

Municipal Stability Board

REGULAR MEETING

Wednesday, October 16, 2019 at 10:00 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 September 18, 2019 Minutes

II. Public Comment

A. 2-minute limit

III. Correspondence

A. Treasury Update

IV. Old Business

V. New Business

A. Receipt of Corrective Action Plans:

i. Fiscal Year 2017

1. Chippewa County Road Commission

2. City of Melvindale

ii. Fiscal Year 2018

3. Davidson Township

4. City of Luna Pier

5. Village of Otisville

6. City of Parchment

7. Redford Township

B. Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-28)

- i. Capital Area Transportation Authority
- ii. Copper Country Community Mental Health Services Board
- iii. Grosse Ile Township
- iv. City of Harper Woods
- v. City of Riverview
- vi. St. Clair River Sewer and Water Authority

VI. Public Comment

- A. 2-minute limit

VII. Board Comment

VIII. Adjournment

Municipal Stability Board Minutes

Wednesday, September 18, 2019 at 10:00 a.m.
Richard H. 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 10:00 a.m.

ROLL CALL

Members Present: Three

Eric Scorsone
Barry Howard
John Lamerato

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

APPROVAL OF MINUTES

A motion was made to approve the August 21, 2019 board meeting minutes by Barry Howard and supported by John Lamerato and Eric Scorsone. The Board unanimously approved the August 21, 2019 meeting minutes. 3 ayes, and 0 nays.

PUBLIC COMMENT

No public comment.

CORRESPONDENCE

Nick Brousseau presented the Board with Treasury updates, which included a tentative schedule for upcoming corrective action plan reviews, an updated Department of Treasury Communication and Outreach Report, and additional information about the Governmental Accounting Standards Board (GASB) OPEB Trust Criteria.

Nick Brousseau reviewed the Freedom of Information Act (FOIA) request that he received regarding the previous Board meeting and Bloomfield Township. The FOIA response was sent to an incorrect address, which has been corrected. Additionally, Treasury provided the requester with an electronic copy and also mailed a hard copy.

OLD BUSINESS

APPROVAL OF SOUTH HAVEN AREA EMERGENCY SERVICES AUTHORITY (RESOLUTION 2019-24)

Nick Brousseau provided the Board with a review of the updated corrective action plan from South Haven Area Emergency Services Authority (SHAES) at the Board's request from last month's meeting.

A motion was made by Barry Howard to approve the resolution, with the expectation that SHAES establishes a qualified trust. The motion was supported by John Lamerato and Eric Scorsone. The Board unanimously approved Resolution 2019-24. 3 ayes, and 0 nays.

ADOPTION OF MONITORING PROCEDURES (RESOLUTION 2019-25)

Nick Brousseau provided the Board with an update of the public comment received about the Board's monitoring procedures and the changes recommended. The Board discussed the inclusion of enterprise funds that are used specifically to pay retirement costs, when projecting future revenues.

The motion was made by Barry Howard and supported by John Lamerato and Eric Scorsone. The Board unanimously approved Resolution 2019-25. 3 ayes, and 0 nays.

NEW BUSINESS

RECEIPT OF 6 LOCAL GOVERNMENTS' CORRECTIVE ACTION PLANS (6 SYSTEMS)

Nick Brousseau provided the Board with the following 6 local governments' corrective action plans (6 systems):

- Capital Area Transportation Authority
- Copper Country Mental Health Services Board
- Grosse Ile Township
- City of Harper Woods (OPEB)
- City of Riverview
- St. Clair River Sewer and Water Authority

A motion was made to receive the corrective action plans by John Lamerato and supported by Barry Howard and Eric Scorsone. The Board unanimously received the corrective action plans. 3 ayes, and 0 nays.

APPROVALS AND DISAPPROVALS OF CORRECTIVE ACTION PLANS FROM 8 LOCAL GOVERNMENTS (11 SYSTEMS) (RESOLUTION 2019-26)

Nick Brousseau was asked to review the Treasury recommendations for Approval or Disapproval of Corrective Action Plans (Resolution 2019-26) with the Board.

Mr. Brousseau noted a couple items that he wanted to make the Board aware of, including that Monroe Community Mental Health Authority failed to include governing body approval; instead, their corrective action plan included approval from the Monroe Community Mental Health Retiree Health Board.

The Board asked questions regarding the plans submitted by the City of Highland Park and inquired as to whether the actions detailed in the plans were reflected in the City's budget. Mr. Brousseau indicated that had not been reviewed as part of the Treasury recommendation; however, the plan was approved by the governing body of the City.

A motion was made to approve the Appendix A of the Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-26) by Barry Howard and supported by John Lamerato and Eric Scorsone. Appendix A included the following local governments:

- Alpena County Road Commission (Approved)
- Blackman Charter Township (Approved)
- Village of Capac (Approved)
- City of Highland Park Pension Public Safety (Approved)
- City of Highland Park Pension General Employees (Approved)
- City of Highland Park Pension Police and Firemen (Approved)
- Iosco County Road Commission (Approved)
- Martha T. Berry Medical Care Facility Pension (Approved)
- Martha T. Berry Medical Care Facility OPEB (Approved)
- Monroe Community Mental Health Authority (Disapproved)
- Shiawassee Council on Aging (Approved)

The Board unanimously approved the Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-26). 3 ayes, and 0 nays.

CORRECTIVE ACTION PLAN NONCOMPLIANCE (RESOLUTION 2019-27)

Nick Brousseau was asked to review the local governments on the Corrective Action Plan Noncompliance (Resolution 2019-27).

Mr. Brousseau indicated that prior to the Board meeting, that the City of Ferndale submitted an extension request. Additionally, the City of Potterville submitted their Retirement System Annual Report (Form 5572) showing that they do not trigger as underfunded, thus satisfying the requirements of a corrective action plan. Based on this, both of these local governments should be removed from the list of governments to be determined to be noncompliant.

A motion was made to amend the Corrective Action Plan Noncompliance Exhibit B to remove the City of Ferndale and the City of Potterville by Barry Howard and supported by John Lamerato and Eric Scorsone. The Board unanimously approved the removal of the City of Ferndale and the City of Potterville from the Corrective Action Plan Noncompliance Exhibit B.3 Ayes, and 0 nays.

A motion was made to approve the Corrective Action Plan Noncompliance (Resolution 2019-27) as amended by Barry Howard and supported by John Lamerato and Eric Scorsone. Corrective Action Plan Noncompliance (Resolution 2019-27) as amended included the following local governments:

- Village of Otisville
- Reed City Housing Commission
- Romeo District Library

CORRECTIVE ACTION PLAN EXTENSION REQUEST

As an addition to the agenda, the City of Ferndale submitted a corrective action plan extension request after the Board agenda packet had been created.

Nick Brousseau was asked to review the extension request. Mr. Brousseau indicated that the City of Ferndale had submitted an extension request that provided adequate documentation.

A motion was made to approve the corrective action plan extension request for the City of Ferndale by Barry Howard and supported by John Lamerato and Eric Scorsone. The Board unanimously approved the Corrective Action Plan Extension Request for the City of Ferndale. 3 ayes, and 0 nays.

PUBLIC COMMENT

Rod Taylor from the Community Engagement and Finance Division of Treasury spoke regarding the City of Highland Park. He indicated that the Community Services Division of Treasury has an ongoing engagement with the City of Highland Park.

BOARD COMMENT

John Lamerato made an additional comment that he feels that enterprise funds should be available to be used in a local government's analysis if enterprise employees are included the retirement plan.

NEXT MEETING

The next regular meeting will be on October 16, 2019 at 10:00 am.

ADJOURNMENT

A motion was made to adjourn by John Lamerato and supported by Barry Howard and Eric Scorsone. The Board unanimously approved the motion to adjourn. 3 ayes, 0 nays.

There being no further business, the meeting adjourned at 10:51 a.m.

DRAFT

P.A. 202 of 2017 Status Update from Treasury

As of 10/11/2019

Table 1: Upcoming CAP Reviews

PA 202: Corrective Action Plan Review Schedule						
LOCAL UNIT TYPE	Tentative Month of Corrective Action Plan Review					
	November	December	January	February	March	April
NON-PRIMARY	0	0	3	0	4	0
PRIMARY	7	4	1	0	8	0
TOTAL	7	4	4	0	12	0

Treasury Department Communication and Outreach Report

- **185 one-on-one 30-minute calls scheduled by local governments to discuss the P.A. 202 process**
 - 7 individual calls since September MSB Meeting
- **Contact with 61 local governments required to file Form 5572 that were March fiscal year end filers**

FY 2020 Uniform Assumptions

- Draft of FY 2020 uniform assumptions released for public comment on September 26th
 - Was available to be commented on for over 2-weeks
- Like FY 2019 uniform assumptions, FY 2020 to be used for reporting purposes only
- Allow local governments to be compared on a uniform basis, and allow locals to review system status using generally more conservative assumptions
- Final version to be released by Treasurer following review of public comment



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: October 16, 2019
TO: The Municipal Stability Board (the Board)
FROM: Community Engagement and Finance Division, Department of Treasury
SUBJECT: Receipt of Corrective Action Plan(s)

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

Fiscal Year 2017 Plans

- I. Chippewa County Road Commission
 - A. OPEB
- II. City of Melvindale
 - A. OPEB

Fiscal Year 2018 Plans

- III. Davison Township
 - A. OPEB
- IV. City of Luna Pier
 - A. Pension
- V. Village of Otisville
 - A. Pension
- VI. City of Parchment
 - A. OPEB
- VII. Redford Township
 - A. Pension: Police and Fire Employees

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

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

Issued under authority of Public Act 202 of 2017.

1. MUNICIPALITY INFORMATION	
Local Unit Name: <u>CHIPPEWA CRC</u>	Six-Digit Muni Code: <u>170401</u>
Retirement Health Benefit System Name: <u>CHIPPEWA COUNTY ROAD COMMISSION OPEB PLAN</u>	
Contact Name (Administrative Officer): <u>BRIAN DECKER</u>	
Title if not Administrative Officer: <u>OFFICE MANAGER</u>	
Email: <u>bdecker@chippewacountyroads.org</u>	Telephone: <u>(906)635-5295</u>

2. GENERAL INFORMATION
<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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</p>

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**.*

See Attached

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**.*

At December 31, 2018, the percentage of our annual costs vs. annual revenue is 12.2%.
The Chippewa County Road Commission elected to start paying an in lieu of payment in January 1998 to encourage employees to obtain their health insurance from other 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**.*

Starting August 1, 2018, the prescription drug program was changed to a managed care program which monitors drugs being used by the group. If a high dollar drug is being used, alternatives will be researched and discussed with the individual to determine if there is a way to save money for the group. This is being done on a continuous basis now as opposed to annually when renewal information becomes available.

- 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.*

See Attached

- 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) Chippewa County Road Comm 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 | 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) |
| <input type="checkbox"/> 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). |
| <input type="checkbox"/> Attachment – 4a | Documentation of commitment to additional payments in future years (e.g. resolution, ordinance) |
| <input type="checkbox"/> 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 |
| <input type="checkbox"/> 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

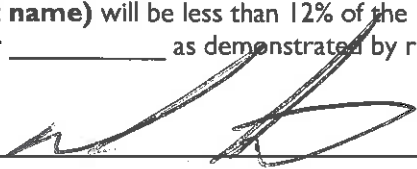
I, Robert Latinen, as the government's administrative officer (insert title) Superintendent / Manager (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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

The Chippewa CRC OPEB Plan (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2027 as demonstrated by required supporting documentation listed in section 6.

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

The ARC for all of the 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 

Date 9-18-19

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Retirement Health Benefit Systems

Issued under authority of Public Act 202 of 2017.

1. MUNICIPALITY INFORMATION

Local Unit Name: City of Melvindale Six-Digit Muni Code: 822200
Retirement Health Benefit System Name: City of Melvindale - Self Insured
Contact Name (Administrative Officer): Richard S. Ortiz
Title if not Administrative Officer: _____
Email: finance@melvindale.org Telephone: (313) 429-1059

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**.*

Historically, the City had numerous plans due to various retirements from several different union contracts. On January 1, 2015, the City consolidated health care plans to (3) classes. Actives, Pre-65 Retirees and Post-65 retirees. The actives have a HDHP, the Pre-65 have a deductible plan and changes to co-pays. The Post-65 are required to participate in Medicare Part B and their reimbursement was eliminated. Since inception, approx. \$600,000 in savings.

- 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**.*

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**.*

On January 1, 2020, the City will change it's healthcare plan for the Post-65 population, from Self-Insured Medicare Part B to a Medicare Advantage Plan serviced by Humana. The expected savings are approximately \$300,000. From this savings, \$100,000 will be submitted annually to the trust account (See attached letter and calculations). With the exception of Police, Retiree Healthcare has been closed to new hires since September 14, 2011.

- 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**.*

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 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 (<u>see CAP criteria issued by the Board</u>)?
<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 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

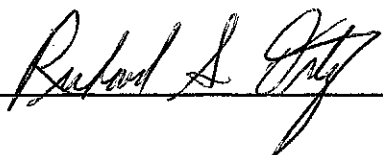
I, Richard S. Ortiz, as the government's administrative officer (insert title) City Administrator/Finance Director (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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

- The City of Melvindale - Self Insured (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year _____ 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 

Date 09/23/2019

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Retirement Health Benefit Systems

Issued under authority of Public Act 202 of 2017.

1. MUNICIPALITY INFORMATION

Local Unit Name: Davison Township Six-Digit Muni Code: 251050
Retirement Health Benefit System Name: Davison Township MERS RHFV
Contact Name (Administrative Officer): Cindy Shields
Title if not Administrative Officer: Clerk
Email: cshields@davisontwp-mi.org Telephone: (810) 653-4156

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**.*

*As of July 1, 2017, newly hired police union personnel are no longer offered medical coverage in retirement. This is a result of negotiations with POLC Officers Union (Attachment 6c, Article XVII, Sec 3, Page 12) and POLC Lieutenants Union (Attachment 6d, Article XVII, Sec 3, page 10). *As of July 1, 2017, non-unionized new hires, including elected officials, are no longer offered medical coverage in retirement (Attachment 63, Ordinance 12-B, section 2).

- 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.*

From fiscal year 09/10 through current, Davison Township has made voluntary contributions, over and above PAYGo retiree health care premiums, of \$2,067,655.45 (Attachment 3a). The Davison Township Board passed Resolution 2019-3, committing to make annual contributions of at least \$220,000 (Attachment 4a).

- 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**.*

Attached is an updated actuarial valuation for 2019 (Attachment 2a). Also, please see the 2019 Corrective Action Plan Supporting Statement (Attachment 6a).

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.*

At the September 9, 2019, board meeting Resolution 2019-25 (Attachment 4b) was passed authorizing an additional 2019/2020 \$220,000 OPEB contribution for a total contribution in FY 2019/2020 of \$440,000. Funding projections show the Davison Township RHFV being 40% funded in two years and 100% funded in approximately 10 years (Attachment 2b).

- 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**.*

Due to assumption changes in the OPEB Plan Accounting Report for Period Ending June 30, 2019, the discount rate changed. Davison Township will continue to make benefit payments from general operating funds along with making additional contributions of \$220,000 annually resulting in no crossover point (see Attachment 2a Davison Township 2019 OPEB Accounting Report). See Attachment 6a 2019 Corrective Action Plan Supporting Statement.

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) Davison Township 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 (<u>see CAP criteria issued by the Board</u>)?
<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, Cindy K Shields, as the government's administrative officer (insert title)
Davison Township Clerk (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 Davison Township RHFV Plan (**Insert Retirement Healthcare System Name**) will achieve a funded status of at least 40% by Fiscal Year 2021 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 Davison Township MERS RHFV (**Insert local unit name**) will be less than 12% of the local unit of government's annual governmental fund revenues by Fiscal Year 2020 as demonstrated by required supporting documentation listed in section 6.

Signature

Cindy K Shields

Date

Sep 19, 2019

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 Luna Pier Six-Digit Muni Code: 582010

Defined Benefit Pension System Name: Municipal Employee's Retirement System (MERS)

Contact Name (Administrative Officer): DeAnn Parran

Title if not Administrative Officer: Treasurer/Clerk

Email: dparran@cityoflunapier.com Telephone: (734) 848-8120

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**.*

The MERS multiplier for current employees was lowered from 2% to 1.5 for the General Employee's Retirement System in June, 2013. This system was closed out and a Bridge Defined Contribution was created also in June, 2013. All new hires are put in this Defined Contribution Plan. The city doesn't put any monies into this 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**.*

N/A

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

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

The information provided on the Form 5572 from the audit used actuarial data from 2017. Attached is an update actuarial valuation from 2018 that shows our funded ratio is 45% as indicated on page 1.

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.

The General Employee's Retirement Systems as closed in June, 2013 allowing the retirement system to reach 60% funded as indicated on page 8 in the 2018 Annual Actuarial Valuation Report for 2028.

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 Luna Pier 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 (<u>see CAP criteria issued by the Board</u>)?
<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 DeAnn Parran, as the government's administrative officer (*enter title*) Treasurer/Clerk (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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

The City of Luna Pier (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2028 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 D. Parran Date 9/16/19

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

Issued under authority of Public Act 202 of 2017.

I. MUNICIPALITY INFORMATION

Local Unit Name: Village of Otisville Six-Digit Muni Code: 253050
Defined Benefit Pension System Name: MERS
Contact Name (Administrative Officer): Lisa Adolph
Title if not Administrative Officer: Clerk
Email: adolph@otisvillemi.com Telephone: (810) 631-4680

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

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

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

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

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**.*

Attached is an updated actuarial valuation report December 31, 2018 that shows our current funded ratio is at 70% and if we pay \$5,482 instead of the projected \$3,824 will accelerate to a 100% funding ratio in 10 years.

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.

Beginning in the 2019-2020 fiscal year the Village of Otisville began budgeting the CVTRS revenue sharing moneys to go towards unfunded MERS.

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) Village of Otisville 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 type="checkbox"/> Reasonable Timeframe	Do the corrective actions address the underfunded status in a reasonable timeframe (see CAP criteria issued by the Board)?
<input 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 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 Jeffery Lutze, as the government's administrative officer (*enter title*) Village President (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.

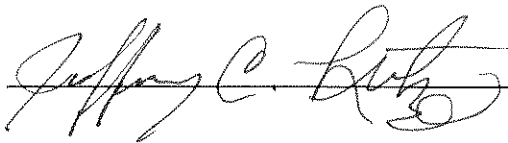
I confirm to the best of my knowledge that because of the changes listed above, one of the following statements will occur:

The MERS _____ (Insert Retirement Pension System Name) will achieve a funded status of at least 60% by Fiscal Year 2030 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 09/16/2019

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 PARCHEMENT Six-Digit Muni Code: 39-2030
Retirement Health Benefit System Name: CITY OF PARCHEMENT RETIREE HEALTHCARE PLAN
Contact Name (Administrative Officer): SHANNON STUTZ
Title if not Administrative Officer: TREASURER / CLERK
Email: finance@parchement.org Telephone: 269-492-3262

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**.

- 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.

Currently working with MEPS to create qualified trust to receive, invest and accumulate assets for retirement healthcare. City will continue pay-go; current annual costs are approx \$32K; total OPEB liability is less than 12% of governmental fund revenues. see attachment 2a

- 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.*

- 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) _____ 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 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 type="checkbox"/> Reasonable Timeframe	Do the corrective actions address the underfunded status in a reasonable timeframe (<u>see CAP criteria issued by the Board</u>)?
<input 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 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, SHANNON STUTZ, as the government's administrative officer (insert title) Treasurer / CLERK (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 _____ (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year _____ 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 City of Parchment Retiree Healthcare Plan (Insert local unit name) will be less than 12% of the local unit of government's annual governmental fund revenues by Fiscal Year 2018 as demonstrated by required supporting documentation listed in section 6.

Signature 

Date 9-18-19

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

I. MUNICIPALITY INFORMATION

Local Unit Name: Charter Township of Redford Six-Digit Muni Code: 821080
Defined Benefit Pension System Name: Police and Fire Employees
Contact Name (Administrative Officer): Adam Bonarek
Title if not Administrative Officer: Interim Superintendent / Finance Director
Email: abonarek@redfordtp.com Telephone: (313) 387-2769

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**.*

Since last year's submission, police patrol hired after 4/1/2017 now contribute 5% of pay. The Police and Fire Pension Board also adopted new demographic assumptions in October 2018 based on the recommendations in the experience study for the 5-year period ending 3/31/2017. The mortality table was updated as recommended to the RP 2014 Healthy Annuitant Mortality Table (previously the RP 2000 combined Healthy Mortality Table projected to 2014).

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**.*

PA 345 covers contributions to a Police and Fire Retirement System. The Charter Township of Redford has a dedicated, uncapped millage to cover the required annual contributions to the Police and Fire Retirement System in full, as shown on the attached L-4029. Therefore, the entire annual contribution is covered by an "additional funding source" and should not be included in the calculation for the ADC/Revenues ratio.

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

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

The P&F Pension plan is on a closed 19-year amortization period to bring us to 100% funding by the end of FY 2038 and 60% by year FY2031. The projections in the attached GASB 67/68 report on page 6 show the projected funding requirements to bring us to 100% funding by FY2038 (all of which will be paid for by the Act 345 referenced above.)

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) Charter Township of Redford 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 | 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) |
| <input type="checkbox"/> 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). |
| <input type="checkbox"/> Attachment – 4a | Documentation of commitment to additional payments in future years (e.g. resolution, ordinance) |
| <input type="checkbox"/> 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 |
| <input checked="" type="checkbox"/> 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 (<u>see CAP criteria issued by the Board</u>)?
<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

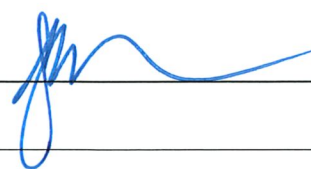
I Adam Bonarek, as the government’s administrative officer (*enter title*) Interim Township Superintendent (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action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

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

The Redford Police and Fire Retirement System (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2031 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 09/25/2019

**MUNICIPAL STABILITY BOARD
RESOLUTION 2019-28**

APPROVAL OR DISAPPROVAL OF CORRECTIVE ACTION PLANS

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

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

WHEREAS, on September 12, 2018, by Resolution 2018-12, the Board 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 Board previously received the municipalities’ listed on Appendix A attached to this Resolution (the “Municipalities”), Corrective Action Plans;

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

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

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

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

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

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

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan

October 16, 2019

Municipal Stability Board Appendix A, October 16, 2019

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 government must confirm that corrective actions listed in the CAP allow for the local government to make, at a minimum, the annual required contribution (ARC) payment for pension plans and/or the retiree healthcare premium payment, as well as the normal cost payment for new hires for retirement health benefits

#	Local Government	Municode	System Type	Fiscal		Underfunded				Treasury	Corrective Action Plan Link
				Year	Date Received	Status	Timeframe	Legal/Feasible	Affordable	Recommendation	
1	Capital Area Transportation Authority	337510	OPEB	2017	9/18/2019	Yes	Yes	Yes	Yes	Approve	Capital Area Transportation Authority OPEB
2	Copper Country Community Mental Health Services Board	077501	OPEB	2017	9/18/2019	Yes	Yes	Partial	Yes	Approve	Copper County Community Mental Health Authority OPEB
3	Grosse Ile Township	821030	OPEB	2018	9/18/2019	Yes	Yes	Partial	Partial	Approve	Grosse Ile Township OPEB
4	City of Harper Woods	822150	OPEB	2017	9/18/2019	Partial	Partial	Yes	Partial	Approve	City of Harper Woods OPEB
5	City of Riverview	822240	OPEB	2017	9/18/2019	Yes	Yes	Yes	Partial	Approve	City of Riverview OPEB
6	St. Clair River Sewer and Water Authority	747520	OPEB	2017	9/18/2019	Yes	Yes	Yes	Yes	Approve	St. Clair River Sewer and Authority OPEB

Treasury Recommendation
Capital Area Transportation Authority-CATA OPEB Corrective Action Plan (CAP)
Non-Primary Unit 337510

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Union Employees Pension Plan	Pension	\$32,154,390	\$32,221,042	99.8%	\$446,533	\$53,631,807	2.0%	NO
Administrative Employees Pension Plan	Pension	\$18,116,293	\$20,837,015	86.9%	\$645,500			NO
Retiree Healthcare Benefits Plan	OPEB	\$4,224,146	\$23,668,973	17.8%	\$2,732,609		5.1%	YES
Total		\$54,494,829	\$76,727,030		\$3,824,642	\$53,631,807	7.1%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Capital Area Transportation Authority-CATA, which was received by the Municipal Stability Board (the Board) on 9/18/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - The existing union contract contains three eligibility groups depending on an employee's hire date.
 - The level of medical benefits provided to retirees and their spouses prior to age 65 must match the benefits provided to active employees under the Union contract.
 - If you are age 65 or older, the benefits are equal to the benefits provided under Medical Supplemental benefits underwritten by BC/BS or MI.
 - Retirees are required to pay participation fees to CATA to be covered under retiree medical plans.
- Plan Funding:
 - CATA's OPEB Trust was created in September 2009. CATA has made employer contributions to the OPEB Trust in years following 2010 ranging from \$441,000 a year to \$788,000. 2016 was the only year a contribution was not made.
- Other Considerations:
 - In May of 2018, CATA formed a committee to develop a corrective action plan. CATA engaged Plante Moran to do an analysis and evaluated CATA's OPEB plan.
 - In October 2018, Plante Moran provided CATA with a report of retiree medical findings, alternative plan designs, and cost impacts of changes to the plan.

Prospective Changes:

- Modern Plan Design:
 - CATA is seeking to close the OPEB plan to new hires and freeze OPEB benefits for retiree and active members effective December 1, 2019.

Treasury Recommendation
Capital Area Transportation Authority-CATA OPEB Corrective Action Plan (CAP)
Non-Primary Unit 337510

- CATA intends to open a defined contribution (DC) plan and use financial incentives to encourage active employees to switch to the new DC plan.
- Plan Funding:
 - CATA's analysis of their OPEB plan includes CATA funding the OPEB trust \$651,555 in 2019, \$684,133 in 2020 and then \$700,000 per year from 2021 until they are fully funded in 2030.
- Other Considerations:
 - None Listed.

System Status for All Divisions: OPEN

Plan size: members 342

- Inactive employees or beneficiaries currently receiving benefits: 128
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 214

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 40% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan.
- Reasonable Timeframe:
 - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 40% within a reasonable timeframe (2021).
- Legal and Feasible:
 - The local unit's corrective action plan appears to follow all applicable laws. The actions listed appear reasonable and the corrective action plan has been approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast.

Supplemental Information:

CATA has included an internal analysis showing CATA reaching 43% funded by 2021. This analysis includes assumptions such as no new participants and freezing benefits at current levels, both of which are subject to union contract changes in December 2019.

Treasury Recommendation
Capital Area Transportation Authority-CATA OPEB Corrective Action Plan (CAP)
Non-Primary Unit 337510

CATA Memorandum

CATA
 Analysis of OPEB Liability

Year	Liability	Asset Balance	Earnings	Funding	Unfunded Liability	Funded %
2019	\$ 23,100,000	\$ 8,000,000	\$ 400,000	\$ 651,555	\$ 15,100,000	35%
2020	\$ 23,500,000	\$ 9,051,555	\$ 452,578	\$ 684,133	\$ 14,448,445	39%
2021	\$ 23,800,000	\$ 10,188,266	\$ 509,413	\$ 700,000	\$ 13,611,735	43%
2022	\$ 24,100,000	\$ 11,397,679	\$ 569,884	\$ 700,000	\$ 12,702,321	47%
2023	\$ 24,200,000	\$ 12,667,563	\$ 633,378	\$ 700,000	\$ 11,532,437	52%
2024	\$ 24,200,000	\$ 14,000,941	\$ 700,047	\$ 700,000	\$ 10,199,059	58%
2025	\$ 24,100,000	\$ 15,400,988	\$ 770,049	\$ 700,000	\$ 8,699,012	64%
2026	\$ 24,000,000	\$ 16,871,037	\$ 843,552	\$ 700,000	\$ 7,128,963	70%
2027	\$ 23,700,000	\$ 18,414,589	\$ 920,729	\$ 700,000	\$ 5,285,411	78%
2028	\$ 23,100,000	\$ 20,035,319	\$ 1,001,766	\$ 700,000	\$ 3,064,681	87%
2029	\$ 22,500,000	\$ 21,737,085	\$ 1,086,854	\$ 700,000	\$ 762,915	97%
2030	\$ 21,800,000	\$ 23,523,939	\$ 1,176,197	\$ -	\$ (1,723,939)	108%

Assumptions:

- *Liability per actuarial model
- *No new participants
- *Benefits frozen at current levels
- *Earnings of 5% on asset balance
- *Funding at approximately \$700K per year
- *Assets will be used to pay benefits once fully funded

The Community Engagement and Finance Division (CEFD) contact:

- Treasury spoke with CATA on multiple occasions to discuss components of the authority's CAP.

Treasury Recommendation
Copper Country Community Mental Health OPEB Corrective Action Plan (CAP)
Non-Primary Unit 077501

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Copper Country Community Mental Health Authority	OPEB	\$0	\$3,881,800	0%	\$245,300	\$15,962,422	1.5%	YES

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Copper Country Community Mental Health (CCCMH), which was received by the Municipal Stability Board (the Board) on 9/18/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - CCCMH closed the plan to new hires on January 1, 2011.
- Plan Funding:
 - Starting October 1, 2018, CCCHM is making an additional annual contribution of \$200,000 for the next 10 years.
- Other Considerations:
 - CCCHM original CAP stated that their OPEB was 37.8% funded. However, this money was in an internal service fund and could not be counted as assets per GASB standards.
 - CCCHM sent in a letter dated September 9, 2019 that noted they did not have a quorum at their August 28, 2019 meeting so no action was taken on their corrective action plan. Their next meeting was September 25, 2019.
 - In the letter, the finance director outlined the steps CCCMH would take to achieve compliance. This included opening a trust in August 2019 and transferring \$1,500,000 into the trust.
 - CCCMH also noted they planned to deposit an additional \$100,000 on August 22, 2019.

Prospective Changes:

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

System Status for All Divisions: CLOSED

Treasury Recommendation
Copper Country Community Mental Health OPEB Corrective Action Plan (CAP)
Non-Primary Unit 077501

Plan size: members 135

- Inactive employees or beneficiaries currently receiving benefits: 26
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 109

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 40% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan.
- Reasonable Timeframe:
 - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 40% within a reasonable timeframe (2019).
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast.

The following corrective action plan approval criteria are partially met:

- Legal and Feasible:
 - The local unit indicated its corrective action plan was legal and feasible in Section 7 of the corrective action plan template; however, our review indicates that the Copper Country Community Mental Health Services Board has not yet submitted documentation demonstrating that its Board approved the opening of the trust.

Supplemental Information:

Treasury staff reached out to Copper Country Community Mental Health to request the draft minutes of the Board's September meeting. The finance director has stated that the corrective action plan was approved and she will submit the minutes once they are ready. Treasury recommends approval with the expectation that the local government submits supporting documentation demonstrating that they established an irrevocable qualified trust for these funds.

The Community Engagement and Finance Division (CEFD) contact:

- Treasury spoke with Finance Director about governing body approval and documentation showing they established the trust.

Treasury Recommendation
Grosse Ile Township OPEB Corrective Action Plan (CAP)
Primary Unit 821030

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$21,208,207	\$33,145,551	64.0%	\$1,118,604	\$9,776,427	11.4%	NO
Grosse Ile Retiree Health Care Plan	OPEB	\$0	\$25,138,681	0%	\$1,549,247		15.8%	YES
Total		\$21,208,207	\$58,284,232		\$2,667,851	\$9,776,427	27.3%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Grosse Ile Township, which was received by the Municipal Stability Board (the Board) on 9/18/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - Township implemented "hard-caps" in accordance with PA 152 on the amount the township may contribute. Additionally, retirees under 65 will contribute the same amount as actives under these "hard-caps".
 - New hires after 4/1/2013 no longer receive OPEB benefits after age 65 with 25 years of service and volunteer firemen no longer receive after 30 years.
 - As of 1/1/2019, the township is offering a high-deductible plan to all Township employees and offering an HSA.
- Plan Funding:
 - Effective 7/1/2018, the Township created a Health Funding Vehicle through MERS. This trust will be funded with projected benefit payment amount to used to pay the yearly OPEB costs. Remaining monies will stay in the trust.
 - The Township will use supplemental CVTRS (Revenue Sharing) payments to pay down OPEB debt.
- Other Considerations:
 - Using a more recent valuation, the liabilities have decrease by approximately \$8 million.

Prospective Changes:

- Modern Plan Design:
 - None Listed.
- Plan Funding:
 - Continue plan of using supplemental CVTRS payments to fund trust and continue accumulation of interest earnings.
- Other Considerations:
 - None Listed.

Treasury Recommendation
Grosse Ile Township OPEB Corrective Action Plan (CAP)
Primary Unit 821030

System Status for All Divisions: OPEN

Plan size: members 96

- Inactive employees or beneficiaries currently receiving benefits: 37
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 59

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
 - The local unit did not provide clear documentation that demonstrates the retirement system's actuarially determined contribution as a percentage of governmental revenues will drop below 12% funded. Based on other information presented in the corrective action plan, we have determined the plan may be able to address their underfunded status within 5 years.
- Legal and Feasible:
 - The local unit indicated its corrective action plan was legal and feasible in Section 7 of the corrective action plan template; however, our review was unable to find documentation that the local government would be calculating and paying the normal cost for employees hired after June 30, 2018.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast. However, our review indicates the plan's annual required contribution as a percentage of general fund operating revenues is 27.3%. This reflects a significant portion of the local government's budget.

Supplemental Information:

The Township indicated that they would be addressing their underfunded status through decreasing their actuarially determined contribution amount to less than 12% of their governmental revenues. The Township submitted as supplemental documentation that they have already done this, but provided the ADC using uniform assumptions. The uniform assumptions issued by Treasury are to be used for reporting purposes only, and are not necessarily reflective of the assumptions that the Township uses for funding purposes. With that said, the Township did provide supplemental documentation showing the ADCs for 2020 and 2021 that would be calculated using their updated assumptions, and it is likely that these new numbers would reduce their ADC/Revenue metric to below 12%. The issue with this, is that this number is based on the Township using a discount rate of 6.5%, which may not be reflective of actual experience, and is likely understating future liabilities. The township is using the health care trust

**Treasury Recommendation
Grosse Ile Township OPEB Corrective Action Plan (CAP)
Primary Unit 821030**

to pay annual benefits, with interest earnings and supplemental revenue sharing amounts the only funds remaining at year end.

Actuarially Determined Contribution

Please note that beginning with the fiscal year ending March 31, 2018, GASB Statement No. 43 was replaced by GASB Statement No. 74. Also, beginning with the fiscal year ending March 31, 2019, GASB Statement No. 45 was replaced by GASB Statement No. 75. A separate GASB report will be required to comply with the actuarial requirements of GASB Statement No. 75, beginning with the fiscal year ending March 31, 2019. As such, there is no longer an "Annual Required Contribution" calculated in this valuation report. Therefore, we have determined the "Actuarially Determined Contribution."

We have calculated the Actuarially Determined Contribution for the fiscal years ending March 31, 2020 and March 31, 2021, under an interest rate assumption of 6.50%. Below is a summary of the results. The Actuarially Determined Contributions and estimated claims and premiums shown below include an adjustment for any implicit rate subsidy present in your pre-65 rates.

Fiscal Year Ending	Actuarially Determined Contribution	Estimated Claims and Premiums Paid for Retirees
March 31, 2020	\$1,047,227	\$513,465
March 31, 2021	1,067,067	551,381

For additional details please see the Section titled "Valuation Results."

Liabilities and Assets – as of March 31, 2018

1. Present Value of Future Benefit Payments	\$15,150,293
2. Actuarial Accrued Liability	13,934,631
3. Plan Assets	0
4. Unfunded Actuarial Accrued Liability (2) – (3)	13,934,631
5. Funded Ratio (3)/(2)	0.0%

The Present Value of Future Benefit Payments (PVFB) is the present value of all benefits projected to be paid from the plan for past and future service to current members. The Actuarial Accrued Liability is the portion of the PVFB allocated to past service by the Plan's funding method (see the Section titled "Actuarial Cost Method and Actuarial Assumptions").

**Treasury Recommendation
Grosse Ile Township OPEB Corrective Action Plan (CAP)
Primary Unit 821030**

Sensitivity of Net OPEB Liability

Regarding the sensitivity of the net OPEB liability to changes in the Single Discount Rate, the following presents the plan's net OPEB liability, calculated using a Single Discount Rate of 6.50%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

Sensitivity of Net OPEB Liability to the Single Discount Rate Assumption

1% Decrease	Current Single Discount Rate Assumption	1% Increase
5.50%	6.50%	7.50%
\$ 16,641,543	\$ 14,484,995	\$ 12,716,631

Regarding the sensitivity of the net OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

The Community Engagement and Finance Division (CEFD) contact:

- None

Treasury Recommendation
City of Harper Woods OPEB Corrective Action Plan (CAP)
Primary Unit 822150

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$22,536,026	\$50,135,997	44.9%	\$1,901,927	\$15,970,202	11.9%	YES
Retiree Healthcare Benefits	OPEB	\$0	\$45,615,204	0%	\$2,894,807		18.1%	YES
Total		\$22,536,026	\$95,751,201		\$4,796,734	\$15,970,202	30.0 %	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by City of Harper Woods, which was received by the Municipal Stability Board (the Board) on 9/18/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - 1/1/2015: Closed system to all new hires and established a health savings account for all new hires with \$125/month contribution.
 - 1/1/2019: Changes to Patrol union contract for hires prior to 2015 that have not reached age 65, including: retirees who are pre-65 will receive monthly stipends of \$300/\$720/\$900 and post-65 will receive \$225/month along with \$225 for qualifying spouse.
 - 1/1/2019: Made a number of additional changes to benefits offered to current employees.
- Plan Funding:
 - None Listed.
- Other Considerations:
 - None Listed.

Prospective Changes:

- Modern Plan Design:
 - City intends to use newly ratified Patrol Officers contract as a model for changes to be made to other bargaining units.
 - City intends to re-open "Retiree Association Lawsuit" to try to substitute a less costly Medicare Advantage plan to those currently over 65. City projects this could save \$114K-\$248K per year.
 - City intends to adopt Humana 2019 alternative prescription drug "Clinical Edits" for Retiree Medicare prescription drug plans, saving approximately \$133K per year. Eliminate employer sponsored healthcare for "Non-duty" disability requirements.
- Plan Funding:
 - None Listed.
- Other Considerations:
 - None Listed.

**Treasury Recommendation
City of Harper Woods OPEB Corrective Action Plan (CAP)
Primary Unit 822150**

System Status for All Divisions: CLOSED

Plan size: members 168

- Inactive employees or beneficiaries currently receiving benefits: 105
- Inactive employees entitled to but not yet receiving benefits: 7
- Active employees: 56

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
 - The local government did not provide definitive documentation that demonstrates the retirement system's actuarially determined contribution will drop below 12% of general fund operating revenues. Based on information presented in the corrective action plan, we have determined the plan may be able to achieve this metric if the plan's assumptions remain accurate.
- Reasonable Timeframe:
 - The local unit's corrective action plan indicated its the annual required contribution will be less than 12% of general fund operating revenues by 2018; however, the local unit did not provide clear documentation that demonstrates this.
- Affordable:

The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast. However, our review indicates the plan's annual required contribution as a percentage of general fund operating revenues is 30%. This reflects a significant portion of the local government's budget.

Supplemental Information:

The City provided a projection from their actuary indicating the impact of prospective actions that the City is attempting to implement through collective bargaining over the next year. The City used the previously implemented agreement with their Police Patrol Officers union as a model for what they would like to implement with the rest of their employee groups. If implemented across all groups, these

Treasury Recommendation
City of Harper Woods OPEB Corrective Action Plan (CAP)
Primary Unit 822150

changes are projected to decrease liabilities from \$45 million to \$34 million, and also decrease the ADC for the OPEB system from \$3.5 million to \$2 million. This projected decrease in ADC would potentially drop their ADC as a percentage of governmental revenues to below the 12% trigger threshold defined in PA 202 when using their 2018 Governmental revenues of \$17.6 million. The proposed plan is contingent upon a number of prospective actions coming to fruition, and therefore if these actions are not able to be achieved through collective bargaining, additional actions will likely be required to adequately address underfunded status.



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August 21, 2019

John Szymanski
Finance Director/Treasurer
City of Harper Woods
19617 Harper
Harper Woods, Michigan 48225

RE: Analysis of Special OPEB Scenario

Dear John:

As requested by the City of Harper Woods, we prepared the following calculations to illustrate the impact of the proposed plan change on the Total OPEB Liability ("TOL") and Annual Required Contribution ("ARC") as calculated under Michigan Public Act 202 of 2017. Unless otherwise specified in the enclosed report, all calculations are based on participant data, plan provisions, and actuarial assumptions and methods disclosed in the Actuarial Valuation of dated December 31, 2016, and the Special OPEB Plan Design Analysis dated October 23, 2018.

For *future* retirees, and their spouse, who are currently eligible for defined-benefit Other Post-Employment Benefits ("OPEBs"), the proposed plan change would allow the City to provide a monthly stipend in lieu of the traditional healthcare coverage that current retirees receive. The monthly stipends would be as follows:

Pre-Medicare:

- Single Coverage - \$300
- Two-Person Coverage - \$720
- Family Coverage - \$900

Medicare-Eligible:

- Per-Person - \$225

Such a change would reduce the TOL as of December 31, 2016, from \$45,615,204 to **\$34,028,871**, a 25% reduction.

Similarly, the 2017 ARC would be reduced from \$3,477,451 to **\$2,060,037** and the 2018 ARC would be reduced from \$3,512,505 to **\$2,066,156**; a 41% reduction for both. All ARCs shown are calculated as the sum of the current-year normal cost payment for active employees and the annual 30-year, level-dollar amortization payment for past service costs to fund the unfunded actuarial accrued liability.

Once you have reviewed the results of this analysis, do not hesitate to contact Alex Johnson or Frank Vedegys with any questions or concerns.

The Community Engagement and Finance Division (CEFD) contact:

- Treasury spoke with the City on multiple instances to discuss corrective action components that may be acceptable for the Board.

**Treasury Recommendation
City of Riverview OPEB Corrective Action Plan (CAP)
Primary Unit 822240**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
City of Riverview Employees' Retirement System	Pension	\$30,143,435	\$36,270,078	83.1%	\$1,092,653	\$9,970,825	11.0%	NO
City of Riverview Retiree Health Care Benefits	OPEB	\$0	\$42,226,967	0%	\$4,139,949		41.5%	YES
Total		\$30,143,435	\$78,497,045		\$5,232,602	\$9,970,825	52.5%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by City of Riverview, which was received by the Municipal Stability Board (the Board) on 9/18/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- **Modern Plan Design:**
 - City of Riverview retirees get taken off Blue Cross Blue Shield plans once they turn 65 years old. They are moved to a Medicare plan with a Humana supplement. This saves the city on average \$17,658.72 per person per year.
 - As of December 2016, the retiree health care system has been closed to all new city employees. Retiree Health Savings Plans have been created and are utilized for all employees not eligible for retiree health benefits across all government units.
- **Plan Funding:**
 - The City of Riverview has established an Other Post-Employment Benefits Trust Agreement to receive, invest, and accumulate assets for retirement healthcare. City administration, along with two of the most recently negotiated union contracts require eligible employees to contribute a portion of wages for other post-employment benefit expenses.
- **Other Considerations:**
 - The City of Riverview has kept current on a “pay as you go” method.

Prospective Changes:

- **Modern Plan Design:**
 - The City of Riverview plans to continue negotiating language that changes the age at which an employee can start receiving retiree medical benefits from 55 to 60 into all collectively bargained contracts.
- **Plan Funding:**
 - None Listed.

**Treasury Recommendation
City of Riverview OPEB Corrective Action Plan (CAP)
Primary Unit 822240**

- Other Considerations:
 - None Listed.

System Status for All Divisions: CLOSED

Plan size: members 140

- Inactive employees or beneficiaries currently receiving benefits: 84
- Inactive employees entitled to but not yet receiving benefits: 8
- Active employees: 48

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 40% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan.
- Reasonable Timeframe:
 - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 40% within a reasonable timeframe (2048).
- Legal and Feasible:
 - The local unit's corrective action plan appears to follow all applicable laws. The actions listed appear reasonable and the corrective action plan has been approved by the governing body.

The following corrective action plan approval criteria are partially met:

- Affordable:

The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast. However, our review indicates the plan's annual required contribution as a percentage of general fund operating revenues is 52.5%. This reflects a significant portion of the local government's budget.

Supplemental Information:

Their attached valuation show them reaching 43.2% funded by 2048 - 29 years from now. Between 2019 and 2034 benefits payments increase 72% or 5.5% a year. This will equal 32% of their current revenues.

**Treasury Recommendation
City of Riverview OPEB Corrective Action Plan (CAP)
Primary Unit 822240**

Fiscal Year	Projected Retiree Health Trust Revenue and Expense								AAL EOY	Funded Percent
	Asset Value	Transfer	City	Extra City	Employee	Benefit	Interest	Asset Value		
	BOY		Contribution	Contribution	Contribution	Payments		EOY		
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(g)/(h)	
7/1/2019 - 6/30/2020	\$ -	\$29,793	\$1,859,601	\$ 200,000	\$ 25,407	\$1,859,601	\$ 8,401	\$ 263,601	\$ 36,004,908	0.7%
7/1/2020 - 6/30/2021	263,601		1,994,208	200,000	24,281	1,994,208	22,544	510,426	36,854,943	1.4%
7/1/2021 - 6/30/2022	510,426		2,116,874	200,000	22,501	2,116,874	37,301	770,228	37,582,262	2.0%
7/1/2022 - 6/30/2023	770,228		2,280,200	200,000	20,764	2,280,200	52,837	1,043,828	38,174,191	2.7%
7/1/2023 - 6/30/2024	1,043,828		2,363,018	200,000	19,499	2,363,018	69,215	1,332,542	38,583,966	3.5%
7/1/2024 - 6/30/2025	1,332,542		2,361,955	200,000	18,149	2,361,955	86,497	1,637,187	38,896,900	4.2%
7/1/2025 - 6/30/2026	1,637,187		2,413,622	200,000	16,804	2,413,622	104,735	1,958,727	39,195,778	5.0%
7/1/2026 - 6/30/2027	1,958,727		2,481,955	200,000	15,674	2,481,955	123,994	2,298,395	39,425,957	5.8%
7/1/2027 - 6/30/2028	2,298,395		2,550,370	200,000	14,328	2,550,370	144,334	2,657,056	39,571,559	6.7%
7/1/2028 - 6/30/2029	2,657,056		2,611,973		12,728	2,611,973	159,805	2,829,589	39,624,073	7.1%
7/1/2029 - 6/30/2030	2,829,589		2,746,281		11,202	2,746,281	170,111	3,010,903	39,580,474	7.6%
7/1/2030 - 6/30/2031	3,010,903		2,916,414		9,672	2,916,414	180,944	3,201,520	39,362,017	8.1%
7/1/2031 - 6/30/2032	3,201,520		3,048,152		8,307	3,048,152	192,340	3,402,167	38,920,142	8.7%
7/1/2032 - 6/30/2033	3,402,167		3,157,120		7,248	3,157,120	204,347	3,613,763	38,285,067	9.4%
7/1/2033 - 6/30/2034	3,613,763		3,195,675		6,440	3,195,675	217,019	3,837,222	37,475,762	10.2%
7/1/2034 - 6/30/2035	3,837,222		3,197,930		5,217	3,197,930	230,390	4,072,828	36,558,495	11.1%
7/1/2035 - 6/30/2036	4,072,828		3,193,762		3,883	3,193,762	244,486	4,321,198	35,559,705	12.2%
7/1/2036 - 6/30/2037	4,321,198		3,126,852		3,012	3,126,852	259,362	4,583,572	34,481,026	13.3%
7/1/2037 - 6/30/2038	4,583,572		3,017,505		2,388	3,017,505	275,086	4,861,046	33,389,409	14.6%
7/1/2038 - 6/30/2039	4,861,046		2,926,023		1,926	2,926,023	291,721	5,154,693	32,332,883	15.9%
7/1/2039 - 6/30/2040	5,154,693		2,861,378		1,490	2,861,378	309,326	5,465,509	31,298,288	17.5%
7/1/2040 - 6/30/2041	5,465,509		2,744,435		1,136	2,744,435	327,965	5,794,610	30,259,293	19.1%
7/1/2041 - 6/30/2042	5,794,610		2,731,206		893	2,731,206	347,703	6,143,206	29,270,970	21.0%
7/1/2042 - 6/30/2043	6,143,206		2,693,776		676	2,693,776	368,613	6,512,494	28,231,621	23.1%
7/1/2043 - 6/30/2044	6,512,494		2,653,807		494	2,653,807	390,764	6,903,753	27,163,524	25.4%
7/1/2044 - 6/30/2045	6,903,753		2,635,415		344	2,635,415	414,236	7,318,333	26,068,401	28.1%
7/1/2045 - 6/30/2046	7,318,333		2,583,559		158	2,583,559	439,105	7,757,596	24,923,434	31.1%
7/1/2046 - 6/30/2047	7,757,596		2,526,135		45	2,526,135	465,457	8,223,098	23,758,819	34.6%
7/1/2047 - 6/30/2048	8,223,098		2,474,039		30	2,474,039	493,387	8,716,514	22,580,459	38.6%
7/1/2048 - 6/30/2049	8,716,514		2,401,278		17	2,401,278	522,991	9,239,523	21,384,724	43.2%

The Community Engagement and Finance Division (CEFD) contact:

- Treasury spoke with the City following their previous CAP disapproval to discuss potential changes for their resubmission.

Treasury Recommendation
St. Clair River Sewer and Water Authority OPEB Corrective Action Plan (CAP)
Non-Primary Unit 747520

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$3,484,406	\$5,573,129	62.5%	\$147,220	\$1,444,023	10.2	NO
Healthcare Plan	OPEB	\$0	\$484,055	0%	\$32,854		2.3%	YES
Total		\$3,484,406	\$6,057,184		\$180,074	\$1,444,023	12.5%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by St. Clair River Sewer and Water Authority, which was received by the Municipal Stability Board (the Board) on 9/18/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - None Listed.
- Plan Funding:
 - None Listed.
- Other Considerations:
 - The information provided on the Form 5572 from the 2017 audit used contribution data and calculation of funding under previous GASB guidelines. The updated calculation of the net OPEB liability was presented on a cost-sharing basis with the Charter Township of East China and was 50% funded at the end of 2018. See Supplemental information for table.

Prospective Changes:

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

System Status for All Divisions: OPEN

Plan size: members: Not Available

Treasury Recommendation
St. Clair River Sewer and Water Authority OPEB Corrective Action Plan (CAP)
Non-Primary Unit 747520

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The local government has demonstrated through supporting documentation that it has already reached the PA 202 established funding level of 40% funded.
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast.

Supplemental Information:

The Authority's 2018 audit shows their OPEB system to be 49.98% funded using the alternative measurement method calculation. The Authority was able to accomplish this by adopting GASB 75 and sharing a proportionate share of the Charter Twp's net OPEB liability with the Authority.

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE:

The Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement required the Authority to record its proportionate share of the Charter Townships' net OPEB liability. The standard required this change to be applied retroactively. The standard had no effect on the Authority's net position.

ST. CLAIR RIVER SEWER AND WATER AUTHORITY
A Component Unit of the Charter Township of East China, Michigan

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Year ended December 31,	Proportion of net OPEB liability	Proportionate share of net OPEB liability	Covered payroll	Proportionate share of net OPEB liability as a percent of covered payroll	Plan Fiduciary net position as a percent of total OPEB liability
2018	65.22%	\$ 313,920	\$ 569,836	55.09%	49.98%

The Community Engagement and Finance Division (CEFD) contact:

- None.