose to use to indicate the changes to your system that will positively affect your funded status. For retirement systems that have multiple divisions, departments, or plans within the same retirement system, please indicate how these changes impact the retirement **system** as a whole.

Please indicate where in the attached supporting documentation these changes are described and the impact of those changes (i.e. what will the local unit of government do to improve its underfunded status, and where can we find the proof of these changes in the supporting documentation?).

Category of Prospective Actions:

- System Design Changes** - System design changes may include the following: Lower tier of benefits for new hires, final average compensation limitations, freeze future benefit accruals for active employees in the defined benefit system, defined contribution system for new hires, hybrid system for new hires, bridged multiplier for active employees, etc.

Sample Statement: Beginning with **summer 2018** contract negotiations, the local unit will seek to lower the system's multiplier for current employees from 2.5X to 2X for the **General Employees' Retirement System**. On page 8 of the attached actuarial supplemental valuation, it shows our funded ratio would be **60% funded by fiscal year 2020** if these changes were adopted and implemented by **fiscal year 2019**.

- Additional Funding** – Additional funding may include the following: voluntary contributions above the actuarially determined contribution, bonding, millage increases, restricted funds, etc.

Sample Statement: Beginning in **fiscal year 2019**, the local unit will provide a lump sum payment of **\$1 million** to the **General Employees' Retirement System**. This lump sum payment will be in addition to the actuarially determined contribution (ADC) of the system. The additional contribution will increase the retirement system's funded ratio to **61% by 2025**. Please see page 10 of the attached enacted budget, which highlights this contribution of **\$1 million**. Please see page 12 of the attached supplemental actuarial valuation showing the projected change to the system's funded ratio with this additional contribution.

Beginning in 2020, the City of Negaunee will focus on contributing above the ADC an additional \$100,000 every year for a 20 year period into a MERS surplus division. The current ADC is based on 20 year amortization with funded ratio reaching 60% by 2031. A projected model shows that the surplus contribution will achieve a 60% funding status by 2027.

- Other Considerations** – Other considerations may include the following: outdated Form 5572 information, actuarial assumption changes, amortization policy changes, etc.

Sample Statement: Beginning in **fiscal year 2019**, the local unit will begin amortizing the unfunded portion of the pension liability using a **level-dollar amortization method over a closed period of 10 years**. This will allow the retirement system to reach a funded status of **62% by 2022** as shown in the attached actuarial analysis on page 13.

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) City of Negaunee to make, at a minimum, the annual required contribution payment for the defined benefit pension system according to your long-term budget forecast?

- Yes
 No
If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

Documentation should be attached as a .pdf to this Corrective Action Plan. The documentation should detail the corrective action plan that would be implemented to adequately address the local unit of government's underfunded status. Please check all documents that are included as part of this plan and attach in successive order as provided below:

Naming convention: when attaching documents please use the naming convention shown below. If there is more than one document in a specific category that needs to be submitted, include a, b, or c for each document. For example, if you are submitting two supplemental valuations, you would name the first document "Attachment 2a" and the second document "Attachment 2b".

Naming Convention

- Attachment – 1
 Attachment – 1a
 Attachment – 2a
 Attachment – 3a
 Attachment – 4a
 Attachment – 5a
 Attachment – 6a

Type of Document

This Corrective Action Plan Form (Required)

Documentation from the governing body approving this Corrective Action Plan (Required)

An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 60% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 10% of governmental fund revenues, as defined by the Act. (Required)

Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).

Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)

A separate corrective action plan that the local unit has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio

Other documentation not categorized above

7. CORRECTIVE ACTION PLAN CRITERIA

Please confirm that each of the four corrective action plan criteria listed below have been satisfied when submitting this document. Specific detail on corrective action plan criteria can be found in the [Corrective Action Plan Development: Best Practices and Strategies](#) document.

Corrective Action Plan Criteria

Description

Underfunded Status

Is there a description and adequate supporting documentation of how and when the retirement system will reach the 60% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all pension systems will be less than 10 percent of governmental fund revenues?

Reasonable Timeframe

Do the corrective actions address the underfunded status in a reasonable timeframe ([see CAP criteria issued by the Board](#))?

Legal and Feasible

Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?

Affordability

Do the corrective action(s) listed allow the local unit to make the annual required contribution payment for the pension system now and into the future without additional changes to this corrective action plan?

8. LOCAL UNIT OF GOVERNMENT'S ADMINISTRATIVE OFFICER APPROVAL OF CORRECTIVE ACTION PLAN

I Nathan Heffron, as the government's administrative officer (*enter title*) City Manager (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

I confirm to the best of my knowledge that because of the changes listed above, one of the following statements will occur:

The City of Negaunee MERS (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2027 as demonstrated by required supporting documentation listed in section 6.

OR, if the local unit is a city, village, township, or county:

The ARC for all of the defined benefit pension retirement systems of _____ (**Insert local unit name**) will be less than 10% of the local unit of government's annual governmental fund revenues by Fiscal Year _____ as demonstrated by required supporting documentation listed in section 6.

Signature _____

Date 5-15-2020

Protecting Local Government Retirement and Benefits Act Corrective Action Plan: Retirement Health Benefit Systems

Issued under authority of Public Act 202 of 2017 (the Act).

1 LOCAL GOVERNMENT INFORMATION	
Local Government Name: <u>Roscommon County Road Commission</u>	Six-Digit Muni Code: <u>720100</u>
Retirement Health Benefit System Name: <u>OPEB Health Care</u>	
Contact Name (Administrative Officer): <u>Timothy O'Rourke</u>	
Title if not Administrative Officer: <u>Manager</u>	Telephone: <u>(989) 366-0333</u>
Email (Communication will be sent here): <u>simmonss@roscommoncrc.com</u>	
Fiscal Year System was Determined to be Underfunded: <u>2018</u>	

2 GENERAL INFORMATION

Corrective Action Plan: An underfunded local government shall develop and submit for approval a corrective action plan for the local government. The local government shall determine the components of the corrective action plan. This corrective action plan shall be submitted by any local government with at least one retirement health benefit system that has been determined to have an underfunded status. Underfunded status for a retirement health system is defined as being less than 40% funded according to the most recent audited financial statements, and, if the local government is a city, village, township, or county, the actuarially determined contribution (ADC) for all of the retirement health systems of the local government is greater than 12% of the local government's annual governmental fund revenues, based on the most recent fiscal year.

Due Date: The local government has **180 days from the date of notification** to submit a corrective action plan to the Municipal Stability Board (the Board). The Board may extend the 180-day deadline by up to an additional 45 days if the local government submits a reasonable draft of a corrective action plan and requests an extension.

Filing: Per Sec. 10(1) of the Act, this corrective action plan must be approved by the local government's administrative officer and its governing body. **You must provide proof of your governing body approving this corrective action plan and attach the documentation as a separate PDF document.** Failure to provide documentation that demonstrates approval from your governing body will automatically result in a disapproval of the corrective action plan.

The submitted plan must demonstrate through distinct supporting documentation how and when the local government will reach the 40% funded ratio. Or, if the local government is a city, village, township, or county, the submitted plan may demonstrate how and when the ADC for all retirement health systems will be less than 12% of annual governmental fund revenues, as defined by the Act. Supporting documentation for the funding ratio and/or ADC must include an actuarial projection, an actuarial valuation, or an internally developed analysis. The local government must project governmental fund revenues using a reasonable forecast based on historical trends and projected rates of inflation.

The completed plan must be submitted via email to Treasury at LocalRetirementReporting@michigan.gov for review by the Board. **If you have multiple underfunded retirement systems, you are required to complete separate plans and send a separate email for each underfunded system.** Please attach each plan as a separate PDF document in addition to all applicable supporting documentation.

The subject line of the email(s) should be in the following format: **Corrective Action Plan-20XX, Local Government Name, Retirement System Name** (e.g. Corrective Action Plan-2019, City of Lansing, Employees' Retirement System OPEB Plan). Treasury will send an automatic reply acknowledging receipt of the email. Your individual email settings must allow for receipt of Treasury's automatic reply. This will be the only notification confirming receipt of the application(s).

Municipal Stability Board: The Board shall review and vote on the approval of a corrective action plan submitted by a local government. If a corrective action plan is approved, the Board will monitor the corrective action plan and report on the local government's compliance with the Act not less than every two years.

Review Process: Following receipt of the email by Treasury, the Board will receive the corrective action plan submission at the Board's next scheduled meeting. The Board shall then approve or reject the corrective action plan within 45 days from the date of the meeting.

Considerations for Approval: A successful corrective action plan will demonstrate the actions for correcting underfunded status as set forth in Sec. 10(7) of the Act (listed below), as well as any additional solutions to address the underfunded status. Please also include steps already taken to address your underfunded status, as well as the date prospective actions will be taken. A local government may also include in its corrective action plan a review of the local government's budget and finances to determine any alternative methods available to address its underfunded status. A corrective action plan under this section may include the development and implementation of corrective options for the local government to address its underfunded status. The corrective options as described in Sec. 10(7) may include, but are not limited to, any of the following:

- (i) Requiring cost sharing of premiums and sufficient copays;
- (ii) Capping employer costs.

Implementation: The local government has up to 180 days after the approval of a corrective action plan to begin to implement the corrective action plan to address its underfunded status. The Board shall monitor each underfunded local government's compliance with this act and any corrective action plan. The Board shall adopt a schedule, not less than every 2 years, to certify that the underfunded local government is in substantial compliance with the Act. If the Board determines that an underfunded local government is not in substantial compliance under this subsection, the Board shall within 15 days provide notification and report to the local government detailing the reasons for the determination of noncompliance with the corrective action plan. The local government has 60 days from the date of the notification to address the determination of noncompliance.

1 DESCRIPTION OF PRIOR ACTIONS

Prior actions are separated into three categories below: System Design Changes, Additional Funding, and Other Considerations. Please provide a brief description of the prior actions implemented by the local government to address the retirement system's underfunded status within the appropriate category section. Within each category are sample statements that you may choose to use to indicate the changes to your system that will positively affect your funded status. For retirement systems that have multiple divisions, departments, or plans within the same retirement system, please indicate how these changes impact the retirement system as a whole.

- If applicable, prior actions listed within your waiver application(s) may also be included in your corrective action plan.

Please indicate where in the attached supporting documentation these changes are described and the impact of those changes (i.e. what has the local government done to improve its underfunded status, and which attachment(s) supports your actions).

- Please provide the name of the system impacted, the date you made the change, the relevant page number(s) within the supporting documentation, and the resulting change to the system's funded ratio.

Category of Prior Actions:

System Design Changes - System design changes may include the following: changes to coverage levels (including retiree co-payments, deductibles, and Medicare eligibility), changes to premium cost-sharing, eligibility changes, switch to defined contribution retiree health care plan, changes to retiree health care coverage for new hires, etc.

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On January 1, 2019, the local government entered into new collective bargaining agreements with the Command Officers Association and Internal Association of Firefighters that increased employee co-payments and deductibles for health care. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page 12 of the attached actuarial analysis that indicates the system is 40% funded as of June 30, 2019.*

The Road Commission recognized the increasing potential liability of this plan and discontinued offering this benefit to new employees non-union employees and union employees hired after July 1, 2013. . The plan is prospectively closed with the anticipation that the net liability will continually decline. The Road Commission does not anticipate creating a trust rather it will fund the liability each year until the liabilities are depleted.

Additional Funding – Additional funding may include the following: paying the ADC in addition to retiree premiums, voluntary contributions above the ADC, bonding, millage increases, restricted funds, etc.

Sample Statement: *The local government created a qualified trust to receive, invest, and accumulate assets for retirement health care on June 23, 2016. The local government adopted a policy to change its funding methodology from Pay-Go to full funding of the ADC. Furthermore, the local government committed to contributing \$500,000 annually, in addition to the ADC for the next five fiscal years. The additional contributions will increase the retirement system's funded ratio to 40% by 2022. Please see page 10 of the attached resolution from our governing body demonstrating the commitment to contribute the ADC and additional \$500,000 for the next five years.*

Other Considerations – Other considerations may include the following: outdated Form 5572 information, actuarial assumption changes, amortization policy changes, etc.

Sample Statement: *The information provided on the Form 5572 from the audit used actuarial data from 2017. Attached is an updated actuarial valuation from 2019 that shows our funded ratio has improved to 42% as indicated on page 13.*

The Road Commission purchased the outstanding OPEB liability for the current employees over a three year period through a union negotiation. This brought the OPEB liability down from \$4-5 million to the current approximate \$1 million. The only liability left is from the prior retirees which is being funded on an annual basis with the expectation of being eliminated as the employees reach their respective age limits or die. The average age of the 15 retirees currently receiving benefits is 72.6 years. The youngest current retiree is 63 years old. Based on our mortality tables, the plan should end within 22 years or less. The remaining 20 employees listed as "active" received a three year pay out to their respective retirement accounts in lieu of OPEB benefits and have no prospective liabilities. As demonstrated in the attached Projections Graph based on our actuarial assumptions listed in our audit report, the annual costs should hit a maximum of \$134,000 in 2025 and consistently decline from there ending in year 2037.

4. DESCRIPTION OF PROSPECTIVE ACTIONS

The corrective action plan allows you to submit a plan of prospective actions which are separated into three categories below: System Design Changes, Additional Funding, and Other Considerations. Please provide a brief description of the prospective actions implemented by the local government to address the retirement system's underfunded status within the appropriate category section. Within each category are sample statements that you may choose to use to indicate the changes to your system that will positively affect your funded status. For retirement systems that have multiple divisions, departments, or plans within the same retirement system, please indicate how these changes impact the retirement system as a whole.

Please indicate where in the attached supporting documentation these changes are described and the impact of those changes (i.e. what will the local government do to improve its underfunded status, and which attachment(s) supports your actions).

Category of Prospective Actions:

- System Design Changes** - System design changes may include the following: changes to coverage levels (including retiree co-payments, deductibles, and Medicare eligibility), changes to premium cost-sharing, eligibility changes, switch to defined contribution retiree health care plan, changes to retiree health care coverage for new hires, etc.

Sample Statement: *The local government will seek to align benefit levels for the retired membership with each class of active employees. Beginning with summer 2020 contract negotiations, the local government will seek revised collective bargaining agreements with the **Command Officers Association and Internal Association of Firefighters** to increase employee co-payments and deductibles for health care. These coverage changes would result in an improvement to the retirement system's funded ratio. Please see page 12 of the attached actuarial analysis that indicates the system would be **40% funded by fiscal year 2030** if these changes were adopted and implemented by **fiscal year 2021**.*

- Additional Funding** – Additional funding may include the following: meeting the ADC in addition to retiree premiums, voluntary contributions above the ADC, bonding, millage increases, restricted funds, etc.

Sample Statement: *The local government will create a qualified trust to receive, invest, and accumulate assets for retirement health care by **December 31, 2020**. The local government will adopt a policy to change its funding methodology from Pay-Go to full funding of the ADC by **December 31, 2020**. Additionally, beginning in fiscal year 2021, the local government will contribute **\$500,000** annually in addition to the ADC for the next five fiscal years. The additional contributions will increase the retirement system's funded ratio to **40% by 2023**. Please see page 10 of the attached resolution from our governing body demonstrating the commitment to contribute the ADC and additional **\$500,000** for the next five years.*

- Other Considerations** – Other considerations may include the following: outdated Form 5572 information, actuarial assumption changes, amortization policy changes, etc.

Sample Statement: *Beginning in **fiscal year 2020**, the local government will begin amortizing the unfunded portion of the health care liability using a **level-dollar amortization method over a closed period of 10 years**. This will allow the health system to reach a funded status of **42% by 2023** as shown in the attached actuarial analysis on page 13.*

5 CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for your local government to make, at a minimum, the retiree premium payment, as well as the normal cost payments for all new hires (if applicable), for the retirement health benefit system according to your long-term budget forecast?

- Yes**
- No, Explain:**

6 DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

Documentation should be attached as a PDF to this corrective action plan. The documentation should detail the corrective action plan that would be implemented to adequately address the local government's underfunded status. Please check all documents that are included as part of this plan and attach in successive order as provided below:

Naming Convention: When attaching documents, please use the naming convention shown below. If there is more than one document in a specific category that needs to be submitted, include a, b, or c for each document. For example, if you are submitting two supplemental valuations, you would name the first document "Attachment 2a" and the second document "Attachment 2b".

Naming Convention:

Type of Document:

- Attachment – 1
- Attachment – 1a
- Attachment – 2a
- Attachment – 3a
- Attachment – 4a
- Attachment – 5a
- Attachment – 6a

- This corrective action plan (required);**
- Documentation from the governing body approving this corrective action plan (required);**
- An actuarial projection, an actuarial valuation, or an internally developed analysis (in accordance with GASB and/or actuarial standards of practice), which illustrates how and when the local government will reach the 40% funded ratio. Or, if the local government is a city, village, township, or county, how and when the ADC will be less than 12% of governmental fund revenues, as defined by the Act (required);**
- Documentation of additional payments in past years that are not reflected in your audited financial statements (e.g. enacted budget, system provided information);
- Documentation of commitment to additional payments in future years (e.g. resolution, ordinance);
- A separate corrective action plan that the local government has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio;
- Other documentation, not categorized above.

7. CORRECTIVE ACTION PLAN CRITERIA

Please confirm that each of the three corrective action plan criteria listed below have been satisfied when submitting this document. Specific detail on corrective action plan criteria can be found in the Corrective Action Plan Development: Best Practices and Strategies document.

Corrective Action Plan Criteria:

Description:

Underfunded Status

Is there a description and adequate supporting documentation of how and when the retirement system will reach the 40% funded ratio? Or, if your local government is a city, village, township, or county, how and when the ADC of all retirement health care systems will be less than 12% of governmental fund revenues? Do the corrective actions address the underfunded status in a reasonable timeframe?

Legality

Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included?

Affordability

Do the corrective action(s) listed allow the local government to make the retiree health care premium payment, as well as normal cost payments for new hires now and into the future without additional changes to this corrective action plan?

8. LOCAL GOVERNMENT'S ADMINISTRATIVE OFFICER APPROVAL OF CORRECTIVE ACTION PLAN

I, Timothy O'Rourke, as the government's administrative officer (Ex. City/Township Manager, Executive Director, Chief Executive Officer, etc.) (**insert title**) Manager approve this corrective action plan and will implement the prospective actions contained in this corrective action plan.

I confirm to the best of my knowledge that because of the changes listed above, one of the following statements will occur:

The Roscommon County Road OPEB Health Care Plan (**insert retirement health system name**) will achieve a funded status of at least 40% by fiscal year 2037 as demonstrated by the required supporting documentation listed in Section 6.

OR, if the local government is a city, village, township, or county:

The ADC for all the retirement health benefit systems of the local government will be less than 12% of the local government's annual governmental fund revenues by fiscal year _____ as demonstrated by required supporting documentation listed in Section 6.

Signature:



Date:

5/28/20

**MUNICIPAL STABILITY BOARD
RESOLUTION 2020-6**

APPROVAL OR DISAPPROVAL OF CORRECTIVE ACTION PLANS

WHEREAS, the Michigan legislature passed the Protecting Local Government Retirement and Benefits Act, MCL 38.2801 et. seq. (the “Act”), creating the Municipal Stability Board (the “Board”) for the purpose of reviewing and approving corrective action plans submitted by municipalities addressing the underfunded status of their municipal retirement systems (the “Corrective Action Plan”);

WHEREAS, the Michigan Department of Treasury (“Treasury”) provides administrative services to the Board;

WHEREAS, on July 17, 2019 by Resolution 2019-18, the Board adopted the Best Practices and Corrective Action Plans Approval Criteria (“Approval Criteria”) pursuant to MCL 38.2808;

WHEREAS, the Best Practices generally require that a plan (i) will sustain legacy costs and future retirement benefits; (ii) utilizes modern plan design; and (iii) is administered as effectively as possible to maintain a fiscally stable retirement system;

WHEREAS, the Approval Criteria generally requires that a plan (i) demonstrate how and when a retirement system will reach a sixty percent funded ratio for pension systems and/or a forty percent funded ratio for retirement health systems within a reasonable timeframe; (ii) is legal and feasible; and (iii) is affordable;

WHEREAS, the Board previously received the municipalities’ listed on Appendix A attached to this Resolution (the “Municipalities”), Corrective Action Plans;

WHEREAS, Treasury and the Board have reviewed the Municipalities’ Corrective Action Plans pursuant to the Best Practices and Approval Criteria; and

WHEREAS, Treasury is recommending the Board approve or disapprove the Corrective Action Plans as detailed on Appendix A attached hereto.

NOW THEREFORE, BE IT RESOLVED, the Board determines that the Municipalities’ Corrective Action Plans Treasury is recommending for approval listed on Appendix A, sufficiently meet the Best Practices and Approval Criteria;

BE IT FURTHER RESOLVED, the Board determines the Municipalities’ Corrective Action Plans Treasury is recommending for disapproval listed on Appendix A, do not sufficiently meet the Best Practices and Approval Criteria;

BE IT FURTHER RESOLVED, the Board approves or disapproves the Municipalities’ Corrective Action Plans in agreement with Treasury’s recommendation as listed on Appendix A;

BE IT FURTHER RESOLVED, that Treasury is directed to oversee the approved Corrective Action Plans are implemented pursuant to MCL 38.2810 and to report to the Board the status of the implementation on a regular basis;

BE IT FURTHER RESOLVED, that Treasury is directed to provide to Municipalities notification of the Board’s detailed reasons for disapproval of their Municipality’s Corrective Action Plan (the “Disapproval Letter”) within fifteen days of this resolution pursuant to MCL 38.2810(4); and

BE IT FURTHER RESOLVED, that Municipalities who fail to resubmit a Corrective Action Plan materially addressing the reasons for disapproval within 60 days of the Disapproval Letter as required by MCL 38.2810(4), shall be deemed in noncompliance with the Act.

Ayes:

Nays:

Recused:

Lansing, Michigan

June 17, 2020

Municipal Stability Board Appendix A, June 17, 2020

Color Code Key
Green meets CAP Criteria
Yellow partially meets CAP Criteria
Red does not meet CAP Criteria

CAP Criteria Key	
Underfunded Status	Was there description and adequate supporting documentation of how and when the retirement system will address the Underfunded Status criteria as defined by the Municipal Stability Board?
Legality	Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?
Affordable	The local government must confirm that corrective actions listed in the CAP allow for the local unit to make, at a minimum, the annual required contribution (ARC) payment for pension plans and/or the retiree healthcare premium payment, as well as the normal cost payment for new hires for retirement health benefits

#	Local Government	Municode	Fiscal Year	System Type	Date Received	Underfunded Status	Legality	Affordable	Treasury Recommendation	Corrective Action Plan Link
1	Dexter Area Fire Department	817550	2018	OPEB	5/20/2020	Partial	Yes	Yes	Approve	Dexter Area Fire Department - OPEB
2	MBS International Airport	737528	2018	Pension	5/20/2020	Partial	Yes	Yes	Approve	MBS International Airport - Pension
3	City of St. Ignace	492020	2018	Pension	5/20/2020	Yes	Yes	Yes	Approve	City of St. Ignace - Pension
4	City of Vassar	792010	2019	Pension	5/20/2020	Yes	Yes	Yes	Approve	City of Vassar - Pension

Treasury Recommendation
Dexter Area Fire Department OPEB Corrective Action Plan (CAP)
Non-Primary Unit 817550

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$1,127,026	\$1,838,199	61.3%	\$80,472	\$2,331,451	3.5%	NO
OPEB	OPEB	-	\$3,042,193	0.0%	\$36,159		1.6%	YES
Total		\$1,127,026	\$4,880,392		\$116,631	\$2,331,451	5.0 %	

Source: Retirement Report 2018, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Dexter Area Fire Department, which was received by the Municipal Stability Board (the Board) on 5/20/2020. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - None listed.
- Plan Funding:
 - Dexter Area Fire Department created an account with MERS to receive, invest, and accumulate assets for retiree health care on 9/30/2019. The Fire Department, in its 2019 budget, established that \$75K annually would be contributed to the account per year, until a funding level in excess of 40% could be established. This is expected to occur within 20 years (2039). Treasury noted that the Board meeting minutes appear to show \$50K going to their OPEB trust, and \$25K to their DB pension.
- Other Considerations:
 - None listed.

Prospective Changes:

- Modern Plan Design:
 - None listed.
- Plan Funding:
 - The Fire Department, in it's 2019 budget, established that \$75K per year would be contributed to the account per year, until a funding level in excess of 40% could be established. This is expected to occur within 20 years (2039). Treasury noted that the Board meeting minutes appear show \$50K going to their OPEB trust, and \$25K to their DB pension.
- Other Considerations:
 - None listed.

System Status for All Divisions: CLOSED

Plan size: members 13

- Inactive employees or beneficiaries currently receiving benefits: 5
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 8

Treasury Recommendation
Dexter Area Fire Department OPEB Corrective Action Plan (CAP)
Non-Primary Unit 817550

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local government confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
 - The local government confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local government to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast.

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
 - The local government did not provide clear documentation that demonstrates the retirement system will reach 40% funded. Based on other information presented in the corrective action plan, we have determined the plan may be able to reach a funded ratio of 40% within a reasonable timeframe if the plan's assumptions remain accurate (2039).

Supplemental Information:

The local government provided an internal analysis showing that with \$75K in annual additional contributions getting an 8% rate of return, with a 5.22% rate of healthcare inflation, would result in the local government reaching 40% by fiscal year 2039. While this is well within the Board's maximum timeframe of 30 years, Treasury noted a few deficiencies with the analysis and corrective action plan:

1. The internal analysis is based on an annual contribution to the trust of \$75K, but the Fire Department's submitted governing body minutes seem to indicate that only \$50K was going to the OPEB trust in 2019 and the fire department confirmed as much in communication with Treasury;
2. The governing body has not specifically approved a funding policy outside approving the corrective action plan (Treasury confirmed this with the Fire Department via emails).

If the fire department follows the plan as documented in the CAP, the internal analysis shows 40% being reached in 2039. There is no projection of benefit payment amounts during this timeframe, however, in FY 2018, the ADC as a percent of revenue was only at 1.6%. Monitoring will be important to ensure that the funding assumptions are being met.

**Treasury Recommendation
Dexter Area Fire Department OPEB Corrective Action Plan (CAP)
Non-Primary Unit 817550**

Dexter Area Fire Department
OPEB Funding

		3,042,193			0	0
1	1.052211	3,201,029	75,000	1.08	75,000	2.3429966
2	1.052211	3,368,158	75,000	1.08	156,000	4.6316119
3	1.052211	3,544,013	75,000	1.08	243,480	6.8701784
4	1.052211	3,729,049	75,000	1.08	337,958	9.0628571
5	1.052211	3,923,747	75,000	1.08	439,995	11.213647
6	1.052211	4,128,609	75,000	1.08	550,195	13.326392
7	1.052211	4,344,168	75,000	1.08	669,210	15.404796
8	1.052211	4,570,982	75,000	1.08	797,747	17.452424
9	1.052211	4,809,637	75,000	1.08	936,567	19.472714
10	1.052211	5,060,753	75,000	1.08	1,086,492	21.468983
11	1.052211	5,324,980	75,000	1.08	1,248,412	23.444437
12	1.052211	5,603,002	75,000	1.08	1,423,284	25.402175
13	1.052211	5,895,541	75,000	1.08	1,612,147	27.345197
14	1.052211	6,203,353	75,000	1.08	1,816,119	29.27641
15	1.052211	6,527,236	75,000	1.08	2,036,409	31.198634
16	1.052211	6,868,030	75,000	1.08	2,274,321	33.11461
17	1.052211	7,226,616	75,000	1.08	2,531,267	35.027
18	1.052211	7,603,925	75,000	1.08	2,808,768	36.938399
19	1.052211	8,000,934	75,000	1.08	3,108,470	38.851337
20	1.052211	8,418,671	75,000	1.08	3,432,147	40.768282
	Healthcare	Liability	Contribution	Investment	Funding	%
	Cost increase			Earnings		

The Community Engagement and Finance Division (CEFD) contact:

- CEFD reached out to the Fire Department to seek additional documentation on 6/2/2020

Treasury Recommendation
MBS International Airport Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 737528

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$6,827,304	\$11,580,733	59.0 %	\$431,124	\$5,929,574	7.3%	YES
OPEB	OPEB	-	\$3,563,660	0.0%	\$425,712		7.2%	YES
Total		\$6,827,304	\$15,144,393		\$856,836	\$5,929,574	14.5%	

Source: Retirement Report 2018, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by MBS International Airport Commission, which was received by the Municipal Stability Board (the Board) on 5/20/2020. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - The MBS adopted a hybrid pension for new union employees in 2008 and new non-union employees in 2013.
 - The MBS discontinued longevity pay for new hires in 2015 which will reduce future FAC and eliminated accrued vacation buy-out upon separation from FAC for all employees.
- Plan Funding:
 - The MBS created a surplus division to receive additional funding for the MERS DB liability. In 2017 the airport paid an additional \$68,876 into the surplus division.
 - In 2018 the airport paid an additional \$69,754 into the division and an additional \$65,883 in 2019. In 2020, the airport budgeted an additional \$65,000 for the surplus division.
- Other Considerations:
 - The MBS's MERS pension now operates on a fixed amortization schedule which will provide MBS with true costs of the pension moving forward. This replaces the former rolling amortization schedule which kept pushing off the funding date into the future.

Prospective Changes:

- Modern Plan Design:
 - The commission plans on eliminating the DB pension and adopt a hybrid pension for the Airport Manager group effective July 1, 2020 after the current airport manager retires.
- Plan Funding:
 - None listed.
- Other Considerations:
 - None listed.

System Status for All Divisions: OPEN

Treasury Recommendation
MBS International Airport Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 737528

Plan size: members 50

- Inactive employees or beneficiaries currently receiving benefits: 21
- Inactive employees entitled to but not yet receiving benefits: 4
- Active employees: 25

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

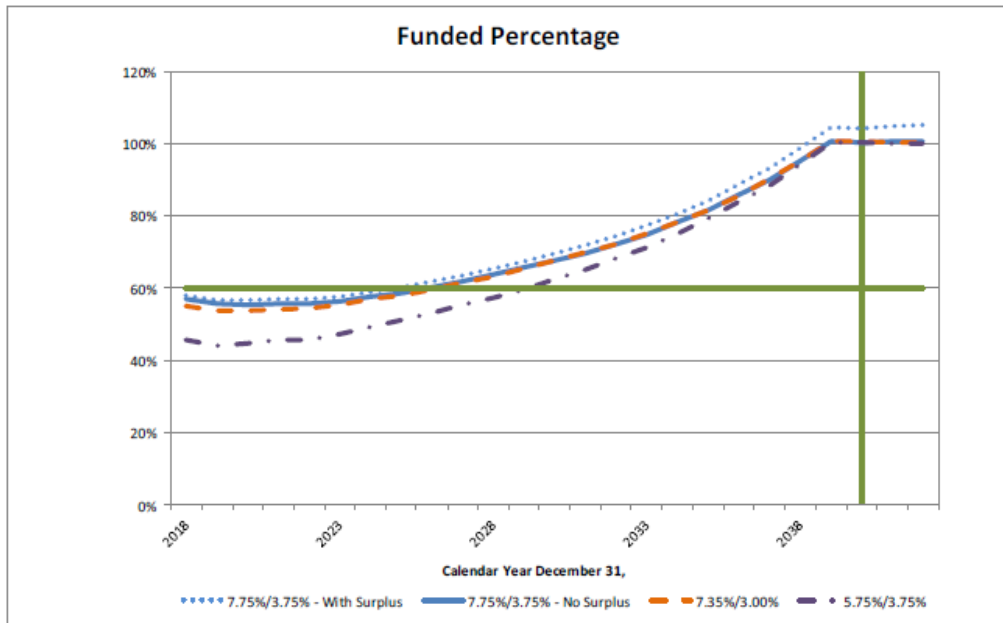
The following corrective action plan approval criteria are partially met:

- Underfunded Status:
 - The local unit's corrective action plan indicates it will reach 60% funded by 2025. The plan is currently 59% funded. According to the board's approval criteria this retirement system is not severely underfunded and the length of time to reach 60% funded is beyond the board's general guidance.

Supplemental Information:

MBS included documentation demonstrating that they will be 60% funded by 2028. However, MBS's annual employer contribution increases by 100% between now to 2040. This is an increase of approximately 5% per year.

Treasury Recommendation
MBS International Airport Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 737528

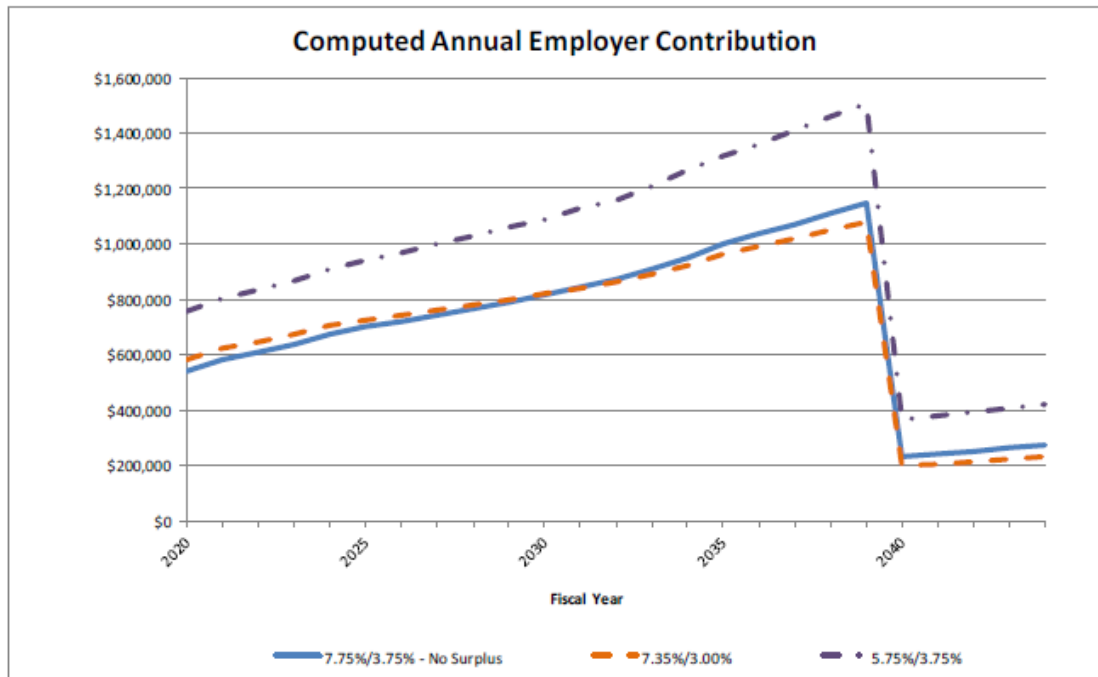


Notes:

All projected funded percentages are shown with no phase-in.

Assumes assets from Surplus divisions will not be used to lower employer contributions during the projection period.

The green indicator lines have been added at 60% funded and 22 years following the valuation date for PA 202 purposes.



Notes:

All projected contributions are shown with no phase-in.

Projected employer contributions do not reflect the use of any assets from the Surplus divisions.

Treasury Recommendation

MBS International Airport Commission Pension Corrective Action Plan (CAP)

Non-Primary Unit 737528

The Community Engagement and Finance Division (CEFD) contact:

- None

**Treasury Recommendation
City of St Ignace Pension Corrective Action Plan (CAP)
Primary Unit 492020**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$6,828,242	\$12,500,378	54.6%	\$410,796	\$3,502,220	11.7%	YES
City of St Ignace Employee Retiree OPEB	OPEB	-	\$1,716,238	0.0%	\$121,363		3.5%	NO
Total		\$6,828,242	\$14,216,616		\$532,159	\$3,502,220	15.2%	

Source: Retirement Report 2018, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by City of St Ignace, which was received by the Municipal Stability Board (the Board) on 5/20/2020. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - In 2013, the city created new divisions with lowered defined benefits to manage their costs and unfunded liabilities. They implemented a member contribution to cost share with employees.
- Plan Funding:
 - The city made voluntary contributions above the required annual payment amount to the plan in 2016, 2017 and 2019.
- Other Considerations:
 - The city continues to follow a fixed amortization period that uses a level-percent-of-payroll amortization method for new divisions. Their funding ratio will increase to 60% in 2028 and be 100% funded by 2039.

Prospective Changes:

- Modern Plan Design:
 - None listed.
- Plan Funding:
 - The city is seeking options to decrease their OPEB liability to create additional funds to contribute to their pension plan.
- Other Considerations:
 - The city will make future voluntary contributions periodically throughout the year based on their budget.

System Status for All Divisions: OPEN

Treasury Recommendation
City of St Ignace Pension Corrective Action Plan (CAP)
Primary Unit 492020

Plan size: members 65

- Inactive employees or beneficiaries currently receiving benefits: 32
- Inactive employees entitled to but not yet receiving benefits: 7
- Active employees: 26

Corrective Action Plan Criteria:

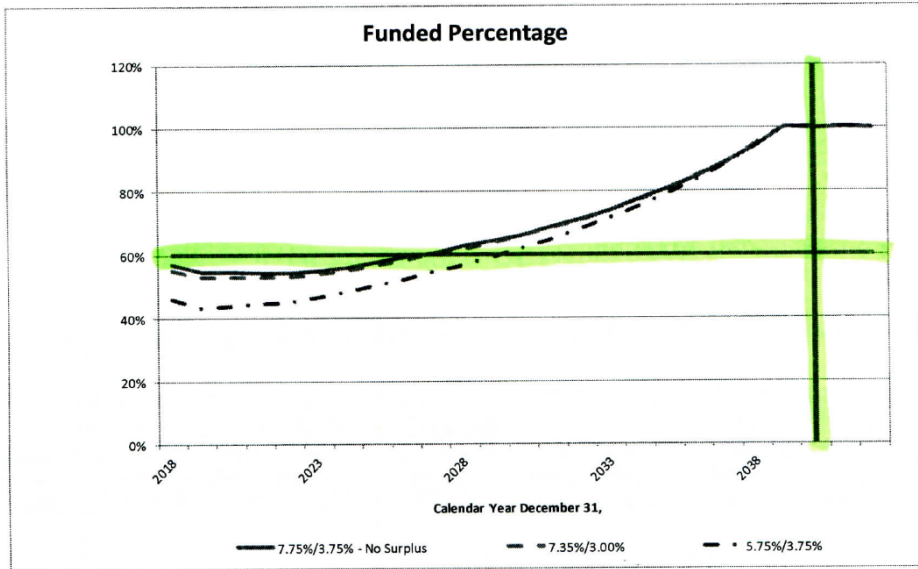
The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded within a reasonable timeframe as demonstrated by the internal analysis/actuarial projection/ actuarial valuation found in the corrective action plan (2027).
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local government confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
 - The local government confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local government to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

Supplemental Information:

The city of St Ignace submitted a page of their actuarial valuation that shows that the city will reach 60% funded by 2028. However, the city's annual employer contribution is estimated to increase approximately 100% from 2020 to 2040. This is an increase of approximately 5% per year.

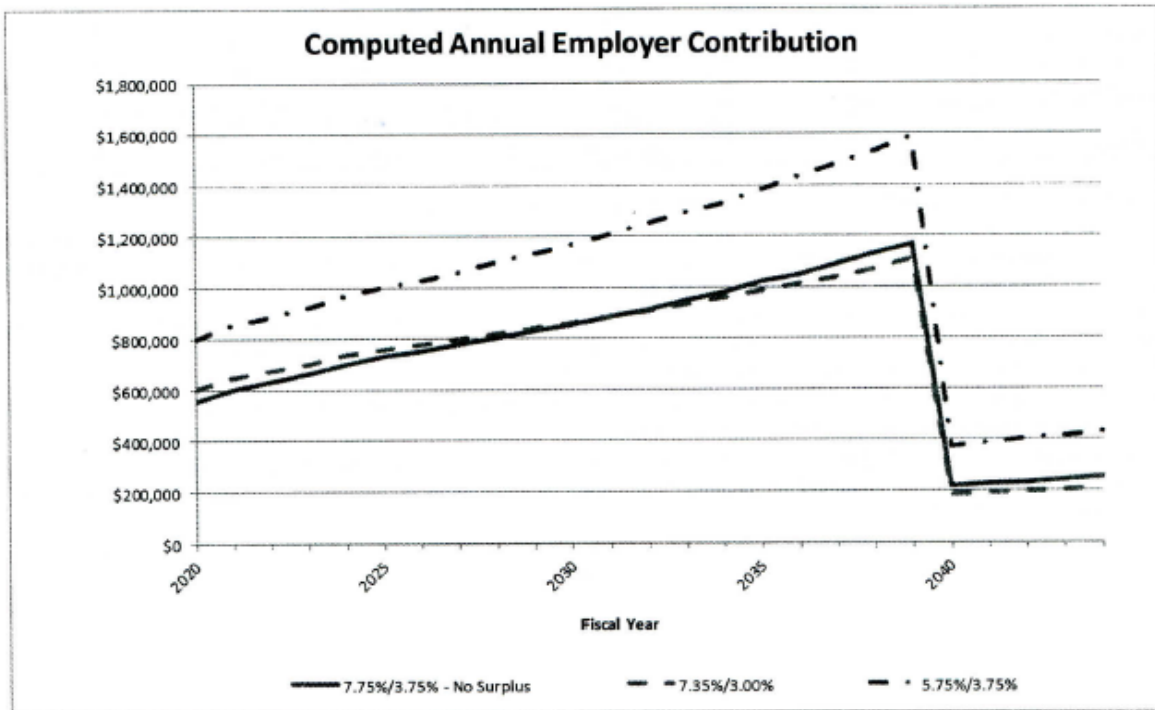
**Treasury Recommendation
City of St Ignace Pension Corrective Action Plan (CAP)
Primary Unit 492020**



Notes:

All projected funded percentages are shown with no phase-in.

The green indicator lines have been added at 60% funded and 22 years following the valuation date for PA 202 purposes.



The Community Engagement and Finance Division (CEFD) contact:

- None

**Treasury Recommendation
City of Vassar Pension Corrective Action Plan (CAP)
Primary Unit 792010**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$4,103,818	\$7,412,070	55.4%	\$227,160	\$2,180,085	10.4%	YES
Retiree Healthcare	OPEB	\$130,769	\$1,022,016	12.8%	\$102,869		4.7%	NO
Total		\$4,234,587	\$8,434,086		\$330,029	\$2,180,085	15.1%	

Source: Retirement Report 2019, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by City of Vassar, which was received by the Municipal Stability Board (the Board) on 5/20/2020. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - None listed.
- Plan Funding:
 - None listed.
- Other Considerations:
 - None listed.

Prospective Changes:

- Modern Plan Design:
 - None listed.
- Plan Funding:
 - The City of Vassar will issue pension obligation bonds in the summer of 2020. This will bring the total funding of the MERS defined benefit system to 90% in the 2021 fiscal year. This will also work to stabilize the annual payment to this liability over the course of the next ten years. The city will continue to make payments to the plan.
- Other Considerations:
 - None listed.

System Status for All Divisions: CLOSED

Plan size: members 42

- Inactive employees or beneficiaries currently receiving benefits: 8
- Inactive employees entitled to but not yet receiving benefits: 29
- Active employees: 5

Treasury Recommendation
City of Vassar Pension Corrective Action Plan (CAP)
Primary Unit 792010

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan within a reasonable timeframe (2020).
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

Supplemental Information:

The local government provided a supplemental valuation from MERS showing the potential future payments assuming several different levels of return. Using MERS FY 2020 rate of return of 7.35%, the annual employer payment is projected to increase by 171% over the next 10 years (17.1% per year), with its 2028 contribution accounting for 30% of its current governmental revenues. Alternatively, the city indicates that by bonding, they will be able to fund their MERS system to 90%, and also decrease annual employer costs. A number of projections were provided showing the annual costs of bonding while earning various rates of investment return. Using a rate of return of 7.35% with 50 basis points, the annual costs increase by 69% (6.9% per year), representing only 19.8% of current governmental revenues. These projections are subject to change depending on the assumptions used. The prospective bonding proposal has not been submitted to or reviewed by Treasury.

**Treasury Recommendation
City of Vassar Pension Corrective Action Plan (CAP)
Primary Unit 792010**

**Vassar, City of (7903) – All Divisions Combined
Projected Amortization Payments and Projected Employer Normal Cost Contributions
Based on December 31, 2018 Actuarial Valuation Data
Using 7.35% Interest Rate and 3.00% Wage Inflation***

Calendar Year Beginning January 1,	Based on the Actuarial Value of Assets		Based on the Market Value of Assets		Employer Normal Cost Contribution
	Beginning of Year UAL Balance	Amortization Payment	Beginning of Year UAL Balance	Amortization Payment	
2019	\$3,350,000	\$239,000	\$3,740,000	\$239,000	\$25,200
2020	3,350,000	296,000	3,770,000	318,000	22,800
2021	3,290,000	355,000	3,720,000	401,000	21,500
2022	3,160,000	395,000	3,580,000	446,000	19,900
2023	2,990,000	450,000	3,380,000	509,000	18,200
2024	2,740,000	533,000	3,100,000	603,000	16,600
2025	2,390,000	593,000	2,700,000	670,000	15,000
2026	1,950,000	611,000	2,200,000	690,000	13,600
2027	1,460,000	629,000	1,650,000	711,000	12,300
2028	915,000	648,000	1,030,000	732,000	10,900
2029	323,000	329,000	365,000	372,000	9,460

* The amortization schedules shown above assume all actuarial assumptions are met in future years, including actuarial and market rates of return at the stated interest rate.

**Vassar, City of (7903) - All Divisions Combined
Projected Amortization Payments Based on December 31, 2018 Actuarial Valuation Data
Using 7.35% Interest Rate and 3.00% Wage Inflation +50 Basis Points
Actuarial Value**

Calendar Year Beginning January 1	Without Bonding		With Bonding				Savings		
	Total UAL Payments	Interest Due	Principal Due	Total Debt Service Payment	Remaining UAL Payments	Total Bond D/S and Remaining UAL Payments	Difference	Arbitrage Yield Present Value @ 2.84%	All-In TIC Present Value @ 3.34%
2020	296,000	30,552	195,000	225,552	29,600	255,152	40,848	40,435	40,363
2021	355,000	79,298	290,000	369,298	35,500	404,798	(49,798)	(47,933)	(47,617)
2022	395,000	72,251	295,000	367,251	39,500	406,751	(11,751)	(10,999)	(10,874)
2023	450,000	65,083	305,000	370,083	45,000	415,083	34,918	31,781	31,267
2024	533,000	57,397	310,000	367,397	53,300	420,697	112,304	99,395	97,313
2025	593,000	49,275	320,000	369,275	59,300	428,575	164,426	141,511	137,876
2026	611,000	40,443	330,000	370,443	61,100	431,543	179,458	150,186	145,621
2027	629,000	31,005	335,000	366,005	62,900	428,905	200,096	162,837	157,123
2028	648,000	21,189	345,000	366,189	64,800	430,989	217,011	171,730	164,902
2029	329,000	10,908	360,000	370,908	32,900	403,808	(74,808)	(57,565)	(55,009)
	\$ 4,839,000	\$ 457,398	\$ 3,085,000	\$ 3,542,398	\$ 483,900	\$ 4,026,298	\$ 812,702	\$ 681,377	\$ 660,966

1) Bond Amount of \$3,085,000, dated as of 5/20/2020 with a True Interest Cost of 3.013%

2) Funding of 90% of 2020 UAL of \$3,350,000

The Community Engagement and Finance Division (CEFD) contact:

- None

**MUNICIPAL STABILITY BOARD
RESOLUTION 2020-7**

**PUBLIC ACT 202 OF 2017
CORRECTIVE ACTION PLAN NONCOMPLIANCE**

WHEREAS, the Michigan legislature passed the Protecting Local Government Retirement and Benefits Act, MCL 38.2801 et. seq. (the “Act”), creating the Municipal Stability Board (the “Board”) for the purpose of reviewing and approving corrective action plans submitted by municipalities addressing the underfunded status of their municipal retirement systems (the “Corrective Action Plan”);

WHEREAS, the Michigan Department of Treasury (“Treasury”) provides administrative services to the Board;

WHEREAS, the local units of government listed on Exhibit A were notified by Treasury of their underfunded status pursuant to MCL 38.2805 (the “Municipalities”);

WHEREAS, MCL 38.2810 requires the Municipalities to submit a Corrective Action Plan within 180 days from the date underfunded status was determined; and

WHEREAS, the Municipalities failed to submit their Corrective Action Plans to the Board by the 180-day deadline.

NOW THEREFORE, BE IT RESOLVED, the Board finds the Municipalities to be in noncompliance with the Act; and

BE IT FURTHER RESOLVED, the Board directs the Municipalities to immediately submit their respective Corrective Action Plans to the Board.

Ayes:
Nays:
Recused:
Lansing, Michigan
June 17, 2020



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

Resolution 2020-7 Exhibit A

DATE: June 17, 2020
TO: The Municipal Stability Board (the Board)
FROM: Community Engagement and Finance Division, Department of Treasury
SUBJECT: Delinquent Corrective Action Plan(s)

Suggested Action: The Board motions to notify the following local government(s) that they are in noncompliance with Public Act 202 of 2017 (the Act) for failure to submit a corrective action plan(s) to the Board within 180 days after the determination of underfunded status:

- I. Village of Kalkaska
 - a. Pension

Corrective Action Plan Noncompliance: Per Section 10(6) of the Act, “If the board determines that an underfunded local unit of government is not in substantial compliance under this subsection, the board shall within 15 days provide notification and report to the local unit of government detailing the reasons for the determination of noncompliance with the corrective action plan. The local unit of government has 60 days from the date of the notification to address the determination of noncompliance.”

**MUNICIPAL STABILITY BOARD
RESOLUTION 2020-8**

COMPLIANCE WITH ANNUAL REPORTING

WHEREAS, the Michigan legislature passed the Protecting Local Government Retirement and Benefits ACT, MCL 38.2801 et. seq. (the “Act”), creating the Municipal Stability Board (the “Board”) for the purpose of reviewing and approving corrective action plans submitted by local units of government addressing the underfunded status of their municipal retirement systems;

WHEREAS, the Michigan Department of Treasury (“Treasury”) provides administrative services to the Board;

WHEREAS, MCL 38.2805(6) requires local units of government to submit an annual report to Treasury (Treasury Retirement System Annual Report, Form 5572) (the “Annual Report”).

WHEREAS, the local units of government listed on Exhibit A (the “Local Governments”) failed to file the Annual Report for fiscal year 2017 and were subsequently determined to be noncompliant with the Act by the Board.

WHEREAS, the Local Governments filed the Annual Reports for fiscal year 2018 and were not found to be underfunded pursuant to MCL 38.2805(4).

NOW, THEREFORE, BE IT RESOLVED, the Board determines the Local Governments are now compliant with the Act and are currently no longer under the purview of the Board and not currently required to file a corrective action plan under MCL 38.2809.

Ayes:

Nays:

Recused:

Lansing, Michigan

June 17, 2020



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: June 17, 2020 Resolution 2020-8 Exhibit A

TO: The Municipal Stability Board (the Board)

FROM: Community Engagement and Finance Division, Department of Treasury

SUBJECT: Removal from the Corrective Action Process and the Purview of Board

Suggested Action: The Board motions to remove the following local governments from the corrective action process and the purview of the Board for subsequently filing the Retirement System Annual Report (Form 5572) showing that they meet the Act's funding requirements:

- I. Cass County Medical Care Facility
- II. Village of Homer
- III. Kingsford City Housing Commission
- IV. Metamora Township
- V. City of Muskegon Heights
- VI. Reed City Housing Commission
- VII. Romeo District Library
- VIII. Shiawassee Council on Aging

Requirements for Removal from Underfunded Status and Corrective Action Plan Monitoring: A local government in corrective action for failure to file the Form 5572 may be released by the Board from the corrective action plan process and purview of the Board. This will remove the local governments underfunded status, if the local government subsequently filed the Form 5572 showing that they meet the Act's funding requirements.