Michigan Department of Treasury
5597 (Rev. 10-19)

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: Dickinson County Road Commission Six-Digit Muni Code: 220100

Retirement Health Benefit System Name: General Employees

Contact Name (Administrative Officer): Sandra Lindholm

Title if not Administrative Officer: Director of Finance Telephone: (906) 774-1588

Email (Communication will be sent here): sandy@dickinsoncrc.com

Fiscal Year System was Determined to be Underfunded: 2018

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.

3. 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**.*

On January 1, 2018 after the contract was ratified, new language was added to no longer offer post retirement health insurance benefits to new hires.

Also in 2012 the lifetime benefit for post retirement health insurance was eliminated for administrative.

We also established another group for our over 65 retirees (other than BCBS) with significant premium savings.

☒ **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.*

The Dickinson County Road Commission created a qualified trust in 2018 for OPEB. As of January 1, 2019 we contributed $5,000 monthly ($60,000 annually). We are transitioning from a pay-as-you-go to funding the ADC and have increased the monthly contribution to $10,000 monthly ($120,000 annually) effective January 1, 2020. We will continue to contribute at this rate until 2022.

☒ **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**.*

It was noted that had we been allowed the second trigger for our General Employees, our ARC is 5.9% of our Governmental Fund Revenues which is less than the 12%.

We will continue to commit to funding our trust and effective January 1, 2022, we will increase our monthly contribution to $20,000 monthly ($240,000 annually) until we reach 40% funded by 2026 or the date set in the actuarial projection.

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****.*

When we initially applied for a waiver, the trust set up in 2018 and the $5,000 monthly contributions made had not been taken into account although we had began to fund it at the beginning of 2019. We now have an entire year of contributions and have increased (doubled) the contribution rate to $10,000 monthly as of January 1, 2020.

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:**

Yes we will be able to pay the retiree premium payments but as indicated on page 3, we no longer offer post retirement health insurance to new hires after 01/01/18.

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	**This corrective action plan (required);**
☒ Attachment – 1a	**Documentation from the governing body approving this corrective action plan (required);**
☒ Attachment – 2a	**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);**
☐ Attachment – 3a	Documentation of additional payments in past years that are not reflected in your audited financial statements (e.g. enacted budget, system provided information);
☒ Attachment – 4a	Documentation of commitment to additional payments in future years (e.g. resolution, ordinance);
☐ Attachment – 5a	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;
☐ Attachment – 6a	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, Sandra Lindholm, as the government's administrative officer (Ex. City/Township Manager, Executive Director, Chief Executive Officer, etc.) **(insert title)** Director of Finance 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 General Employees **(insert retirement health system name)** will achieve a funded status of at least 40% by fiscal year _____ 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: Sandra Lindholm Date: 02/18/20

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REGULAR MONTHLY MEETING
DICKINSON COUNTY ROAD COMMISSION
TUESDAY, FEBRUARY 11, 2020

The Regular Monthly Meeting of the Dickinson County Road Commission was held on Tuesday, February 11, 2020 at 6:00 P.M. at the Road Commission Office located at 1107 S. Milwaukee Ave, Iron Mountain, MI 49801.

The meeting was called to order by Chairman Carey and the Pledge of Allegiance was recited.

PRESENT: Commissioner Bilski, Commissioner Milbrath, Commissioner Brisson, Commissioner Johnson, and Commissioner Carey

ABSENT: None

Also present were: Jim Harris, Managing Director; Sandra Lindholm, Director of Finance; Lance Malburg, Engineer; Henry Wender, County Board Liaison; Todd Rowell, Superintendent of Roads; John McDonald, Shop Foreman; Michelle Berger, Asst. Finance Diretor; John Cescolini, Dickinson County Road Commission; Mike Pohlson, Dickinson County Road Commission; Gabe Rowell, Dickinson County Road Commission; Ted Testolin, Waucedah Township; David Dixon, Hardwood; Denny Olson, Breitung Township; and Gerald McCole, Channing.

CITIZEN'S TIME: Gerald McCole addressed the Board. He indicated he is one of the original founders of the bike path. He further questioned some of the past issues with the existing members and also voiced concerns regarding the way the bike path is currently signed.

APROVE/AMEND AGENDA: Chairman Carey asked if there were any changes to the agenda. Being none, a motion was made by Commissioner Milbrath and supported by Commissioner Brisson to accept the agenda. All ayes and the motion carried.

APPROVED REPORTS: A motion was made by Commissioner Bilski and supported by Commissioner Milbrath to approve the Managing Director, Director of Finance, Engineer, Superintendent, and Construction Supervisor reports as presented. All ayes and the motion carried.

APPROVED MINUTES: A motion was made by Commissioner Milbrath and supported by Commissioner Bilski to approve the minutes from the Regular Meeting on January 14, 2020. All ayes and the motion carried.

APPROVED PAYMENTS: A motion was made by Commissioner Bilski and supported by Commissioner Milbrath to approve payrolls in the amount of $184,905.44. Roll Call Vote: Commissioner Milbrath - aye, Commissioner Bilski - aye, Commissioner Johnson - aye, Commissioner Brisson - aye, and Chairman Carey - aye. The motion carried.

A motion was made by Commissioner Milbrath and supported by Commissioner Bilski to approve time checks in the amount of $159,884.56. Roll Call Vote: Commissioner Brisson - aye, Commissioner Milbrath - aye, Commissioner Bilski - aye, Commissioner Johnson - aye, and Chairman Carey - aye. The motion carried.

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A motion was made by Commissioner Milbrath and supported by Commissioner Brissomn to approve material bills in the amount of $223,335.56. Commissioner Brisson asked about a couple bills and they were answered by Managing Director Harris. Roll Call Vote: Commissioner Johnson - aye, Commissioner Brisson - aye, Commissioner Milbrath - aye, Commissioner Bilski - aye, and Chairman Carey - aye. The motion carried.

The total amount approved was $568,125.56.

PRESENT RETIREMENT RESOLUTION & WATCH TO DAVID DIXON: Chairman Carey read the retirement resolution and presented Dave Dixon with a retirement watch. Everyone wished Dave a happy retirement.

APPROVE RESOLUTION & CORRECTIVE ACTION PLAN FOR OPEB PER TREASURY: Director of Finance Lindholm explained we have to file a waiver for both pension and post retirement health insurance on an annual basis. She indicated the pension waiver was accepted, but this year Treasury would like to see a Corrective Action Plan for the Post Retirement Health Insurance indicated when we will be 40% funded. Director of Finance Lindholm indicated between the pay-as-you-go (amount paid towards retirees) and the amount we are contributing to the trust, the projection is to be funded 40% by approximately 2026 and noted this is what Treasury wants to know. A motion was made by Commissioner Brisson and supported by Commissioner Bilski to approve the resolution and corrective action plan as presented. Roll Call Vote: Commissioner Bilski - aye, Commissioner Johnson - aye, Commissioner Brisson - aye, Commissioner Milbrath - aye, and Chairman Carey - aye.

AMEND ADMINISTRATIVE POLICY #13: Managing Director Harris indicated this policy needs to be updated in order to be more specific in the time of service in order to receive a retirement watch. After discussion, a motion was made by Commissioner Bilski and supported by Commissioner Milbrath to amend the policy as presented. Roll Call Vote: Commissioner Milbrath - aye, Commissioner Bilski - aye, Commissioner Johnson - aye, Commissioner Brisson - aye, and Chairman Carey - aye. The motion carried.

CLOSE DIVISION 10 - DEFINED BENEFIT PLAN: Director of Finance Lindholm explained what this division is, who had been on it, and being there is no longer anyone in this division, MERS is requesting Board action to close it. A motion was made by Commissioner Bilski and supported by Commission Milbrath to close division 10. Roll Call Vote: Commissioner Brisson - aye, Commissioner Milbrath - aye, Commissioner Bilski - aye, Commissioner Johnson - aye, and Chairman Carey - aye. The motion carried.

WRITTEN LETTER OPPOSING HB4965: Managing Director Harris indicated they would like to get a letter out opposing this legislation which would dictate how we spend and budget our funds. He further noted there have been many pieces of legislation they have been keeping an eye on which could have a detrimental effect on road commissions. It was further noted that additional lobbying power in Lansing representing the U.P. and rural counties of Michigan. Some of the legislation may be good for rural counties, but not so much for us. The cost for a lobbyist was noted as not being really pricey and there are a number of them downstate. A motion was made by Commissioner Bilski and supported by Commissioner Milbrath to send a letter opposing HB4965. Roll Call Vote: Commissioner Johnson - aye, Commissioner Brisson - aye, Commissioner Milbrath - aye, Commissioner Bilski - aye, and Chairman Carey - aye. The motion carried.

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Dickinson County Road Commission

2020 funding projection (based on December 31, 2019 GASB liability)

Discount	Return
3.26%	7.35%

Year ending	Liability	Assets	Contribution during the year	+ Benefit payments during the year	=Total contribution	Funded percent
12/31/2019	4,251,373	63,401	60,000	218,839	278,839	1.5%
12/31/2020			120,000	245,610	365,610	4.5%
12/31/2021			120,000	225,772	345,772	7.5%
12/31/2022			240,000	246,641	486,641	13.3%
12/31/2023			240,000	237,574	477,574	19.1%
12/31/2024			240,000	217,128	457,128	24.8%
12/31/2025			240,000	223,628	463,628	30.6%
12/31/2026			240,000	255,225	495,225	~~36.6%~~
12/31/2027	5,522,552	2,379,913	240,000	306,542	546,542	43.1%

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Dickinson projected liability and funding plan

From: Lisa Hayes (lhayes@watkinsross.com)

To: sandy@dickinsoncrc.com

Cc: cveenstra@watkinsross.com; ldudley@watkinsross.com

Date: Wednesday, February 12, 2020, 03:28 PM CST

Hi Sandy,

Please find attached a funding projection which illustrates the number of years expected to achieve 40% funding at the contribution levels that you described.

The results of this study are based on the 2018 actuarial valuation rolled forward to 2019. Please contact me if you have any questions regarding the attached.

Sincerely,

Lisa Hayes | Senior Pension Analyst
616.742.9215 | www.watkinsross.com
Proud to be 100% Employee-Owned

Projected liability and funding plan.pdf
108.8kB

4a

1107 S. Milwaukee Ave.
P.O. Box 519
Iron Mountain, MI 49801

(906) 774-1588
FAX (906) 774-7227

Board of Road Commissioners

James Carey
Chairman

Allan Bilski
Vice Chairman

Dave Brisson
Member

Ron Milbrath
Member

Dale Johnson
Member

James Harris
Managing Director

Lance Malburg, P.E.
Engineer

Sandra Lindholm
Director of Finance

February 11, 2020

Michigan Department of Treasury
430 West Allegan Street
Lansing, Michigan 48922
State ID Number 22-0-100

At a Regular Meeting of the Dickinson County Road Commission held in the Board Room of the Dickinson County Road Commission Office, located in Iron Mountain, Michigan on the 11th day of February 2020, the following resolution was offered:

The following resolution was offered by Commissioner Brisson

and supported by Commissioner Bilski :

PRESENT: _____, Chairman
Allan L. Bilski, Vice-Chairman
_____, Member
_____, Member
_____, Member

ABSENT: None,

Resolved that the Dickinson County Road Commission accepts and adopts the following plan set forth to reduce the OPEB (Post Retirement Health Insurance) Liability.

The Dickinson County Road Commission established a trust fund in 2019 and began monthly payments of $5,000 monthly in contributions into this trust. As of January 1, 2020 the contribution rate was increased to $10,000 monthly and we will continue funding the trust at this rate through year 2021. Beginning January 1, 2022, if the available operating revenues will support, an increase to $20,000 monthly will be pledged to continue in our comprehensive plan to reach a funding level of 40% by the year 2026 or as determined by the actuarial projection.

ATTEST BY: Sandra Lindholm
Sandra Lindholm, Secretary