

Municipal Stability Board

REGULAR MEETING

Wednesday, September 12, 2018 at 10:30 a.m.

Austin Building

State Treasurer's Boardroom

430 W. Allegan Street

Lansing, MI 48922

I. Call to Order

- A. Roll Call
- B. Approval of August 15, 2018 Minutes

II. Public Comment

- A. 2 minute limit

III. Correspondence

- A. PA 202 Treasury Update
- B. Responding to Board Questions
- C. Extension Request
- D. Corrective Action Plan Letters (Disapprove, Split, Approve)

IV. Old Business

- A. Feedback on the Best Practices and Corrective Action Plan Criteria (Resolution 2018-12)

V. New Business

- A. Receipt of Corrective Action Plans [Bloomfield Township Public Library; City of Hart; Kalamazoo Lake Sewer and Water Authority; Ottawa County Road Commission – 2 systems; City of Ionia]
- B. Approvals and Denials of Corrective Action Plans (Resolution 2018-13)
 - i. Crawford County Road Commission Municipal Employees Retirement (MERS) of Michigan
 - ii. Crawford County Road Commission MERS Health Care Savings Program

VI. Public Comment

A. 2 minute limit

VII. **Board Comment**

VIII. **Adjournment**

Municipal Stability Board Minutes

Wednesday, August 15, 2018 at 10:00 a.m.

Austin Building

State Treasurer's Boardroom

430 W. Allegan Street

Lansing, MI 48922

Call to Order

Chairman Eric Scorsone called the meeting to order at 10:02 a.m.

Roll Call

Members Present – 3

Eric Scorsone

Daryl Delabbio

Barry Howard

Let the record show that 3 Board members eligible to vote were present. A quorum was present.

Approval of Minutes

Motion was made to approve the minutes regarding July 18, 2018 board meeting.

Motion moved by B. Howard supported by D. Delabbio, the Board unanimously approved the July 18, 2018 meeting minutes. 3 ayes, 0 nays.

Public Comment

No public comment.

Correspondence

- PA 202 Treasury Update – Kevin Kubacki gave an update on local unit retirement submissions received by Treasury. Mr. Kubacki addressed questions from the Board.
- Corrective Action Plan (CAP) Form Update – The department of Treasury is working to revise its CAP templates as a result of the Board passing its Best Practices and CAP criteria document. Kevin Kubacki presented the board with the latest version drafted by the Department of Treasury. A revised version of the CAP template will be issued within the next month or two.

Old Business

Feedback on the Best Practices and Corrective Action Plan Criteria (Resolution 2018-10)

Kevin Kubacki reviewed the public comments and changes made to the document with the Board. After review of the public comment, Mr. Howard requested to be provided the statute's definition of revenue used in the determination of underfunded status criteria and reference for the Treasurer's authority to grant a local unit a waiver.

Mr. Scorsone presented changes to the CAP criteria: bullet point number 2 under affordability should be moved from page 5 to page 4, the wording "CAP must" will be changed to "CAP may" and the reasonable time frame for the corrective action plan given to each local unit is 5 years.

Motion was made to approve the updated Corrective Action Plan Development: Best Practices and Strategies document (Resolution 2018-10) with instruction to post the document on the MSB website for public comment. The Board will review public comments at the next regularly scheduled meeting as additional consideration to the best practices and corrective action plan criteria.

The motion was moved by B. Howard, supported by D. Delabbio, the Board unanimously approved the updated Best Practices and Corrective Action Plan Criteria Resolution 2018-10. 3 ayes, 0 nays.

New Business

Receipt of Corrective Action Plan

Kevin Kubacki provided the Board with the Crawford County Road Commission corrective action plans. The Board has 45 days from receipt to approve or deny the Corrective Action Plans. The decision is to be made at the next board meeting on September 12, 2018.

Motion was made to receive the Crawford County Road Commission Corrective Action Plan.

Motion moved by B. Howard, supported by D. Delabbio, the Board unanimously approved the designation. 3 ayes. 0 nays.

Approvals and Denials of Corrective Action Plans

Milan Public Library Resolution 2018-11 – Kevin Kubacki was asked to review the Milan Public Library's corrective action plan with the board. Using the Board's adopted Corrective Action Plan Development: Best Practices and Strategies as the criteria to provide its recommendation, Treasury recommended approval of the corrective action plan.

Motion to approve the Milan Public Library Resolution 2018-11.

Public Comment

No public comment.

Board Comment

No comment from the Board.

Next Meeting

Next regular meeting will be on September 12, 2018 at 10:30am

Adjournment

Motion made to adjourn. Motion moved by D. Delabbio, supported by B. Howard, the Board unanimously approved the motion to adjourn.

There being no further business, the meeting adjourned at 10:40 a.m.

MSB Appendix A September 12, 2018

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?
Timeframe	Does this corrective action for this plan meet the Reasonable Timeframe criteria as defined by the Municipal Stability Board?
Legal/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?
Affordable	The local unit 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 Unit	Municode	System Type	Date Received	Underfunded Status	Timeframe	Legal/Feasible	Affordable	Treasury Recommendation	Corrective Action Plan Link
1	City One	000001	OPEB	10/1/2018	No	No	Yes	Partial	Disapprove	www.michigan.gov/msb
2	City One	000001	Pension	10/1/2018	Yes	Yes	Yes	Yes	Approve	www.michigan.gov/msb
3	County Two	000002	OPEB	10/1/2018	Partial	Partial	Yes	Yes	Approve	www.michigan.gov/msb
4	City Three	000003	OPEB	10/1/2018	Yes	Yes	Yes	Partial	Approve	www.michigan.gov/msb
5	Village Four	000004	Pension	10/1/2018	Yes	Yes	Partial	Yes	Approve	www.michigan.gov/msb
6	Township Five	000005	Pension	10/1/2018	Yes	No	Yes	Yes	Disapprove	www.michigan.gov/msb
7	Library Six	000006	Pension	10/1/2018	Yes	Yes	Yes	Yes	Approve	www.michigan.gov/msb
8	Police Authority Seven	000007	OPEB	10/1/2018	No	No	Yes	Yes	Disapprove	www.michigan.gov/msb
9	Road Commission Eight	000008	OPEB	10/1/2018	Yes	Yes	Partial	Partial	Approve	www.michigan.gov/msb
10	Hospital Authority Nine	000009	Pension	10/1/2018	Yes	Yes	Yes	No	Disapprove	www.michigan.gov/msb



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

Date: September 12, 2018
To: The Municipal Stability Board (the Board)
From: Community Engagement and Finance Division, Department of Treasury
Subject: Responding to Board Questions from the August 15, 2018 board meeting

- 1) Provide the legal reference for the definition of general fund operating revenues.

Section 3(g) of Public Act 202 of 2017 defines General Fund Operating Revenues as “the sum of all governmental activity fund revenues of a local unit of government as determined by the state treasurer based on applicable government accounting standards of the Governmental Accounting Standards Board. General fund operating revenues do not include any fund of the local unit of government that the state treasurer determines based on applicable government accounting standards of the Governmental Accounting Standards Board is a proprietary, fiduciary, enterprise, or other restricted fund that may not be expended to provide retirement health benefits or retirement pension benefits.”

- 2) Provide the legal reference that it is Treasurer’s responsibility to grant waivers.

Section 6(1) of Public Act 202 of 2017 states that “The state treasurer shall issue a waiver of the determination of underfunded status for a local unit of government if the state treasurer determines that the underfunded status is adequately being addressed by the local unit of government.”



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

Date: September 12, 2018
To: Local Units of Government
From: The Municipal Stability Board (the Board)
Subject: How to request a corrective action plan extension

To request a corrective action plan extension from the Municipal Stability Board (the Board), please email LocalRetirementReporting@michigan.gov a reasonable draft of your corrective action plan (CAP).

Please note the following:

- Your corrective action plan extension request must be submitted to the Board by your local unit's corrective action plan due date.
- A reasonable draft includes submitting a signed CAP form for each underfunded system that you are requesting an extension for.
- Additional information about the Board, including their meeting schedule can be found at Michigan.gov/MSB.

We have drafted an email for you to use, please fill out the highlighted yellow sections. The subject of the email should read: **(Local Unit Name) MSB CAP Extension Request**.

The body of the email should read: The **(insert name of local unit)** is requesting a 45 day extension for our corrective action plan from the Municipal Stability Board (the Board). Attached to this email is our reasonable draft of our corrective action plan and governing body approval for our extension request.

Sincerely,

Name of person making the request
Position, Local Unit Name



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

September 7, 2018

**Disapproval of Corrective Action Plan and
Need to Resubmit a Corrective Action Plan**

Fiscal Year: 20XX

Municipality Code: XXXXXX

Sent Via Email

Local Unit Name

Email

Re: Corrective Action Plans

Dear Administrative Officer or Designee:

Thank you for submitting your retirement corrective action plans pursuant to Public Act 202 of 2017 (the Act). **Based upon review, the following corrective action plan has been denied:**

Plan Name and reason for denial: Plan Name

- Your corrective action plan did not document when your healthcare system would reach a funding ratio of 40% or higher, or if the local unit is a city, village, township or county, did not document when the healthcare system would have an ARC less than 12% of general fund operating revenues.
- Your corrective action plan did not document when your pension system would reach a funding ratio of 60% or higher, or if the local unit is a city, village, township or county, did not document when the healthcare system would have an ARC less than 10% of general fund operating revenues.
- Your corrective action plan did not address underfunded status in a reasonable timeframe. A local unit with a severely underfunded pension system (45% or less) should reach a funded ratio of sixty percent within twenty years. A local unit with a severely underfunded retirement health system (25% or less) should reach a funded ratio of forty percent within thirty years.
- If the local unit is a city, village, township or county and is addressing underfunded status through the ARC/Revenue trigger in their corrective action plan, the local government did not show how it will get below the PA 202 established ARC/Revenue trigger within 5 years.
- The prospective actions listed in your corrective action plan did not have a date assigned. After approval by the Board, the local unit has up to 180 days to begin

to implement the corrective actions, unless a legal or contractual obligation prevents implementation within this timeframe.

- The corrective action plan did not follow all applicable local, state, and federal laws.
- Your governing body did not approve the corrective action.
- Your administrative officer or designee did not certify they will implement the corrective action plan.
- The proposals listed in the corrective action plan are not feasible.
- You did not certify that the corrective actions listed in the corrective action plan allow your local unit to make the annual required contribution for your pension plans(s).
- You did not certify and demonstrate that the corrective actions listed in the corrective action plan allow your local unit to make the retiree healthcare premium payment, as well as the normal cost payment for new hires for retirement health benefits.

As a result, pursuant to Section 10 of the Act, your municipality is required to submit a revised corrective action plan within 60 days of this notification.

How to reapply for a Corrective Action Plan

In accordance with the Act, you **must** resubmit a corrective action plan **for this underfunded system**. The *attached* corrective action plan form has a cover sheet with detailed instructions on how to complete the corrective action plan. The completed corrective action plan is due back to the Department of Treasury (Treasury) **within 60 days of this notification** via email to LocalRetirementReporting@Michigan.gov.

- ❖ **Please note:** If applicable, prior actions listed within your corrective action plan may also be included in your resubmission.

Please attach each corrective action plan as a separate PDF document in addition to all applicable supporting documentation. The subject line of the email 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. Treasury will also provide the corrective action plan to the Municipal Stability Board (the Board) for their review.

Next Steps:

- Once your corrective action plan is resubmitted, the Board will officially receive your plan at their next scheduled meeting.
- The Board shall then approve or reject the updated corrective action plan within 45 days from the date of the meeting.

The Board has approved their Best Practices and Corrective Action Plan Criteria, which can be viewed at Michigan.gov/MSB. This document includes detailed corrective action plan approval criteria, including funding ratios, reasonable timeframes, affordability, legality, and feasibility.

If you have any questions regarding your underfunded status, please visit Michigan.gov/LocalRetirementReporting for step-by-step reporting instructions and helpful FAQs, or email our office at LocalRetirementReporting@michigan.gov. If you would prefer to speak with a member of our team, please schedule a phone call appointment using the [Local Retirement Calendar](#). A staff member will contact you via the phone number you provide at your scheduled time.

Sincerely,

Michigan Department of Treasury
Local Retirement Reporting Team



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

September 7, 2018

**Disapproval of Corrective Action Plan and
Need to Resubmit a Corrective Action Plan**

Fiscal Year: 20XX

Municipality Code: XXXXXX

Sent Via Email

Local Unit Name

Email

Re: Corrective Action Plans

Dear Administrative Officer or Designee:

Thank you for submitting your retirement corrective action plans pursuant to Public Act 202 of 2017 (the Act). **Based upon review, the following corrective action plan has been denied:**

Plan Name and reason for denial: Plan Name

- Your corrective action plan did not document when your healthcare system would reach a funding ratio of 40% or higher, or if the local unit is a city, village, township or county, did not document when the healthcare system would have an ARC less than 12% of general fund operating revenues.
- Your corrective action plan did not document when your pension system would reach a funding ratio of 60% or higher, or if the local unit is a city, village, township or county, did not document when the healthcare system would have an ARC less than 10% of general fund operating revenues.
- Your corrective action plan did not address underfunded status in a reasonable timeframe. A local unit with a severely underfunded pension system (45% or less) should reach a funded ratio of sixty percent within twenty years. A local unit with a severely underfunded retirement health system (25% or less) should reach a funded ratio of forty percent within thirty years.
- If the local unit is a city, village, township or county and is addressing underfunded status through the ARC/Revenue trigger in their corrective action plan, the local government did not show how it will get below the PA 202 established ARC/Revenue trigger within 5 years.
- The prospective actions listed in your corrective action plan did not have a date assigned. After approval by the Board, the local unit has up to 180 days to begin

to implement the corrective actions, unless a legal or contractual obligation prevents implementation within this timeframe.

- The corrective action plan did not follow all applicable local, state, and federal laws.
- Your governing body did not approve the corrective action.
- Your administrative officer or designee did not certify they will implement the corrective action plan.
- The proposals listed in the corrective action plan are not feasible.
- You did not certify that the corrective actions listed in the corrective action plan allow your local unit to make the annual required contribution for your pension plan(s).
- You did not certify and demonstrate that the corrective actions listed in the corrective action plan allow your local unit to make the retiree healthcare premium payment, as well as the normal cost payment for new hires for retirement health benefits.

As a result, pursuant to Section 10 of the Act, your municipality is required to submit a revised corrective action plan within 60 days of this notification.

How to reapply for a Corrective Action Plan

In accordance with the Act, you **must** resubmit a corrective action plan **for this underfunded system**. The *attached* corrective action plan form has a cover sheet with detailed instructions on how to complete the corrective action plan. The completed corrective action plan is due back to the Department of Treasury (Treasury) **within 60 days of this notification** via email to LocalRetirementReporting@Michigan.gov.

- ❖ **Please note:** If applicable, prior actions listed within your corrective action plan may also be included in your resubmission.

Please attach each corrective action plan as a separate PDF document in addition to all applicable supporting documentation. The subject line of the email 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. Treasury will also provide the corrective action plan to the Municipal Stability Board (the Board) for their review.

Next Steps:

- Once your corrective action plan is resubmitted, the Board will officially receive your plan at their next scheduled meeting.
- The Board shall then approve or reject the updated corrective action plan within 45 days from the date of the meeting.

The Board has approved their Best Practices and Corrective Action Plan Criteria, which can be viewed at Michigan.gov/MSB. This document includes detailed corrective action plan approval criteria, including funding ratios, reasonable timeframes, affordability, legality, and feasibility.

Based upon review, your corrective action plan for plan name has been approved by the Municipal Stability Board (the Board).

Next Steps (Pursuant to the Act):

- You must begin to implement your corrective action plan within 180 days of the date of this letter.
- Your approved corrective action plan must be posted publicly on your website or in a public place. **While this approved corrective action plan is in effect for your local unit, you are not required to submit an** additional corrective action plan for this system.
- You are required to continue to file the Form 5572 Retirement System Annual Report annually, which is due six months after the end of your fiscal year.
- The Board shall monitor your compliance with the Act and your corrective action plan. The Board shall detail any reasons for a determination of noncompliance. Additional guidance will be forthcoming regarding the monitoring process.

If you have any questions regarding your underfunded status, please visit Michigan.gov/LocalRetirementReporting for step-by-step reporting instructions and helpful FAQs, or email our office at LocalRetirementReporting@michigan.gov. If you would prefer to speak with a member of our team, please schedule a phone call appointment using the [Local Retirement Calendar](#). A staff member will contact you via the phone number you provide at your scheduled time.

Sincerely,

Michigan Department of Treasury
Local Retirement Reporting Team



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

September 7, 2018

Notice of Approval

Fiscal Year: 20XX

Municipality Code: XXXXXXXX

Sent Via Email

Local Unit Name

Email

Re: Corrective Action Plan

Dear Administrative Officer or Designee:

Thank you for submitting your retirement corrective action plan pursuant to Public Act 202 of 2017 (the Act). **Based upon review, your corrective action plan for Plan Name has been approved by the Municipal Stability Board (the Board).**

Next Steps (Pursuant to the Act):

- You must begin to implement your corrective action plan within 180 days of the date of this letter.
- Your approved corrective action plan must be posted publicly on your website or in a public place. While this approved corrective action plan is in effect for your local unit, you are not required to submit an additional corrective action plan for this system.
- You are required to continue to file the Form 5572 Retirement System Annual Report annually, which is due six months after the end of your fiscal year.
- The Board shall monitor your compliance with the Act and your corrective action plan. The Board shall detail any reasons for a determination of noncompliance. Additional guidance will be forthcoming regarding the monitoring process.

Thank you for your commitment to fiscal stability and continued compliance with the Act. If you have any questions, please email our office at LocalRetirementReporting@michigan.gov or visit Michigan.gov/LocalRetirementReporting.

Sincerely,

Michigan Department of Treasury
Local Retirement Reporting Team

**MUNICIPAL STABILITY BOARD
RESOLUTION 2018-12**

**APPROVAL AND ADOPTION OF BEST PRACTICES
AND CORRECTIVE ACTION PLAN APPROVAL CRITERIA**

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 “MSB”) for the purpose of reviewing and approving corrective action plans submitted by municipalities addressing the underfunded status of their municipal retirement systems;

WHEREAS, the Act requires the MSB to review and annually update a list of best practices and strategies that will assist an underfunded local unit of government in developing a corrective action plan;

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

WHEREAS, Treasury staff has developed the Best Practices and Corrective Action Plan Approval Criteria for the MSB’s consideration, as detailed in memorandum attached to this Resolution (the “Best Practices”);

WHEREAS, municipalities and their representatives have provided feedback on the form and substance of the Best Practices;

WHEREAS, Treasury staff recommends the approval and adoption of the Best Practices; and

WHEREAS, the MSB concurs in that recommendation and wishes to approve and adopt the Best Practices.

NOW, THEREFORE, BE IT RESOLVED, the Municipal Stability Board approves and adopts the Best Practices attached to this Resolution; and

BE IT FURTHER RESOLVED, any and all previous versions of the Best Practices are rescinded and replaced with the Best Practices attached to this Resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan

September 12, 2018

MUNICIPAL STABILITY BOARD

CORRECTIVE ACTION PLAN DEVELOPMENT: *BEST PRACTICES AND STRATEGIES*



Issued Under Authority of Michigan's Public Act 202 of 2017

September 2018¹

¹ This document was updated [to add additional clarification from the August 2018 version.](#)

Goal:

To provide best practice options to Michigan's local units of government so they may sustain fiscally stable retirement systems, protect benefits for retirees, and provide high-quality public services to residents. Underfunded local units are encouraged to utilize this information to assist in developing a Corrective Action Plan (CAP) in compliance with Sec. 8 (MCL 38.2808) of Public Act 202 of 2017 (the Act). Each local unit and their governing body will have to agree on a uniquely constructed plan to *address their underfunded status* for retirement pension and/or retirement health systems.

Best Practice Principles:

The following three principles may be utilized in developing a CAP for local units of government with an underfunded retirement pension system and/or retirement health system² :

- 1.) Plan Funding
- 2.) Modern Plan Design
- 3.) Effective Plan Administration

Best Practice Options:

Corrective options may include, but are not limited to, the options listed below. This list is also inclusive of the corrective options outlined in Sec. 10(7) of the Act (MCL 38.2810).

I. Plan Funding

- Below are funding options to sustain legacy costs and future retirement benefits.
 - Fund the annual required contribution, which pays the expected cost of all promised benefits for both pension and retirement health systems (i.e. fund the annual service cost of active employee benefits plus any unfunded actuarial accrued liabilities)
 - Add funding into the annual budget in addition to the annual required contribution(s). This practice will reduce the unfunded liability and allow for potential increased earning interest or investment income.
 - Dedicate additional revenue sources to pay for retirement benefits (e.g. Public Act 345 of 1937 millage, increased operating millage, other special millage)
 - Establish a qualified medical trust designated for retirement health system funding
 - Transfer funds from reserves to increase retirement assets, earning interest, and investment income
 - Add or increase employee contributions for pension systems and health care systems
 - Add or increase retiree contributions for health care systems
 - Implement a closed amortization period of no more than twenty years
 - Calculate amortization payments based on a "level-dollar" amortization schedule

2. Modern Plan Design

- The goal of a retirement system is its ability to attract and retain a talented workforce while providing a secure retirement for beneficiaries. To accomplish this goal, local units can develop modern plan solutions that can adapt alongside a changing work environment.
- Below are modern plan design options for defined benefit pension systems.
 - Implement a "bridged multiplier" for active employees
 - Implement a bridged Cost of Living Adjustment (COLA)
 - Implement Final Average Compensation (FAC) standards

² As defined in the Act, retirement health benefit means an annuity, allowance, payment, or contribution to, for, or on behalf of a former employee or dependent of a former employee to pay for any components: (i) Expenses related to medical, drugs, dental, hearing, or vision care. (ii) Premiums for insurance covering medical, drugs, dental, hearing, or vision care. (iii) Expenses or premiums for life, disability, long-term care, or similar welfare benefits for a former employee. These benefits are also commonly referred to as Other Post-Employment Benefits (OPEB).

- Reduce or eliminate future defined benefit accruals and enroll active employees into a defined contribution plan or hybrid plan
- Limit defined benefit options for newly hired employees, including multipliers, cost of living increases, retirement age, and benefit vesting periods
- Close the current defined benefit plan
- Enroll new hires into a defined contribution plan or a hybrid plan
- Evaluate the financial implications of any early retirement incentive buyouts
- Limit the dual payment of both a pension and a salary to any employee who is rehired after retirement by the same employer, in accordance with IRS regulations
- Below are modern plan design options for retirement health systems
 - Require cost sharing of premiums and sufficient copays
 - Implement a cap on employer retiree health care costs
 - Require use of Medicare as primary insurance for retirees 65 and older
 - Require mirroring of retiree health care plans within the same local unit
 - Require retirees to use health plans of current employers if available, and spouses to utilize benefits from their employer, if available
 - Enroll new hires in a defined contribution retiree health care plan
 - Do not offer incentive packages for early separation without first considering the costs of the separation on the retirement health system
 - Raise the eligibility age for retiree health care
 - Implement vesting rules that provide levels of benefits based on years of service
 - Use a market driven approach to evaluate benefit offerings and carriers

3. Effective Plan Administration

- Local units should use a variety of options to ensure that their retirement benefits are being administered as effectively as possible. Below are administration options to maintain fiscally stable retirement systems.
 - Work with system providers to determine appropriate solutions for each local unit
 - Require all retirement systems to be 100 percent funded before any benefit increases can take effect
 - Require an experience study by the plan's actuary at least every five years
 - Require a peer actuarial audit to be conducted by an actuary that is not the plan actuary at least every eight years, or replace the actuary
 - Obtain frequent annual required contributions for all retirement systems
 - At a minimum, provide five year projections within the annual valuations for funded levels and required contributions
 - Diversify the investment portfolio in consultation with the system provider
 - Ensure proper assumptions are utilized according to actuarial standards of practice
 - Ensure management and oversight boards have proper experience, skills, and training to administer pension and retirement health systems
 - Use of asset smoothing in the valuation to reduce the impact of significant investment losses on required contribution amounts
 - Create a committee consisting of all stakeholders (employees, retirees, and employer representation) to evaluate options for benefit offerings

CAP Approval Criteria:

To further assist local units in developing their CAP, the Municipal Stability Board (the Board) has created the approval criteria listed below, which the Board will be considering in their review of each CAP. Local units are encouraged to use a balanced approach from one or more of the best practice principles outlined above to address their underfunded status. However, it is ultimately the responsibility of the local unit to determine the components of their CAP. At a minimum, a successful CAP will demonstrate the following:

I. Underfunded Status

- The CAP ~~may~~ **must** demonstrate through distinct supporting documentation how and when the retirement system will reach a sixty percent funded ratio for pension systems and/or a forty percent funded ratio for retirement health systems. These minimum funding ratio percentages are determined by Sec. 5(4)(a) and Sec. 5(4)(b) of the Act.
 - Supporting documentation must include an actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the minimum funding ratio percentages.
- Or
- **If the local unit is a city, village, township, or county, it must** demonstrate through distinct supporting documentation how and when its ARC will be less than 10 percent of general fund operating revenues for pension systems and/or will be less than 12 percent of general fund operating revenues for retirement health systems. The Board may consider this as means to address underfunded status in accordance with the Act.
 - Supporting documentation must include an actuarial projection, an actuarial valuation, or an internally developed analysis for ARC. The local unit must project general fund operating revenues using a reasonable forecast based on historical trends and projected rates of inflation.

2. Reasonable Timeframe

- The corrective actions listed will address the underfunded status within a reasonable timeframe. Because all local units and their circumstances are unique, a reasonable timeframe will be determined on a case by case basis for each local unit.
 - As general guidance, a local unit with a severely underfunded pension system (45% or less) should reach a funded ratio of sixty percent within twenty years. A local unit with a severely underfunded retirement health system (25% or less) should reach a funded ratio of forty percent within thirty years.
 - For local units who are addressing underfunded status through the ARC/Revenue trigger in their corrective action plan, the local government must show how it will get below the PA 202 established ARC/Revenue trigger within 5 years.
 - The prospective actions listed in a CAP should have a date assigned, which will indicate when implementation will begin for that action. After approval by the Board, the local unit has up to 180 days to begin to implement the corrective actions, unless a legal or contractual obligation prevents implementation within this timeframe.

3. Legal and Feasible

- A CAP must follow all applicable local, state, and federal laws.
- **The governing body of the local unit must approve the CAP**, and the local unit must attach proof of the governing body approval with the submission of their CAP.
- The local unit's administrative officer or designee certifies that it will implement the CAP.
- The local unit must demonstrate that prospective actions are feasible. In other words, are the proposals in the CAP reasonably achievable? Examples of reasonably achievable actions are as follows:
 - A proposed millage rate increase must be within the local unit's charter or statutory requirements.

- A proposed modification in benefit levels must consider the collective bargaining process, if applicable.
- A funding option to create a separate revenue stream through a new tax, such as a Public Act 345 millage, should include a detailed implementation plan.
- A proposed change to enact a retiree health care stipend should include the cost-savings associated with the stipend option, as well as the plan for adoption and implementation.

4. Affordability

- The local unit 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 (*Sec. 4(1) of the Act, MCL 38.2804*). This section confirms that a local unit has linked long-term future payment expectations with revenue expectations and has concluded that the local unit can afford those payments now and into the future without additional changes to their CAP.
- The practice of affordability means the ability to meet a local unit's current and future obligations, without using a significant percentage of the annual budget. Affordability is defined as follows:
 - In accordance with the Act, annual required contributions should remain less than 10 percent of general fund operating revenues for pension systems and less than 12 percent of general fund operating revenues for retirement health systems.
 - The ability of a local unit to offer residents critical public services while paying for legacy obligations.
 - The ability of a local unit to prefund retirement benefits, earn interest or investment income, and build savings to afford future payments.
 - Affordability is reached through plan funding, modern plan design, and effective plan administration.

Implementation:

Approved corrective action plans will be monitored by the Board for compliance. As a local unit implements prospective changes, there is a recognition that specific solutions may need to be adjusted to address its underfunded status.

Glossary of Terms

Actuarial Standards of Practice: The Actuarial Standards Board sets standards for appropriate actuarial practice in the United States through the development and promulgation of Actuarial Standards of Practice. These standards describe the procedures an actuary should follow when performing actuarial services and identify what the actuary should disclose when communicating the results of those services.

Annual Actuarial Valuation: The process that estimates retirement plan liabilities and employer contribution requirements in order to fund the individual employer plan.

Annual Required Contribution (ARC): As defined in Public Act 202 of 2017, the sum of the normal cost payment and the annual amortization payment for past service costs to fund the unfunded actuarial accrued liability (MCL 38.2803).

Bridged Multiplier: An active employees' multiplier remains at the previous multiplier, but all future service accrues at the new, reduced multiplier.

Closed Amortization: A closed or fixed period to amortize any unfunded actuarial accrued liability.

Defined Benefit Systems: A retirement plan in which an employer promises a specified payment, lump-sum (or combination thereof) on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service and age, rather than depending directly on individual investment returns. In these types of plans, investment and longevity risk are generally carried by the employer.

Defined Contribution Systems: A retirement savings plan where the employer and employee contributions are defined and known in advance, but the benefit to be paid out is not known in advance. In these types of plans, investment and longevity risk are generally carried by the employee.

Dual Payment: Payments of both a pension and a salary to an active employee who returned to employment for the organization s/he retired from.

Final Average Compensation (FAC): FAC reflects the average salary used for determining pension payments in a defined benefit plan. The period for which salary is averaged and the type of salary used in the calculation is generally determined through state law or plan terms.

Funded Ratio: The value of assets expressed as a percentage of the liability. The funding ratio is reported in the most recent audited financial statement reporting a local unit of government's retirement pension benefits and retirement health benefits.

Level Dollar Amortization: This amortization method amortizes the unfunded actuarial accrued liability into equal dollar amounts to be paid over a given number of years.

Minimum Funding Ratio: As determined by Public Act 202 of 2017, the actuarial accrued liability of a pension plan according to the most recent set of audited financial statements is less than 60% funded for pension systems, and less than 40% funded for retirement health systems.

Normal Cost: The annual service cost of retirement health benefits as they are earned during active employment of employees of the local unit of government in the applicable fiscal year, using an individual entry-age normal and level percent of pay actuarial cost method.

Prefund: The practice of funding a defined benefit during an employee's working lifetime.

Qualified Medical Trust: A tax exempt investment vehicle designed to set aside money to pay for retiree healthcare.

Underfunded Status: The State Treasurer has determined that the local unit of government is underfunded under the review provided in Section 5 of Public Act 202 of 2017 (MCL 38.2805) and the local unit of government does not have a waiver under Section 6.

Unfunded Actuarial Accrued Liabilities (UAAL): The UAAL is the difference between actuarial accrued liability and valuation asset.

DRAFT

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STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

DATE: September 12, 2018
TO: The Municipal Stability Board (the Board)
FROM: Community Engagement and Finance Division, Department of Treasury
SUBJECT: Receipt of Corrective Action Plans

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

1. Bloomfield Township Public Library
 - a. OPEB: Bloomfield Township Other Post-Employment Benefits Program
2. City of Hart
 - a. OPEB: City of Hart MERS RHFV Plan ("MERS RHFV")
3. Kalamazoo Lake Sewer and Water Authority
 - a. Pension: Municipal Employees' Retirement System of Michigan
4. Ottawa County Road Commission
 - a. Pension: Ottawa CRC
 - b. OPEB: The Retiree Health Plan
5. City of Ionia
 - a. Pension: Ionia, City of (3403)

Corrective Action Plan Review: Following receipt of these corrective action plans, the Board shall approve or reject each corrective action plan within 45 days. The Board will vote on these corrective action plans at their next scheduled meeting.

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Retirement Health Benefit Systems

Issued under authority of Public Act 202 of 2017.

I. MUNICIPALITY INFORMATION

Local Unit Name: Bloomfield Township Public Library Six-Digit Muni Code: 638006
Retirement Health Benefit System Name: Bloomfield Township Other Post-Employment Benefits Program
Contact Name (Administrative Officer): Sandra Bird
Title if not Administrative Officer: Finance Coordinator
Email: birdsand@btpl.org Telephone: (248) 642-5800

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 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 unit of government is a city, village, township, or county, the annual required contribution (ARC) for all of the retirement health systems of the local unit of government is greater than 12% 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 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 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 40% 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 retirement healthcare systems will be less than 12% 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 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 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) Requiring cost sharing of premiums and sufficient copays.
- (ii) Capping employer costs.

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. 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.

- **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: 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, 2017**, the local unit entered into new collective bargaining agreements with the **Command Officers Association and Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. 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, 2017**.*

Cost sharing changes were made to the active employees' plan under PA 152, reducing the total ann'l operating health care costs. Retiree health care plan design changes incl. requiring the use of mail order for certain high cost RX drugs and Medicare as primary ins. for age 65 & older. The OPEB Plan was closed to employees hired after 5/2011, who get a Retiree Health Savings Account, w/ fixed emplr. ann'l contrib. of \$2,500 & req 2% employee contrib.

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

Sample Statement: *The local unit created a qualified trust to receive, invest, and accumulate assets for retirement healthcare on **June 23, 2016**. The local unit of government has adopted a policy to change its funding methodology from Pay-Go to full funding of the Annual Required Contribution (ARC). Additionally, the local unit has committed to contributing **\$500,000** annually, in addition to the ARC 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 ARC and additional **\$500,000** for the next five years.*

100% of the UAAL is reported in the Assigned Fund Balance, which is maintained through budget and accounting entries. In each of the past 3 years, the size of the employer's required contributions to increase the Assigned Fund Balance was determined by the actuaries through actuarial valuations. Increases have historically been budgeted pursuant to a biennial actuarial valuation, and in non-valuation years UAAL contributions are estimated using census data, premiums paid, discount rate, and contributions paid. Budgets are approved in August and adopted in March.

- 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 **42%** as indicated on page **13**.*

Under GASB, the Assigned Fund Balance is considered more protected than an "Unassigned" spendable General Fund balance amount. The Assigned Fund Balance is invested together with all General Fund assets to achieve improved net returns and costs. If it was instead segregated into a trust, a decrease in expected returns could result due to the decrease in the size of the portfolio triggering higher cost share classes, and higher investment fees.

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 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: 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 unit will seek to align benefit levels for the retired membership with each class of active employees. Beginning with **summer 2018** contract negotiations, the local unit will seek revised collective bargaining agreements with the **Command Officers Association** and **Internal Association of Firefighters** to increase employee co-payments and deductibles for healthcare. 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 2020** if these changes were adopted and implemented by **fiscal year 2019**.*

The beneficial financial impact of past changes will continue to compound over time. Incr. retiree cost sharing and reduced benefit costs will continue through future time periods. The financial impact from the 2011 closing of the OPEB plan (and the switch to retiree HSA) will increase over time as the existing pool of employees is replaced. The ave. age of these employees is 52.4 = 9.1 years (as of the 4/17 val.) it is exp. all active empl. will be HSA participants.

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

Sample Statement: *The local unit will create a qualified trust to receive, invest, and accumulate assets for retirement healthcare by **December 31, 2018**. The local unit of government will adopt a policy to change its funding methodology from Pay-Go to full funding of the Annual Required Contribution (ARC) by **December 31, 2018**. Additionally, beginning in fiscal year 2019, the local unit will contribute **\$500,000** annually in addition to the ARC 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 ARC and additional **\$500,000** for the next five years.*

Budgets have been adopted for FY 2018-19 and for FY 2019-20. Subsequent contrib. to the Assigned Fund Balance in the future will continue to be made through annual budget process, with amounts calculated using the biennial UAAL calculations and the off-year projected estimates. As the bubble of exist. retirees and empl. hired before the 2011 plan freeze moves to/through retirement, the annual UAAL amts. will eventually taper off until no UAAL remains.

- 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 healthcare 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 2022** as shown in the attached actuarial analysis on page **13**.*

The 2017 valuation changed the actuarial cost method from Projected Unit Credit to Entry Age Normal, which isn't required until FY 2018 for financial reporting purposes per GASB 75. This significantly increased the Accrued Liability. Because the Assigned Fund Balance is not treated as nonspendable or restricted, and therefore is essentially ignored for purposes of calculating amounts under GASB 74-75, the true unfunded liability is distorted in the financial statements. Amounts that have actually been budgeted and saved specifically to pay OPEB liabilities are disregarded.

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) Bloomfield Township Public Librar 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

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

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, which illustrates how and when the local unit will reach the 40% funded ratio. Or, if the local unit is a city, village, township, or county, ARC 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 is 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 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

Attachment – 6a

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

- | | |
|--|---|
| <input checked="" type="checkbox"/> 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 unit is a city, village, township, or county, how and when the ARC of all retirement healthcare systems will be less than 12 percent of governmental fund revenues? |
| <input checked="" type="checkbox"/> Reasonable Timeframe | Do the corrective actions address the underfunded status in a reasonable timeframe (see CAP criteria issued by the Board)? |
| <input checked="" type="checkbox"/> 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? |
| <input checked="" type="checkbox"/> Affordability | Do the corrective action(s) listed allow the local unit to make the retiree healthcare premium payment, as well as normal cost payment for new hires 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, Sandra Bird, as the government's administrative officer (insert title) Finance Coordinator (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 Bloomfield Township OPEB Program (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2015 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 retirement healthcare systems of _____ (Insert local unit name) will be less than 12% 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

Sandra Bird

Date

8/21/18

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Retirement Health Benefit Systems

Issued under authority of Public Act 202 of 2017.

I. MUNICIPALITY INFORMATION

Local Unit Name: City of Hart Six-Digit Muni Code: 642010
Retirement Health Benefit System Name: City of Hart MERS RHFV Plan ("MERS RHFV")
Contact Name (Administrative Officer): Lynne Ladner
Title if not Administrative Officer: City Manager
Email: lladner@cityofhart.org Telephone Number: (231) 873-2488

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 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 unit of government is a city, village, township, or county, the annual required contribution for all of the retirement health systems of the local unit of government is greater than 12% 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 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 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 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 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 corrective action is approved, the Board will monitor the corrective action 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) Requiring cost sharing of premiums and sufficient copays.
- (ii) Capping employer costs.

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. 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.

- **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: 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, 2017**, the local unit entered into new collective bargaining agreements with the **Command***

Officers Association and Internal Association of Firefighters that increased employee co-payments and deductibles for healthcare. 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, 2017.**

The health care benefits of our retired employees mirror those under the current collective bargaining agreements of The Utility Workers Union of America and the Police Officers Labor Council. The current agreements in effect have active employee contributions at 20%. Employees retiring after 2011 now pay 25% of the premium for their coverage. With Plan renewal in 2016, the City went from an HMO H S A Gold \$1,250 Plan to a HMO \$250 90% plan and kept the enhanced plan for retirees.

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

Sample Statement: *The local unit created a qualified trust to receive, invest, and accumulate assets for retirement healthcare on **June 23, 2016.** The local unit of government has adopted a policy to change its funding methodology from Pay-Go to full funding of the Annual Required Contribution (ARC). Additionally, the local unit has committed to contributing **\$500,000** annually, in addition to the ARC 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 ARC and additional **\$500,000** for the next five years.*

The City established a MERS RHFV Plan on June 10, 2014 by adopting Resolution 14-29 and began contributions from cash reserves. For the June 30, 2017 audit, the City auditors SK&T (East Lansing) incorporated the updated actuarial valuation calculation. The Net OPEB obligation as of June 30, 2017 was \$2,410,534 which will require a MERS RHFV plan value of \$964,214 to meet the 40% funded ratio. As of June 30, 2017 the MERS RHFV Plan was valued at \$175,165. In July 2017, the City contributed an additional \$69,900. With earnings, the Plan value as of April 24, 2018 is \$263,489.

- 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 **42%** as indicated on page 13.*

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 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: 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 unit will seek to align benefit levels for the retired membership with each class of active employees. Beginning with **summer 2018** contract negotiations, the local unit will seek revised collective bargaining agreements with the **Command Officers Association and Internal Association of Firefighters** to increase employee co-payments and deductibles for healthcare. 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 2020** if these changes were adopted and implemented by **fiscal year 2019**.*

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

Sample Statement: *The local unit will create a qualified trust to receive, invest, and accumulate assets for retirement healthcare by **December 31, 2018**. The local unit of government will adopt a policy to change its funding methodology from Pay-Go to full funding of the Annual Required Contribution (ARC) by **December 31, 2018**. Additionally, beginning in fiscal year 2019, the local unit will contribute **\$500,000** annually in addition to the ARC 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 ARC and additional **\$500,000** for the next five years.*

On April 24, 2018, the City passed Resolution 18-32 committing the City to funding \$100,000 annually to the MERS RHFV Plan for 2018 to 2024. The additional contributions will increase the retirement system's funded ratio to 40% by 2024.

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 healthcare 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 **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 Hart 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

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	Type of Document
<input checked="" type="checkbox"/> Attachment – 1	This Corrective Action Plan (Required)
<input checked="" type="checkbox"/> Attachment – 1a	Documentation from the governing body approving this Corrective Action Plan (Required)
<input checked="" type="checkbox"/> Attachment – 2a	Actuarial Analysis (annual valuation, supplemental valuation, projection)
<input type="checkbox"/> Attachment – 3a	Internally Developed Projection Study
<input type="checkbox"/> Attachment – 4a	Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).
<input type="checkbox"/> Attachment – 5a	Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)
<input type="checkbox"/> Attachment – 6a	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
<input checked="" type="checkbox"/> Attachment – 7a	Other documentation, not categorized above

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

I Lynne Ladner, as the government's administrative officer (*enter title*) City Manager (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.

Signature  Date 8/30/18

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: _____ Six-Digit Muni Code: _____
Defined Benefit Pension System Name: _____
Contact Name (Administrative Officer): _____
Title if not Administrative Officer: _____
Email: _____ Telephone Number: _____

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 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 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 shall review and vote on the approval of a corrective action plan submitted by a local unit of government. If corrective action is approved, the Board will monitor the corrective action 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**.*

- 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**.*

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.

- 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) _____ 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
- Attachment – 7a

Type of Document

This Corrective Action Plan Form (Required)

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

Actuarial Analysis (annual valuation, supplemental valuation, projection)

Internally Developed Projection Study

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

I, _____, as the government's administrative officer (*enter title*) _____ (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.

Signature Dary P. VanDyke

Date 07-11-2018

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: Ottawa County Road Commission Six-Digit Muni Code: 700100

Defined Benefit Pension System Name: Ottawa CRC

Contact Name (Administrative Officer): Amy Fairchild

Title if not Administrative Officer: Finance Director

Email: afairchild@ottawacorc.com Telephone Number: (616) 850-7209

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 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 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 shall review and vote on the approval of a corrective action plan submitted by a local unit of government. If corrective action is approved, the Board will monitor the corrective action 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**.*

Beginning in calendar year 2010 the Commission required employee contributions to the MERS defined benefit plan ranging from 3 to 5% of covered payroll (attachment - 2a 2017 actuarial valuation page 20). Effective March 1, 2014 and May 31, 2016 the Commission closed the MERS defined benefit plan to new non-bargaining and bargaining unit employees respectively (attachment - 7a benefit policy - retirement plans).

- 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 Commission has always made the annual required contribution to the MERS defined benefit plan as required by the actuarial valuation and state law. For calendar years 2011 through 2017 the Commission made additional annual contributions ranging from \$150,000 to \$1,200,000 (attachment 2a - 2017 actuarial valuation page 20). The additional annual contribution for Commission fiscal year 2017 was \$1,200,000 (attachment 2a - 2017 actuarial valuation page 20).

- 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**.*

As of December 31, 2017 the Commission MERS defined benefit plan is funded in excess of the 60% funding requirement.
\$33,571,753 fiduciary net position (attachment 7b - statement of fiduciary net position page 1).
\$55,892,412 total pension liability (attachment 2b - 2017 actuarial valuation page 31).
60.1% funding percentage

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**.

As noted above the MERS defined benefit plan is closed to new employees and there is no intent to make changes to the plan at the current time.

- 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.

The Commission will continue to contribute no less than the annual required contribution to the MERS defined benefit plan.

- 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) Ottawa County Road Commission 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	Type of Document
<input checked="" type="checkbox"/> Attachment – 1	This Corrective Action Plan Form (Required)
<input checked="" type="checkbox"/> Attachment – 1a	Documentation from the governing body approving this Corrective Action Plan (Required)
<input checked="" type="checkbox"/> Attachment – 2a	Actuarial Analysis (annual valuation, supplemental valuation, projection)
<input type="checkbox"/> Attachment – 3a	Internally Developed Projection Study
<input type="checkbox"/> Attachment – 4a	Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).
<input type="checkbox"/> Attachment – 5a	Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)
<input type="checkbox"/> Attachment – 6a	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
<input checked="" type="checkbox"/> Attachment – 7a	Other documentation, not categorized above

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

I, Brett Laughlin, as the government's administrative officer (*enter title*)
Managing Director (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.

Signature 

Date 8/30/18

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

Issued under authority of Public Act 202 of 2017.

I. MUNICIPALITY INFORMATION

Local Unit Name: Ottawa County Road Commission Six-Digit Muni Code: 700100

Retirement Health Benefit System Name: The Retiree Health Plan

Contact Name (Administrative Officer): Amy Fairchild

Title if not Administrative Officer: Finance Director

Email: afairchild@ottawacorc.com Telephone Number: (616) 850-7209

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 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 unit of government is a city, village, township, or county, the annual required contribution for all of the retirement health systems of the local unit of government is greater than 12% 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 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 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 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 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 corrective action is approved, the Board will monitor the corrective action 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) Requiring cost sharing of premiums and sufficient copays.

(ii) Capping employer costs.

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. 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.

- **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: 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, 2017**, the local unit entered into new collective bargaining agreements with the **Command***

Officers Association and Internal Association of Firefighters that increased employee co-payments and deductibles for healthcare. 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, 2017**.

Effective September 12, 2013 new non-bargaining employees will not be offered health insurance upon retirement (attachment - 7a health insurance policy). Effective May 31, 2016 new bargaining employees will not be offered health insurance upon retirement (attachment - 7a health insurance policy). The retiree health insurance now requires a 16% contribution from retirees toward insurance costs (attachment 2a - actuarial valuation page 9).

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

Sample Statement: *The local unit created a qualified trust to receive, invest, and accumulate assets for retirement healthcare on **June 23, 2016**. The local unit of government has adopted a policy to change its funding methodology from Pay-Go to full funding of the Annual Required Contribution (ARC). Additionally, the local unit has committed to contributing **\$500,000** annually, in addition to the ARC 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 ARC 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 **2015**. Attached is an updated actuarial valuation for **2017** that shows our funded ratio has improved to **42%** as indicated on page 13.*

The commission's closed OPEB plan is very restrictive and only provides OPEB benefits to eligible retirees for a five year period from age 60 to 65 (attachment - 7a health insurance policy). OPEB expenses as a percentage of revenues and other financing sources has averaged less than .4% (four tenths of a percent) over the past five years (attachment 7b - schedule of OPEB premium expense compared to general fund revenues and other financing sources).

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 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: 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 unit will seek to align benefit levels for the retired membership with each class of active employees. Beginning with **summer 2018** contract negotiations, the local unit will seek revised collective bargaining agreements with the **Command Officers Association** and **Internal Association of Firefighters** to increase employee co-payments and deductibles for healthcare. 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 2020** if these changes were adopted and implemented by **fiscal year 2019**.

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

Sample Statement: The local unit will create a qualified trust to receive, invest, and accumulate assets for retirement healthcare by **December 31, 2018**. The local unit of government will adopt a policy to change its funding methodology from Pay-Go to full funding of the Annual Required Contribution (ARC) by **December 31, 2018**. Additionally, beginning in fiscal year 2019, the local unit will contribute **\$500,000** annually in addition to the ARC 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 ARC 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 2019**, the local unit will begin amortizing the unfunded portion of the healthcare 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 2022** as shown in the attached actuarial analysis on page **13**.

The Commission is asking to continue with a pay-as-you-go OPEB funding method as the plan is closed (no new employee normal costs), plan expense is a very small percentage of revenues, plan OPEB eligibility window is short (retirees only from age 60 to 65), and plan census data shows declining retirees eligible beginning in 2024.

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) Ottawa County Road Commission 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

If No, Explain: The plan's maximum life is through 2056 due to staff and retiree census data (closed plan). The balance of potential eligible retirees is decreasing rapidly from 2024 onward (attachment 3a - schedule of potential eligible staff..).

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	Type of Document
<input checked="" type="checkbox"/> Attachment – 1	This Corrective Action Plan (Required)
<input checked="" type="checkbox"/> Attachment – 1a	Documentation from the governing body approving this Corrective Action Plan (Required)
<input checked="" type="checkbox"/> Attachment – 2a	Actuarial Analysis (annual valuation, supplemental valuation, projection)
<input checked="" type="checkbox"/> Attachment – 3a	Internally Developed Projection Study
<input type="checkbox"/> Attachment – 4a	Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).
<input type="checkbox"/> Attachment – 5a	Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)
<input type="checkbox"/> Attachment – 6a	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
<input checked="" type="checkbox"/> Attachment – 7a	Other documentation, not categorized above

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

I Brett Laughlin, as the government's administrative officer (*enter title*) Managing Director (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.

Signature  Date 8/30/18

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 Ionia Six-Digit Muni Code: 342020
Defined Benefit Pension System Name: Ionia, City of (3403)
Contact Name (Administrative Officer): Jason Eppler
Title if not Administrative Officer: City Manager
Email: jeppler@ci.ionia.mi.us Telephone: (616) 527-4170

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**.*

Public Safety Division - Closed defined benefit plan on 7/1/13 and had all new hires enroll in a hybrid pension plan.
Teamsters Division - Closed defined benefit plan on 7/1/12 and had all new hires enroll in a hybrid pension plan.
General Clerical Division - Closed defined benefit plan on 7/1/11 and had all new hires enroll in a hybrid pension plan.

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 Ionia have made extra contributions above the actuarially determined contribution for the last 5 calendar years. The total amount of the additional contributions total \$805,000.

See attachment 3a for details of the extra payments.

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.*

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**.

The City will close Division 12 (General Department Heads) by 1/31/19 for any new hires and all new hires will be placed in a Hybrid Pension Plan. Hybrid plan details - 1.50% Multiplier, F55(25), and 4% Employer DC Contribution Rate.

See analysis by MERS for plan closing and additional payments. Attachment 2a

- 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.

The City is committing to funding the pension by an extra \$250,000 per year for calendar years 2019-2022.

See analysis by MERS for plan closing and additional payments. Attachment 2a

- 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 Ionia 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

Type of Document

Attachment – 1

This Corrective Action Plan Form (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, 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)

Attachment – 3a

Documentation of additional payments in past years that is 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 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

Attachment –6a

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
<input checked="" type="checkbox"/> 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?
<input checked="" type="checkbox"/> Reasonable Timeframe	Do the corrective actions address the underfunded status in a reasonable timeframe (see CAP criteria issued by the Board)?
<input checked="" type="checkbox"/> 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?
<input checked="" type="checkbox"/> 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

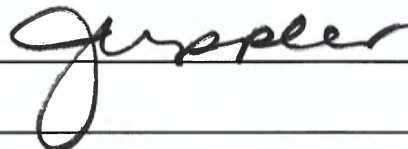
I, Jason Eppler, as the government's administrative officer (*enter title*) City Manager (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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

The Ionia, City of (3403) (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2024 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 9.5.18

**MUNICIPAL STABILITY BOARD
RESOLUTION 2018-13**

**APPROVAL OF
CORRECTIVE ACTION PLANS**

WHEREAS, the Michigan legislature passed the Protecting Local Government Retirement and Benefits Act, MCL 38.2801 et. seq., creating the Municipal Stability Board (the “MSB”) 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 MSB;

WHEREAS, on September 12, 2018, by Resolution 2018-___, the MSB adopted the Corrective Action Plans Best Practices and Strategies 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; (ii) address the underfunded status within a reasonable timeframe; (iii) is legal and feasible; and (iv) is affordable;

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

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

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

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

BE IT FURTHER RESOLVED, the MSB approves or denies 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 MSB the status of the implementation on a regular basis; and

BE IT FURTHER RESOLVED, that Treasury is directed to provide to Municipalities notification the MSB's detailed reasons for denial of their Municipality's Corrective Action Plan within fifteen days of this resolution pursuant to MCL 38.2810(4).

Ayes:

Nays:

Recused:

Lansing, Michigan

September 12, 2018

**Treasury Recommendation
Crawford County Road Commission
OPEB Corrective Action Plan (CAP)
Non-Primary Unit 200100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$3,364,354	\$9,300,444	36.2%	\$564,954	\$6,431,839	8.8%	Yes
MERS Health Care Savings	OPEB	\$0	\$956,909	0.0%	\$84,800	\$6,431,839	1.3%	Yes
Total		\$3,364,354	\$10,257,353	32.8%	\$649,754	\$6,431,839	10.1%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Denial of the corrective action plan submitted by Crawford County Road Commission, which was received by the Board on August 15, 2018. If denied, Crawford County Road Commission, will receive a detailed letter for the Municipal Stability Board detailing the reasons for disapproval. Crawford County Road Commission will have 60 days from the date of the notification to address the reason for disapproval and resubmit a corrective action plan for approval.

Changes Made:

- **Modern Plan Design:**
 - In 2015, Crawford County Road Commission opened a MERS Health Care Savings Program for our current retirees and future Retirees. Retirees shall be provided via a MERS Health Care Savings Participation Agreement, monthly contributions to be used for eligible medical expenses.
 - On April 1, 2018, Crawford County Road Commission decreased the spouse's reimbursement from \$150 to \$100
- **Plan Funding:**
 - Crawford County Road Commission Retiree Health Care is funded is on a monthly basis and pay as you go. If Retirees choose not to participate, that is a savings to us and we do have several retirees that are eligible and do not participate. Their program(s) cease at age 80 or death, whichever comes first.

Prospective Changes:

- **Modern Plan Design:**
 - Crawford County Road Commission state they will continue to look into other options to decrease their underfunded status.

Path to Funding:

- Crawford County Road Commission states its Retiree Health Care is funded is on a monthly basis and pay as you go.

**Treasury Recommendation
Crawford County Road Commission
OPEB Corrective Action Plan (CAP)
Non-Primary Unit 200100**

Corrective Action Characteristics:

Crawford County Road Commission CAP follows these corrective action characteristics:

1. It is legal and feasible because it complies with local, state, and federal laws; is approved by their governing body.

Crawford County Road Commission CAP does not follow these corrective action characteristics:

1. Underfunded status and reasonable timeframe: it does not demonstrate when the retirement system will reach 40% funded.
2. Affordability: While the local unit certified section 5 in the CAP, Treasury is not able to confirm that normal cost payments for active employees are being made. As a pay-as-you-go system the local unit is only paying retiree healthcare premiums.

Supplemental Information:

Crawford County Road Commission included an attachment from MERS that outlines the Health Care Savings Participation Agreement.

- Health Care Benefit after retirement
 - Existing retirees between age 55 and 65:
 - Single- maximum \$7,800 per year (\$650 per month)
 - Two person with health insurance included with spouse - \$9,600 per year (\$800 per month)
 - Two person without health insurance included with spouse - \$13,200 per year (\$1,100 per month)
 - Contribution amounts for employees retiring after April 1, 2015 shall be as follows: Single - \$2,400 per year (\$200 per month)
 - Two person - \$6,000 per year (\$500 per month)
 - For employees retiring on or after January 1, 2021, the single rate shall increase from \$2,400 to \$2,700. And the two person amount shall remain at \$6,000 per year.
- Health Care Benefits for Retirees Age Sixty-Five (65) or Older
 - For Retirees age sixty-five (65) to eighty (80), the Road Commission shall reimburse the retiree fifty percent (50%) of the monthly premium for supplemental insurance up to one hundred fifty dollars (\$150.00) per month. The retiree's spouse at the time of retirement shall be entitled to fifty percent (50%) of the monthly premium for supplemental insurance up to one hundred dollars (\$100.00) per month.

The Community Engagement and Finance Division (CEFD) contact:

- The CEFD reached out to Crawford County Road Commission to discuss their CAP multiple times.
 - Left local unit a voicemail asking to call about their CAP on 8/24/2018
 - Talked to local unit on 8/28/2018 who said she would call me back that afternoon or the next morning.

**Treasury Recommendation
Crawford County Road Commission
OPEB Corrective Action Plan (CAP)
Non-Primary Unit 200100**

- 8/29/2018 Talked to local unit about the Best Practice and CAP Criteria that the Municipal Stability Board has approved, they would like to remain pay as you go for their health care system.

**Treasury Recommendation
Crawford County Road Commission
Pension Corrective Action Plan (CAP)
Non-Primary Unit 200100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$3,364,354	\$9,300,444	36.2%	\$564,954	\$6,431,839	8.8%	Yes
MERS Health Care Savings	OPEB	\$0	\$956,909	0.0%	\$84,800	\$6,431,839	1.3%	Yes
Total		\$3,364,354	\$10,257,353	32.8%	\$649,754	\$6,431,839	10.1%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by Crawford County Road Commission, which was received by the Board on August 15, 2018. If approved by the Municipal Stability Board (MSB), Treasury and the MSB 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:**
 - Crawford County Road Commission increased employee contributions.
- **Plan Funding:**
 - Crawford County Road Commission made an additional payment of \$74,550 in 2017.

Prospective Changes:

- **Plan Funding:**
 - In 2017, Crawford County Road Commission chose the “no phase in” as their employer contributions. This increased their contribution from 41.54% to 44.01%, which was roughly \$2,514 per month.
 - In 2018, they continued with the “no phase in” and Crawford County Road Commission is increasing their monthly contributions of \$8,500 per month, which is \$102,000 per year.
 - With these changes, they anticipate being fully funded within 15 years.

Path to Funding:

- Crawford County Road Commission states that they should be 100% funded within 15 years with the most recent 2018 changes.

Corrective Action Characteristics:

Crawford County Road Commission follows these corrective action characteristics:

1. It is legal and feasible because it complies with local, state, and federal laws; is approved by their governing body; and addresses underfunded status.

**Treasury Recommendation
Crawford County Road Commission
Pension Corrective Action Plan (CAP)
Non-Primary Unit 200100**

2. It is affordable because of their section 5 certification, confirming annual payments.
3. Their corrective action plan reaches funding in a reasonable timeframe, if they increase their funding as planned.

Supplemental Information:

Crawford County Road Commission included an attachment from CBIZ Retirement Plan Services that includes part of the actuarial report that states that they will accelerate to a 100% funding ratio in 20 years if the monthly employer contributions for the entire employer are \$46,137, instead of \$44,002. They have been making changes since 2015 and are as follows:

- In 2015: The employee's contribution percentage increased by .05%, for the Bargaining Unit, Teamsters Local 214. This amounted to an extra \$1,773.08 per year.
- In 2016: the non-union employee's contribution also increased by .5%. Later that year the Teamsters Local 214 employee contributions increased another .5%. Together with these changes combined with the 2015 changes, we contributed an additional \$40,823.18 per year.
- In 2017: they had an additional 1% contribution for all employees. In October of 2017, they changed their billing cycle to coordinate with their Fiscal year and changed to the "No Phase-in" contributions with MERS.
 - This increased their monthly contributions by 4.25%, which was an additional \$75,000 per year.
- In 2018: they continued with the "No Phase-in" with MERS (increased 4.25% monthly contributions) and have made additional monthly contributions of \$4,200.
 - They plan on continuing this throughout 2018 and into the future for approximately an additional \$100,000 per year.