

Municipal Stability Board

REGULAR MEETING

Wednesday, March 20, 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 February 20, 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. Bloomfield Charter Township
 - ii. Gogebic County Road Commission
 - iii. City of Grosse Pointe Woods
 - iv. Lenawee Medical Care Facility
 - v. City of Marshall
 - vi. City of Oak Park (3 systems)
 - vii. Charter Township of Plymouth
 - viii. Redford Township District Library
 - ix. City of Rockwood
 - x. Village of Romeo
 - xi. South Haven Area Emergency Services

xii. St. Joseph County Road Commission

B. Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-6)

i. Alger County Road Commission

ii. Benzie County

iii. Benzie County Road Commission

iv. Cass County Road Commission

v. City of Eastpointe

vi. Flint Charter Township

vii. City of Gibraltar

viii. Gladwin County Road Commission (2 systems)

ix. Lake County Road Commission (2 systems)

x. Village of Lexington

xi. Luce County Housing Commission

xii. Mecosta County Road Commission

xiii. Metamora Township (2 systems)

xiv. Monroe County Road Commission

xv. Mt. Morris Charter Township

xvi. City of North Muskegon

xvii. Oceana County Road Commission

xviii. Village of Ontonagon

xix. Pathways Community Mental Health (2 systems)

C. Public Act 202 of 2017 Corrective Action Plan Noncompliance (Resolution 2019-7)

VI. Public Comment

A. 2 minute limit

VII. Board Comment

VIII. Adjournment

Municipal Stability Board Minutes

Wednesday, February 20, 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: Two

Eric Scorsone
Barry Howard

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

APPROVAL OF MINUTES

Motion was made to approve the minutes regarding the January 16, 2019 board meeting.

Motion moved by Barry Howard and supported by Eric Scorsone, the Board unanimously approved the January 16, 2019 meeting minutes. 2 ayes, 0 nays.

PUBLIC COMMENT

- No public comment.

CORRESPONDENCE

- Nick Brousseau presented the Board with Treasury updates.

NEW BUSINESS

RECEIPT OF 23 CORRECTIVE ACTION PLANS FROM 19 LOCAL UNITS

Nick Brousseau provided the Board with the following 23 Local Units' Corrective Action Plans:

- Alger County Road Commission
- Benzie County
- Benzie County Road Commission
- Cass County Road Commission
- City of Eastpointe
- Flint Charter Township
- City of Gibraltar
- Gladwin County Road Commission (2 systems)
- Lake County Road Commission (2 systems)
- Village of Lexington
- Luce County Housing Commission
- Mecosta County Road Commission
- Metamora Township (2 systems)
- Monroe County Road Commission
- Mt. Morris Charter Township
- City of North Muskegon
- Oceana County Road Commission
- Village of Ontonagon
- Pathways Community Mental Health (2 systems)

Motion was made to receive the 23 Corrective Action Plans from 19 Local Units.

Motion moved by Barry Howard and supported by Eric Scorsone, the Board unanimously received the Corrective Action Plans. 2 ayes. 0 nays.

APPROVALS AND DISAPPROVALS OF CORRECTIVE ACTION PLANS (RESOLUTION 2019-4)

Nick Brousseau was asked to review the 34 Treasury recommendations for approval or disapproval of the Corrective Action Plans (Resolution 2019-4) with the Board. Mr. Brousseau highlighted the local units that Treasury felt partially met the Board's criteria as well as local units that did not meet the Board's criteria. Mr. Brousseau addressed questions from the Board. Rodney Taylor spoke about the City of Taylor's approval.

- City of Battle Creek (Approved)
- City of Benton Harbor (Approved)
- Bloomfield Township Public Library (Approved)
- Capital Area Transportation Authority (Disapproved)
- City of Center Line (2 systems) (Approved)
- Community Mental Health Authority of Clinton, Eaton, Ingham Counties (Approved)

- City of Crystal Falls (Approved)
- City of Dearborn Heights (Approved)
- Eastern Upper Peninsula Transportation Authority (Approved)
- City of Essexville (Disapproved)
- Jackson District Library (Approved)
- Lansing City Housing Commission (Approved)
- Marquette County Road Commission (2 systems) (Approved)
- Michigan Works! Region B Consortium (Approved)
- Montcalm County Road Commission (2 systems) (Approved)
- City of Montrose (Approved)
- City of Mount Clemens (Approved)
- Ontonagon County Road Commission (Disapproved)
- Otsego County Road Commission (2 systems) (Approved)
- Ottawa County Road Commission (Approved)
- Presque Isle County Road Commission (Approved)
- City of Riverview (Disapproved)
- Saginaw City Housing Commission (Pension) (Approved)
- Saginaw City Housing Commission (OPEB) (Disapproved)
- Saline Area Fire Department (Disapproved)
- City of Taylor (3 systems) (Approved)
- Wayne County Airport Authority (Approved)
- West Iron County Sewer Authority (Approved)

A motion was made to approve the Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-4).

Motion made by Barry Howard and supported by Eric Scorsone, the Board unanimously approved the Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-4). A voice vote was made with 2 ayes and 0 nays.

APPROVAL OF PA 202 OF 2017 CORRECTIVE ACTION PLAN NONCOMPLIANCE (RESOLUTION 2019-5)

Eric Scorsone asked if there are any comments, corrections or questions from the Board regarding the approval of the PA 202 of 2017 Corrective Action Plan Noncompliance (Resolution 2019-5).

Motion was made to approve the PA 202 of 2017 Corrective Action Plan Noncompliance (Resolution 2019-5).

Motion moved by Barry Howard and supported by Eric Scorsone, the Board unanimously approved the PA 202 of 2017 Corrective Action Plan Noncompliance (Resolution 2019-5). 2 ayes. 0 nays.

PUBLIC COMMENT

No public comment.

BOARD COMMENT

No comments from the Board.

NEXT MEETING

Next regular meeting will be on March 20, 2019 at 10:00 am.

ADJOURNMENT

Motion made to adjourn. Motion moved by Barry Howard and supported by Eric Scorsone, the Board unanimously approved the motion to adjourn. 2 ayes. 0 nays,

There being no further business, the meeting adjourned at 10:27 a.m.

P.A. 202 of 2017 Status Update from Treasury

As of 3/15/2019

Table 1: PA 202 of 2017 Corrective Action Plan Review FY 2017

PA 202: Corrective Action Plan Analysis FY 2017							
LOCAL UNIT TYPE	CAP Submission Status			CAP Approval Status			
	Required	Submitted	Reviewed	Approved	Disapproved	Split	Noncompliant
NON-PRIMARY	109	53 (49%)	39 (36%)	33 (89%)	4 (7%)	2 (4%)	14 (13%)
PRIMARY	106	81 (76%)	76 (72%)	64 (84%)	11 (14%)	1 (1%)	12 (11%)
TOTAL	215	134 (62%)	115 (53%)	97 (84%)	15 (13%)	3 (3%)	26 (12%)

Table 2: Corrective Action Plan Review Schedule

PA 202: Corrective Action Plan Review Schedule								
LOCAL UNIT TYPE	Tentative Month of Corrective Action Plan Review							
	March	April	May	June	July	August	October	Total
NON-PRIMARY	10	2	43	11	5	1	2	74
PRIMARY	9	4	15	10	4	0	4	46
TOTAL	19	6	58	21	9	1	6	120



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: March 20, 2019
TO: The Municipal Stability Board (the Board)
FROM: Community Engagement and Finance Division, Department of Treasury
SUBJECT: Receipt of Corrective Action Plans

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

1. Bloomfield Charter Township
 - a. OPEB: Bloomfield Township Retired Employees' Health Care Benefits Trust
2. Gogebic County Road Commission
 - a. OPEB: Gogebic County Road Commission OPEB
3. City of Grosse Pointe Woods
 - a. OPEB: Grosse Pointe Woods
4. Lenawee Medical Care Facility
 - a. OPEB: Lenawee Medical Care Facility Retiree Healthcare Benefits Plan
5. City of Marshall
 - a. OPEB: Retiree Healthcare Plan (the Plan)
6. City of Oak Park
 - a. OPEB: Public Safety Retiree Health Care System
 - b. OPEB: General Employees Retiree Health Care System
 - c. OPEB: District Court Retiree Health Care System
7. Charter Township of Plymouth
 - a. OPEB: Plymouth Township Retiree Medical Plan

8. Redford Township District Library
 - a. OPEB: Retiree Health Funding Vehicle with MERS

9. City of Rockwood
 - a. OPEB: The City of Rockwood Investment Agency

10. Village of Romeo
 - a. OPEB: Benistar/OPEB Trust fund

11. South Haven Area Emergency Services
 - a. OPEB: Retiree Health Plan

12. St. Joseph County Road Commission
 - a. OPEB: BCBS

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

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Retirement Health Benefit Systems

Issued under authority of Public Act 202 of 2017.

1. MUNICIPALITY INFORMATION	
Local Unit Name: <u>Charter Township of Bloomfield</u>	Six-Digit Muni Code: <u>631030</u>
Retirement Health Benefit System Name: <u>Bloomfield Township Retired Employees' Health Care Benefits Trust</u>	
Contact Name (Administrative Officer): <u>Leo Savoie</u>	
Title if not Administrative Officer: <u>Township Supervisor</u>	
Email: <u>lsavoie@bloomfieldtp.org</u>	Telephone: <u>(248) 433-7700</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**.*

On January 1, 2010, the local unit moved all active employees from a PPO plan to a high-deductible health reimbursement account (HRA plan). (See 5a). On May 1, 2011, the local unit enacted a Retirement Health Savings (RHS) Plan for all new hires. (See 5b). On April 1, 2013, the local unit enacted two changes to the retirees who were on PPO plans. Mandatory generic and step therapy, which had already existed in the HRA plan. (See 5c)

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.*

On March 14, 2005, the Trust was created but funding it was not substantial until more recent years. As of the July 2011 Actuarial report, assets were \$138,000.(see 4a). As of the July 2013 Actuarial report, assets were \$1,608,647.(see 4b). As of the July 2015 Actuarial report, assets were \$5,437,023.(see 4c). The local unit has voluntarily contributed \$7,167,620 between 2012 and March 2017. This was in lieu of letting those funds close to the fund balances or spend them in other areas.

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**.*

Contracts expire on 4/1/20, so negotiations will begin this year. It is too early to know what will be discussed or resolved with regard to healthcare.

- 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.*

The Board will continue its strategic plan over the next 6 months. A resident survey was completed in January 2019. There will likely be a combination of expense reduction and revenue enhancements. It is still too early in the process to provide details or to be able to project if or when we will be 40% funded within 30 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) Charter Township of Bloomfield 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 (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, Leo Savoie, as the government's administrative officer (insert title) Township Supervisor (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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

- The Bloomfield Township Retired Employees' H (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year TBD 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 Leo Savoie

Date 02/11/2019

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: GOGEBIC COUNTY ROAD COMMISSION Six-Digit Muni Code: 270100

Retirement Health Benefit System Name: GOGEBIC COUNTY ROAD COMMISSION OPEB

Contact Name (Administrative Officer): Barry Bolich

Title if not Administrative Officer: Manager

Email: bbolich@gogebiccountymi.gov

Telephone Number: (906) 667-0233

2. GENERAL INFORMATION

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

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

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

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

The subject line of the email(s) should be in the following format: **Corrective Action Plan-2017, Local Unit Name, Retirement System Name** (e.g. Corrective Action Plan-2017, City of Lansing, Employees' Retirement System OPEB Plan). Treasury will send an automatic reply acknowledging receipt of the email. Your individual email settings must allow for receipt of Treasury's automatic reply. This will be the only notification confirming receipt of the application(s).

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

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

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

(i) Requiring cost sharing of premiums and sufficient copays.

(ii) Capping employer costs.

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On January 1, 2017, the local unit entered into new collective bargaining agreements with the **Command***

Officers Association and Internal Association of Firefighters that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page 12 of the attached actuarial analysis that indicates the system is **40% funded as of June 30, 2017.**

In 2007, the GCRC set hard cap amounts that the Employer would contribute to the employees health care premium. In 2010 Per Article 46. Health and Welfare in the collective bargaining agreement, all new hires after 1/1/2010 shall not receive health insurance coverage. In 2013, the GCRC complied with PA152. Upon retirement, the retiree contributes the amount over the amount identified by PA152 for that year up until the retiree reaches 65. Health Care Coverage terminates when the retiree reaches 65.

- 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**.

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.

The GCRC will establish a qualified trust in 2019. The GCRC is committed to contributing \$44,000 annually in efforts to bring the OPEB funding level to 40% by 2025. See Attachment 3a.

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) GOGEBIC CTY 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:

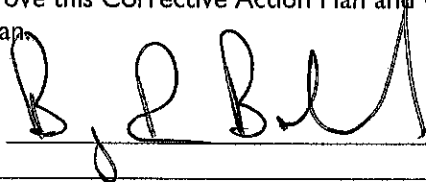
Naming convention: when attaching documents please use the naming convention shown below. If there is more than one document in a specific category that needs to be submitted, include a, b, or c for each document. For example, if you are submitting two supplemental valuations, you would name the first 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	Actuarial Analysis (annual valuation, supplemental valuation, projection)
<input checked="" type="checkbox"/> Attachment – 3a	Internally Developed Projection Study
<input type="checkbox"/> Attachment – 4a	Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).
<input type="checkbox"/> Attachment – 5a	Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)
<input type="checkbox"/> Attachment – 6a	A separate corrective action plan that the local unit has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio
<input type="checkbox"/> Attachment – 7a	Other documentation, not categorized above

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

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

Signature



Date 03/11/2019

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 Grosse Pointe Woods Six-Digit Muni Code: 822130
Retirement Health Benefit System Name: Grosse Pointe Woods-
Contact Name (Administrative Officer): Cathrene Behrens
Title if not Administrative Officer: Treasurer/Comptroller
Email: cbehrens@gpwmi.us Telephone: (313) 343-2604

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**.*

City Administration will evaluate the feasibility of mirroring retiree health care plans to the active membership with our local unit which would result in co-payment increases to retirees and reductions in our unfunded liabilities. The City is reviewing contracts for existing retirees to determine if there are any changes which could be implemented to our plan which would decrease expenses through premium sharing, deductibles, co-payments.

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

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

The City has a qualified trust to receive, invest and accumulate assets for retiree health care established July, 2011. The Fund's oversight is through a RHC Board which meets quarterly. Fund Evaluation Group (FEG) is our investment advisor who works closely with Administration to maximize our earning potential based upon market conditions. The City currently funds our RHC through pay as you go.

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

Sample Statement: *The information provided on the Form 5572 from the audit used actuarial data from **2015**. Attached is an updated actuarial valuation for **2017** that shows our funded ratio has improved to **42%** as indicated on page **13**.*

The information provided on the Form 5572 utilized actual actuarial audited data from 2018. A copy of the 2018 RHC Actuarial GASB 75 has been enclosed as well as the 2018 RHC Actuarial Report.

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**.*

Our RHC care valuation report uses a 3.5%, net of expenses, investment return assumption which is a very conservative assumption and results in increases in our ARC otherwise what it would be.

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

Sample Statement: *The local unit will create a qualified trust to receive, invest, and accumulate assets for retirement healthcare by **December 31, 2018**. The local unit of government will adopt a policy to change its funding methodology from Pay-Go to full funding of the Annual Required Contribution (ARC) by **December 31, 2018**. Additionally, beginning in fiscal year 2019, the local unit will contribute **\$500,000** annually in addition to the ARC for the next five fiscal years. The additional contributions will increase the retirement system's funded ratio to **40%** by **2022**. Please see page **10** of the attached resolution from our governing body demonstrating the commitment to contribute the ARC and additional **\$500,000** for the next five years.*

On February 27, 2018 the City wired \$508,042.55 into our retiree health care account dedicated for the sole purpose of providing retiree health care costs. (Bank statement attached). These funds moved our ARC funding from 0.93% to 1.94% in one fiscal year.

- 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**.*

In the attached Corrective Action Plan you will find the City's estimated retiree health care contribution required over the next 30 years.

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 Grosse Pointe Woods to make, at a minimum, the retiree premium payment, as well as the normal cost payments for all new hires (if applicable), for the retirement health benefit system according to your long-term budget forecast?

- Yes
 No
If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

Type of Document

Attachment – 1

This Corrective Action Plan (Required)

Attachment – 1a

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

Attachment – 2a

An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 40% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 12% of governmental fund revenues, as defined by the Act. (Required)

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment – 6a

Other documentation, not categorized above

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria

Description

- | | |
|--|---|
| <input checked="" type="checkbox"/> Underfunded Status | Is there a description and adequate supporting documentation of how and when the retirement system will reach the 40% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all retirement healthcare systems will be less than 12 percent of governmental fund revenues? |
| <input checked="" type="checkbox"/> Reasonable Timeframe | Do the corrective actions address the underfunded status in a reasonable timeframe (see CAP criteria issued by the Board)? |
| <input checked="" type="checkbox"/> Legal and Feasible | Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible? |
| <input checked="" type="checkbox"/> Affordability | Do the corrective action(s) listed allow the local unit to make the retiree healthcare premium payment, as well as normal cost payment for new hires now and into the future without additional changes to this corrective action plan? |

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

I, CATHERINE BEHRENS, as the government's administrative officer (insert title) Treasurer/Comptroller (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 Grosse Pointe Woods Retiree Health Care (**Insert Retirement Healthcare System Name**) will achieve a funded status of at least 40% by Fiscal Year 2047 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 _____

Catherine Behrens

Date _____

3/1/2019

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: Lenawee Medical Care Facility Six-Digit Muni Code: 467500
Retirement Health Benefit System Name: Lenawee Medical Care Facility Retiree Healthcare Benefits Plan
Contact Name (Administrative Officer): Erin Tuckey
Title if not Administrative Officer: Assistant Administrator
Email: etuckey@lenmed.net Telephone: (517) 263-6794

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**.*

The RHFV only covers 2 employees, it is limited to a former & current administrator. The inclusion of any future administrator is unlikely so potential AAL is only expected to decrease as the 2 administrators in the plan age & the plan is closed to future expansion.

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

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

The Facility created a MERS RHFV on 10/17/18 (resolution attached) & have agreed at their February 2019 Board meeting (minutes attached) to make at a maximum of 2 lump sum contributions to the RHFV in 2019 and 2020 to obtain the minimum 40% funding ratio as required. Once the AAL amount is calculated by the alternative method for the 12/31/18 audit we will know the target 40% that must be reached and will contribute that amount to the RHFV in 1 or 2 payments to reach the 40% within the next 2 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**.*

per attached MERS RHFV resolution administrators current and past are the only ones eligible. this will allow the AAL to remain constant or decrease going forward and not expand out of control.

- 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.*

Facility created a MERS RHFV on 10/17/18 (resolution attached) & have agreed at Feb 19 Board meeting (minutes attached) to make a max. of 2 lump sum payments to the RHFV in 2019 & 2020 to meet minimum 40% funding ratio. Once AAL amount is calculated for the 12/31/18 audit we will know the target 40% that must be reached & will contribute that amount to the RHFV in 1 or 2 payments shortly thereafter.

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

Sample Statement: *Beginning in **fiscal year 2019**, the local unit will begin amortizing the unfunded portion of the healthcare liability using a **level-dollar amortization method over a closed period of 10 years**. This will allow the health system to reach a funded status of **42% by 2022** as shown in the attached actuarial analysis on page **13**.*

The RHFV only covers 2 employees, it is limited to a former & current administrator. The inclusion of any future administrator is unlikely so potential AAL is only expected to decrease as the 2 admins in the plan age & the plan is closed to future expansion. The Facility is concerned about the liability, but with 1 passing the liability would drastically be reduced & funds set aside in the RHFV would not be needed. The funding target must be balanced with that in mind.

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) Lenawee Medical Care Facility 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 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 checked="" 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 (<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, Erin Tuckey, as the government's administrative officer (insert title) Assistant Administrator (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 LMCF Retiree Healthcare Benefits Plan (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2020 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 Erin Tuckey

Date 2/25/19

Michigan Department of Treasury
5597 (08-18)

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 Marshall Six-Digit Muni Code: 132030
 Retirement Health Benefit System Name: Retiree Healthcare Plan (the Plan)
 Contact Name (Administrative Officer): Jon B. Bartlett
 Title if not Administrative Officer: Finance Director
 Email: jbartlett@cityofmarshall.com Telephone: 269-781-5183

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**.*

The City of Marshall eliminated retiree healthcare benefits for any employee hired after January 1, 1997. July 1, 2016, the City of Marshall added the BCBS Medicare Advantage Plan to retiree healthcare and all retirees that become Medicare eligible must enroll in Medicare Parts A & B. Initial savings were approximately \$200,000 per year. Additional prior actions can be found on page 10 of the Corrective Action Plan.

- 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.*

On November 1, 2006, the City of Marshall opened a Retiree Healthcare Saving Trust Account (RHFV) with MERS with an initial deposit of \$282,314. Current balance is \$939,714.

- 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.*

The City of Marshall, will adopt a resolution (page 11 of the CAP) to change its funding methodology from Pay-as-you-go, to contributing an additional \$200,000 contribution to the MERS RHFV account on July 1, 2019 and each July 1 thereafter. The additional contribution will increase the retirement plan funded ratio to 40% by 2042 based on a 6% rate of return. Please see City of Marshall: Contribution Study by Watkins Ross.

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**.*

Since the City of Marshall closed retiree healthcare benefits in 1997, and the fact Treasury is giving municipalities 30 years to get to the 40% funding ratio; In 30 years 91 of the 125 current active and inactive participants will be between the ages of 90 and 120 years old (page 9 of the Corrective Action Plan).

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 Marshall 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)
City Council Minutes of 10/15/18 |
| <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)
City of Marshall Contribution Study |
| <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 checked="" type="checkbox"/> Attachment – 4a | Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)
Council Resolution dated 10/15/18 |
| <input checked="" 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
Retiree Health Benefits - Corrective Action Plan |
| <input checked="" type="checkbox"/> Attachment – 6a | Other documentation, not categorized above
2018 OPEB Actuarial Report |

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

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

The Retiree Healthcare Plan (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2042 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 October 15, 2018

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 Oak Park Six-Digit Muni Code: 632140
Retirement Health Benefit System Name: Public Safety Retiree Health Care System
Contact Name (Administrative Officer): Erik Tungate
Title if not Administrative Officer: _____
Email: etungate@oakparkmi.gov Telephone: (248) 691-7410

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.***

The City has enacted a number of system design changes over the years to decrease retiree health care liabilities. Please see attachment 6a for the full list of changes, as there was not enough room in this form to list them.

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

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

The City had set aside approximately \$600,000 in total between the Employees and Public Safety OPEB plans from 2004 to 2014 but made almost no additional contributions. In 2015, a formal trust was created to receive, invest, and accumulate assets for retirement healthcare. The City began setting aside any operating surplus in the General fund annual to make additional RHC contributions over the ARC. The additional contributions totaled \$1,000,000 for FY 2015, \$1,300,000 for FY 2016 and \$600,000 for FY 2018. The audited statement of this fund as of 06/30/2017 show a total of \$3,093,894 for the two OPEB funds. See attachment 6a exhibit.

- 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.*

In 2006 the City attempted to make changes to the retiree health care (RHC) benefit provided to Public Safety retirees by increasing the copay for medical and prescription drugs but was sued and ultimately lost the court case and was mandated to not make any changes to benefits. A copy of the order is attached as 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.*

As noted above, attempted changes to existing retirees healthcare but was blocked by court action. The plan is closed as of 2004 with all new hires being part of HSA program so no additional changes can be made.

- 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.*

The City is committed to continue to make additional contributions annually from any surplus in the General Fund. To comply with PA 202 for the 2 DB pension plans, the city has committed to additional annual contributions totaling \$843,595. While the additional pension contributions use up all estimated surplus in the short-term, the city is committed to continue to make additional annual contributions of \$600,000-\$1,200,000 from savings from switching to Medicare Advantage between the two OPEB funds (see below).

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

Sample Statement: *Beginning in fiscal year 2019, the local unit will begin amortizing the unfunded portion of the healthcare liability using a level-dollar amortization method over a closed period of 10 years. This will allow the health system to reach a funded status of 42% by 2022 as shown in the attached actuarial analysis on page 13.*

The city (including the court) is self insured for all healthcare costs. Beginning in September 2018 the city joined Medicare Advantage for the eligible retirees which will help reduce the overall cost of insurance. The projected savings from this change is approximately 10%-20% annually or approximately \$600,000-\$1,200,000 annually for all retirees. See attachment 6a for projected savings from our insurance consultant. The formal creation of the trust fund will also increase the overall investment return on the assets set aside to approximately 7%.

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) Oak Park Pub Safety OPEB 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 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 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, Erik Tungate, as the government's administrative officer (insert title) Chief Executive Officer (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 Oak Park Public Safety OPEB Plan (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2048 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 3/19/19

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 Oak Park Six-Digit Muni Code: 632140
Retirement Health Benefit System Name: General Employees Retiree Health Care System
Contact Name (Administrative Officer): Erik Tungate
Title if not Administrative Officer: _____
Email: etungate@oakparkmi.gov Telephone: (248) 691-7410

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.***

All non-union new hires effective 08/01/2004; all new hires in TPOAM bargaining agreement effective 07/01/2006; and all new hires in TPOAM Dispatch bargaining agreement effective 07/01/2007 are in a Health Savings Account program and the OPEB plan is closed to all new hires. Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee effective 07/01/2010. Prior to this date retirees' health care was maintained at the benefit level when retired.

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

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

The City had set aside approximately \$600,000 in total between the Employees and Public Safety OPEB plans from 2004 to 2014 but made almost no additional contributions. In 2015, a formal trust was created to receive, invest, and accumulate assets for retirement healthcare. The City began setting aside any operating surplus in the General fund annual to make additional RHC contributions over the ARC. The additional contributions totaled \$1,000,000 for FY 2015, \$1,300,000 for FY 2016 and \$600,000 for FY 2018. The audited statement of this fund as of 06/30/2017 show a total of \$3,093,894 for the two OPEB funds. See attachment 6a exhibit

- 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.*

In 2006 the City attempted to make changes to the retiree health care (RHC) benefit provided to General retirees by increasing the copay for medical and prescription drugs but was sued and ultimately lost the court case and was mandated to not make any changes to benefits. A copy of the order is attached as 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.*

As noted above, attempted changes to existing retirees healthcare but was blocked by court action. The plan is closed as of 2004 with all new hires being part of HSA program so no additional changes can be made.

- 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.*

The City is committed to continue to make additional contributions annually from any surplus in the General Fund. To comply with PA 202 for the 2 DB pension plans, the city has committed to additional annual contributions totaling \$843,595. While the additional pension contributions use up all estimated surplus in the short-term, the city is committed to continue to make additional annual contributions of \$600,000-\$1,200,000 from savings from switching to Medicare Advantage between the two OPEB funds (see below).

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

Sample Statement: *Beginning in fiscal year 2019, the local unit will begin amortizing the unfunded portion of the healthcare liability using a **level-dollar amortization method over a closed period of 10 years**. This will allow the health system to reach a funded status of 42% by 2022 as shown in the attached actuarial analysis on page 13.*

The city (including the court) is self insured for all healthcare costs. Beginning in September 2018 the city joined Medicare Advantage for the eligible retirees which will help reduce the overall cost of insurance. The projected savings from this change is approximately 10%-20% annually or approximately \$600,000-\$1,200,000 annually for all retirees. See attachment 6a for projected savings from our insurance consultant. The formal creation of the trust fund will also increase the overall investment return on the assets set aside to approximately 7%.

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 Oak Park Employ OPEB 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 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 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

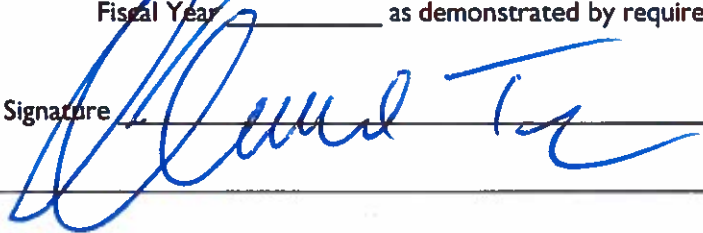
I, Erik Tungate, as the government's administrative officer (insert title) Chief Executive Officer (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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 Oak Park Employees OPEB Plan (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2048 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 3/19/19

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 Oak Park Six-Digit Muni Code: 632140
Retirement Health Benefit System Name: District Court Retiree Health Care System
Contact Name (Administrative Officer): Erik Tungate
Title if not Administrative Officer: _____
Email: etungate@oakparkmi.gov Telephone: (248) 691-7410

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.***

All non-union new hires effective 08/01/2004 are in a Health Savings Account (HSA) program (which includes court personnel). Benefit levels of the retired membership mirrors the active employees, and any changes that occur effective 07/01/2010. Prior to this date retirees' health care was maintained at the benefit level when retired.

- 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.*

In 2006 the City attempted to make changes to the retiree health care (RHC) benefit provided to Public Safety retirees by increasing the copay for medical and prescription drugs but was sued and ultimately lost the court case and was mandated to not make any changes to benefits. A copy of the order is attached as attachment 6a. Beginning in 1995, the 45th District Court began levying a fee on certain tickets to fund the RHC. Effective 07/01/2015 the amount of the fee increased from \$15 to \$20. The fee collected represents approximately 50% of the annual RHC costs with the balance being paid from the court's operating budget annually.

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**.*

As noted above, attempted changes to existing retirees healthcare but was blocked by court action. The plan is closed as of 2004 with all new hires being part of HSA program so no additional changes can be made.

- 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.*

The 45th District Court is a shared court with 2 other communities. All communities levy the \$20 RHC fee to help offset some of the RHC costs. The court's operating budget is breakeven with no surplus available to make add'l contributions over the pay-as-you-go. As the DCU, any add'l contributions would only come from Oak Park's General Fund (which has already committed to more than \$1 million annual increase in contributions in the PA 202 plans for the 2 pension plans and the 2 other OPEB plans). The court will contribute the savings of \$39,000 noted below and any annual surplus above break even from operations will be contributed as well.

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

Sample Statement: *Beginning in **fiscal year 2019**, the local unit will begin amortizing the unfunded portion of the healthcare liability using a **level-dollar amortization method over a closed period of 10 years**. This will allow the health system to reach a funded status of **42% by 2022** as shown in the attached actuarial analysis on **page 13**.*

The city (including the court) is self insured for all healthcare costs. Beginning in September 2018 the city joined Medicare Advantage for the eligible retirees which will help reduce the overall cost of insurance. The projected savings from this change is approximately 10% annually or approximately \$39,000 annually for the court. See attachment 6a for projected savings from our insurance consultant.

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) Oak Park Court OPEB Plan 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 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 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, Erik Tungate, as the government's administrative officer (insert title) Chief Executive Officer (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 Oak Park District Court OPEB Plan (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2048 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 3/14/11

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: Charter Township of Plymouth Six-Digit Muni Code: 821070
Retirement Health Benefit System Name: Plymouth Township Retiree Medical Plan (OPEB)
Contact Name (Administrative Officer): Mark Clinton
Title if not Administrative Officer: Treasurer
Email: mclinton@plymouthtp.org Telephone: (734) 354-3214

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**.*

From 2009 through 2013, the Charter Township of Plymouth shifted to a defined Contribution Plan and the Defined Benefits Plan was closed to new hires with the following effective dates (see Attachment 6a):

- (1) January 1, 2009 (AFSCME, TPOAM and non-represented employees); (2) January 1, 2010 (Teamsters); (3) January 2, 2012 (POAM dispatch); (4) May 6, 2012 (IAFF); (5) April 24, 2013 (COAM and POAM police officers).

- 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.*

(A) The Charter Township of Plymouth created a qualified trust to receive, invest and accumulate assets for retirement healthcare on October 23, 2018 (Attachment 4a). (B) A millage increase to help fund pension and healthcare retirement plans was approved by voters on November 6, 2018. (C) A contribution schedule was approved by the Township's Board of Trustees to fund the newly created trust (Attachment 4b). This funding schedule will increase the funded ratio to 40% by the year 2035.

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

Sample Statement: *The information provided on the Form 5572 from the audit used actuarial data from **2015**. Attached is an updated actuarial valuation for **2017** that shows our funded ratio has improved to **42%** as indicated on page **13**.*

The attached actuarial projections provided by Watkins & Ross demonstrate (under 2 different scenarios) that the funding schedule approved by our Board of Trustees, combined with the fact that the plan has been closed to new entrants since 2013, will enable the Township to achieve its 40% funding target by the year 2035 (Attachment 2a).

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)* Charter Township of Plymouth to make, at a minimum, the retiree premium payment, as well as the normal cost payments for all new hires (if applicable), for the retirement health benefit system according to your long-term budget forecast?

Yes

No

If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

Type of Document

Attachment – 1

This Corrective Action Plan (Required)

Attachment – 1a

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

Attachment – 2a

An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 40% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 12% of governmental fund revenues, as defined by the Act. (Required)

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment – 6a

Other documentation, not categorized above

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria	Description
<input checked="" type="checkbox"/> Underfunded Status	Is there a description and adequate supporting documentation of how and when the retirement system will reach the 40% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all retirement healthcare systems will be less than 12 percent of governmental fund revenues?
<input checked="" type="checkbox"/> Reasonable Timeframe	Do the corrective actions address the underfunded status in a reasonable timeframe (see CAP criteria issued by the Board)?
<input checked="" type="checkbox"/> Legal and Feasible	Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?
<input checked="" type="checkbox"/> Affordability	Do the corrective action(s) listed allow the local unit to make the retiree healthcare premium payment, as well as normal cost payment for new hires now and into the future without additional changes to this corrective action plan?

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

I, Kurt Heise, as the government's administrative officer (insert title)
Township Supervisor (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 Plymouth Township Retiree Medical Plan (**Insert Retirement Healthcare System Name**) will achieve a funded status of at least 40% by Fiscal Year 2035 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 March 13, 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: Redford Township District Library Six-Digit Muni Code: 828005
Retirement Health Benefit System Name: Retiree Health Funding Vehicle with MERS
Contact Name (Administrative Officer): Garrett Hungerford
Title if not Administrative Officer: Director
Email: ghungerford@redfordlibrary.org Telephone: (313) 531-2640

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**.*

On 3/21/16, retiree healthcare was closed to all new employees starting on or after April 1st, 2016.

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

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

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

Sample Statement: *The information provided on the Form 5572 from the audit used actuarial data from **2015**. Attached is an updated actuarial valuation for **2017** that shows our funded ratio has improved to **42%** as indicated on page **13**.*

The information provided on Form 5572 was from the audit that used actuarial data from 2016. The library is in process of updating our valuation for FY ending March 31st, 2019.

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

Category of Prospective Actions:

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

Sample Statement: *The local unit will seek to align benefit levels for the retired membership with each class of active employees. Beginning with **summer 2018** contract negotiations, the local unit will seek revised collective bargaining agreements with the **Command Officers Association** and **Internal Association of Firefighters** to increase employee co-payments and deductibles for healthcare. These coverage changes would result in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system would be **40%** funded by **fiscal year 2020** if these changes were adopted and implemented by **fiscal year 2019**.*

The library is currently investigating alternative health care options to reduce overall liability. This will take place in spring 2019 with any changes occurring January 1st, 2020.

- 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.*

The Redford Township District Library is committed to contributing \$30,000 in a Retiree Health Funding Vehicle (RHFV) and pay distributions out of our existing operating budget. As of 12/31/2018, assets for the RHFV are \$342,457. The pay schedule attached was performed by Watkins Ross and shows that the library will be funded at 40% by 2039.

- 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) Redford Township District Library 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 checked="" 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 checked="" 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 (<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, Garrett Hungerford, as the government's administrative officer (insert title) 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.

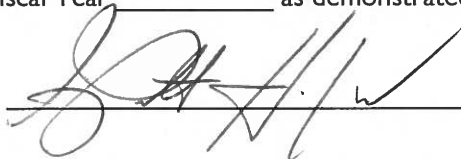
I confirm to the best of my knowledge that because of the changes listed above, one of the following statements will occur:

- The Retiree Health Funding Vehicle with MERS (**Insert Retirement Healthcare System Name**) will achieve a funded status of at least 40% by Fiscal Year 2039 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 02/18/2019

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 Rockwood Six-Digit Muni Code: 822250
Retirement Health Benefit System Name: The City of Rockwood Investment Agency
Contact Name (Administrative Officer): Cindy Trombley
Title if not Administrative Officer: _____
Email: clerk@rockwoodmi.org Telephone: (734) 379-9496

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 result of changes to the Collective Bargaining Agreement (POLC and AFSCME), effective April 1, 2019 retiree's will be required to apply for Medicare at the age 65 and as a result our total liability will be greatly reduced. Our new liability figure will be recalculated as of June 30th the end of our fiscal year.

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

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

The City created a qualified trust to receive investments and accumulate assets for retiree healthcare on 3-3-2010 with an initial contribution of \$350,000. Since then, additional contributions have been made bringing the total balance of \$710,565.00 as of 6-30-2018. In addition, the plan has been closed in that as of 7-1-2012. New employees hired will not be entitled to retirement health care. In addition, on 2-6-19, the City Council committed to a plan of contributing annually \$20,000 to the Trust Fund which will fund our liability to the required 40% by the year 2048.

- 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.*

System Design changes have been made as result of contract negotiations to require enrollment in Medicare at the age of 65. As a result of changing Carriers employee contributions will go down.

- 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.*

In 2017-18 the City made an additional contribution of \$66,000.00. On 2-6-19 the Rockwood City Council committed to a plan to contribute \$20,000 annually to the Trust which will fund our liability to the required 40% by the year 2048.

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

Sample Statement: *Beginning in **fiscal year 2019**, the local unit will begin amortizing the unfunded portion of the healthcare liability using a **level-dollar amortization method over a closed period of 10 years**. This will allow the health system to reach a funded status of **42%** by **2022** as shown in the attached actuarial analysis on page **13**.*

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) City of Rockwood 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 – I

This Corrective Action Plan (Required)

Attachment – 1a

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

Attachment – 2a

An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 40% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 12% of governmental fund revenues, as defined by the Act. (Required)

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment – 6a

Other documentation, not categorized above

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria	Description
<input checked="" type="checkbox"/> Underfunded Status	Is there a description and adequate supporting documentation of how and when the retirement system will reach the 40% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all retirement healthcare systems will be less than 12 percent of governmental fund revenues?
<input checked="" type="checkbox"/> Reasonable Timeframe	Do the corrective actions address the underfunded status in a reasonable timeframe (see CAP criteria issued by the Board)?
<input checked="" type="checkbox"/> Legal and Feasible	Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?
<input checked="" type="checkbox"/> Affordability	Do the corrective action(s) listed allow the local unit to make the retiree healthcare premium payment, as well as normal cost payment for new hires now and into the future without additional changes to this corrective action plan?

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

I, Cindy Trombley, as the government's administrative officer (insert title)
City Administrator (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 The City of Rockwood Investment (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2048 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

Cindy Trombley

Date

2/22/2019

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

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.*

- 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

- | | |
|--|---|
| <input type="checkbox"/> Attachment – 1 | This Corrective Action Plan (Required) |
| <input type="checkbox"/> Attachment – 1a | Documentation from the governing body approving this Corrective Action Plan (Required) |
| <input 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 (<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, Christine Malzahn, as the government's administrative officer (insert 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 OPEB Trust Fund (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2049 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

Christine Malzahn

Date

2/20/19

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: South Haven Area Emergency Services Six-Digit Muni Code: 807515
Retirement Health Benefit System Name: Retiree Health Plan
Contact Name (Administrative Officer): Ron Wise
Title if not Administrative Officer: Executive Director
Email: rwise@shaes.org Telephone: (269) 637-5151

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.*

See Insert A.

- 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.*

See Insert B.

- 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.*

See Insert C.

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) South Haven Area Emergency Services Authority 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 See Insert D.

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) - with Inserts A, B, C, and D

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 - Labor agreement (1-1-19 through 12-31-22)

Attachment – 6b

Restated Services Agreement with resolutions of approval from the City of South Haven, South Haven Charter Township, Casco Township, and Geneva Township.

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, Ron Wise, as the government's administrative officer (insert title) Executive 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 _____ (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 South Haven Area Emergency * (Insert local unit name) will be less than 12% of the local unit of government's annual governmental fund revenues by Fiscal Year current as demonstrated by required supporting documentation listed in section 6.

Signature: _____

Date: 2/10/19

* Services Authority, as created by the City of South Haven, the Township of Casco, the Township of Geneva, and the Charter Township of South Haven.

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: St. Joseph County Road Comm. Six-Digit Muni Code: 750100
Retirement Health Benefit System Name: BCBS
Contact Name (Administrative Officer): Julie A. Mayuiers
Title if not Administrative Officer: Director Administration & HR
Email: jmayuiers@sjcrrc.com Telephone: 269-467-4393 x1.10

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.

On Dec. 9, 2019 the St. Joseph County Road Commission (SJCRC) Board of Commissioners passed a resolution (1a) for implementing the SJCRC Section 115 OPEB Trust Vehicle and to establish a funding method to meet the 40% minimum funding levels of our underfunded OPEB liability. The Trust was initially funded with \$50,000 on Feb. 1, 2019. SJCRC will continue to follow the Annual Required Contribution (ARC)(see attached

- 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.

SJCRC currently has six employees that could retire within the next year, and four that could retire within the nex few years that could opt to recieve our insurance. There are two retirees that will remain on the insurance until age 65 without any personal contributions due to a special contract signed by a previous manager.

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**.

SJCRC, the SEIU 517 Bargaining Unit and our labor attorney will begin contract negotiations in the fall of 2019. This could change the current agreement of retiree health insurance coverage offered.(1c). The coverage changes could result in an improvement to the retirement system's funded ratio.

- 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.

SJCRC's Annual Actuarial Valuation will be updated as of December 31, 2019 and Yearly thereafter. (2a)

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

Sample Statement: Beginning in **fiscal year 2019**, the local unit will begin amortizing the unfunded portion of the 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) SJCRC to make, at a minimum, the retiree premium payment, as well as the normal cost payments for all new hires (if applicable), for the retirement health benefit system according to your long-term budget forecast?

Yes

No

If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

Type of Document

Attachment – 1

This Corrective Action Plan (Required)

Attachment – 1a

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

Attachment – 2a

An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 40% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 12% of governmental fund revenues, as defined by the Act. (Required)

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment – 6a

Other documentation, not categorized above

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria	Description
<input checked="" type="checkbox"/> Underfunded Status	Is there a description and adequate supporting documentation of how and when the retirement system will reach the 40% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all retirement healthcare systems will be less than 12 percent of governmental fund revenues?
<input checked="" type="checkbox"/> Reasonable Timeframe	Do the corrective actions address the underfunded status in a reasonable timeframe (see CAP criteria issued by the Board)?
<input 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, John W. Lindsey Manager, as the government's administrative officer (insert title) (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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

The St. Joseph County Road Comm. (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 John W. Lindsey Date 3-7-19

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: St. Joseph County Road Comm. Six-Digit Muni Code: 750100
Retirement Health Benefit System Name: BCBS
Contact Name (Administrative Officer): Julie A. Mayuiers
Title if not Administrative Officer: Director Administration & HR
Email: jmayuiers@sjcrrc.com Telephone: 269-467-4393 x1.10

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**.

[Empty box for additional text]

- 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.

On Dec. 9, 2019 the St. Joseph County Road Commission (SJCRC) Board of Commissioners passed a resolution (1a) for implementing the SJCRC Section 115 OPEB Trust Vehicle and to establish a funding method to meet the 40% minimum funding levels of our underfunded OPEB liability. The Trust was initially funded with \$50,000 on Feb. 1, 2019. SJCRC will continue to follow the Annual Required Contribution (ARC)(see attached

- 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.

SJCRC currently has six employees that could retire within the next year, and four that could retire within the nex few years that could opt to recieve our insurance. There are two retirees that will remain on the insurance until age 65 without any personal contributions due to a special contract signed by a previous manager.

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**.

SJCRC, the SEIU 517 Bargaining Unit and our labor attorney will begin contract negotiations in the fall of 2019. This could change the current agreement of retiree health insurance coverage offered.(1c). The coverage changes could result in an improvement to the retirement system's funded ratio.

- 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.

SJCRC's Annual Actuarial Valuation will be updated as of December 31, 2019 and Yearly thereafter. (2a)

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

Sample Statement: Beginning in **fiscal year 2019**, the local unit will begin amortizing the unfunded portion of the 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) SJCRC to make, at a minimum, the retiree premium payment, as well as the normal cost payments for all new hires (if applicable), for the retirement health benefit system according to your long-term budget forecast?

Yes

No

If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

Type of Document

Attachment – 1

This Corrective Action Plan (Required)

Attachment – 1a

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

Attachment – 2a

An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 40% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 12% of governmental fund revenues, as defined by the Act. (Required)

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment – 6a

Other documentation, not categorized above

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria	Description
<input checked="" type="checkbox"/> Underfunded Status	Is there a description and adequate supporting documentation of how and when the retirement system will reach the 40% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all retirement healthcare systems will be less than 12 percent of governmental fund revenues?
<input checked="" type="checkbox"/> Reasonable Timeframe	Do the corrective actions address the underfunded status in a reasonable timeframe (see CAP criteria issued by the Board)?
<input 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, John W. Lindsey Manager, as the government's administrative officer (insert title) (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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

The St. Joseph County Road Comm. (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 John W. Lindsey Date 3-7-19

**MUNICIPAL STABILITY BOARD
RESOLUTION 2019-6**

APPROVAL OR DISAPPROVAL OF CORRECTIVE ACTION PLANS

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

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

WHEREAS, on 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

March 20, 2019

MSB Appendix A, March 20, 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 unit must confirm that corrective actions listed in the CAP allow for the local unit to make, at a minimum, the annual required contribution (ARC) payment for pension plans and/or the retiree healthcare premium payment, as well as the normal cost payment for new hires for retirement health benefits

#	Local Unit	Municode	System Type	Date Received	Underfunded Status	Timeframe	Legal/Feasible	Affordable	Treasury Recommendation	Corrective Action Plan Link
1	Alger County Road Commission	020100	OPEB	2/20/2019	No	No	Yes	Yes	Disapprove	Alger County Road Commission - OPEB
2	Benzie County	100000	Pension	2/20/2019	Yes	Yes	Yes	Yes	Approve	Benzie County - Pension
3	Benzie County Road Commission	100100	Pension	2/20/2019	Yes	Yes	Yes	Yes	Approve	Benzie County Road Commission - Pension
4	Cass County Road Commission	140100	OPEB	2/20/2019	Partial	Partial	Yes	Yes	Approve	Cass County Road Commission - OPEB
5	City of Eastpointe	502020	Pension	2/20/2019	Yes	Yes	Yes	Yes	Approve	City of Eastpointe - Pension
6	Flint Charter Township	251070	OPEB	2/20/2019	Yes	Yes	Yes	Partial	Approve	Flint Charter Township - OPEB
7	City of Gibraltar	822090	OPEB	2/20/2019	Yes	Yes	Yes	Yes	Approve	City of Gibraltar - OPEB
8	Gladwin County Road Commission	260100	Pension	2/20/2019	Yes	Yes	Yes	Yes	Approve	Gladwin County Road Commission - Pension
9	Gladwin County Road Commission	260100	OPEB	2/20/2019	Partial	Partial	Yes	Yes	Approve	Gladwin County Road Commission - OPEB
10	Lake County Road Commission	430100	Pension	2/20/2019	Yes	Yes	Yes	Yes	Approve	Lake County Road Commission - Pension
11	Lake County Road Commission	430100	OPEB	2/20/2019	Yes	Yes	Yes	Yes	Approve	Lake County Road Commission - OPEB
12	Village of Lexington	763050	OPEB	2/20/2019	Yes	Yes	No	Partial	Disapprove	Village of Lexington - OPEB
13	Luce County Housing Commission	487503	Pension	2/20/2019	No	No	Yes	Yes	Disapprove	Luce County Housing Commission - Pension
14	Metamora Township	441150	Pension	2/20/2019	Yes	Yes	Yes	Partial	Approve	Metamora Township - Pension
15	Metamora Township	441150	OPEB	2/20/2019	Yes	Yes	Yes	Partial	Approve	Metamora Township - OPEB
16	Mount Morris Charter Township	251140	Pension	2/20/2019	Yes	Yes	Yes	Partial	Approve	Mount Morris Charter Township - Pension
17	Mecosta County Road Commission	540100	OPEB	2/20/2019	Yes	Yes	Yes	Yes	Approve	Mecosta County Road Commission - OPEB
18	Monroe County Road Commission	580100	OPEB	2/20/2019	Yes	Yes	Yes	Yes	Approve	Monroe County Road Commission - OPEB
19	City of North Muskegon	612040	OPEB	2/20/2019	Yes	Yes	Yes	Yes	Approve	City of North Muskegon - OPEB
20	Oceana County Road Commission	640100	OPEB	2/20/2019	Partial	Yes	Yes	Partial	Approve	Oceana County Road Commission - OPEB
21	Village of Ontonagon	663010	Pension	2/20/2019	Yes	Partial	No	No	Disapprove	Village of Ontonagon - Pension
22	Pathways Community Mental Health	527511	Pension	2/20/2019	Yes	Yes	Yes	Yes	Approve	Pathways Community Mental Health - Pension
23	Pathways Community Mental Health	527511	OPEB	2/20/2019	Yes	Yes	Yes	Yes	Approve	Pathways Community Mental Health - OPEB

Treasury Recommendation
Alger County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 020100

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$6,529,419	\$9,708,637	67.3%	\$377,324	\$5,596,095	6.7%	NO
Retiree Health Plan	OPEB	-	\$4,212,810	0.0%	\$168,018		3.0%	YES
Total		\$6,529,419	\$13,921,447		\$545,342		9.7%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Disapproval of the OPEB corrective action plan submitted by Alger County Road Commission, which was received by the Municipal Stability Board (the Board) on 2/20/2019. If denied, Alger County Road Commission, will receive a detailed letter from the Board listing the reasons for disapproval. Alger County Road Commission will have 60 days from the date of the notification to address the reason for disapproval and resubmit a corrective action plan for approval.

Changes Made:

- Modern Plan Design:
 - Alger County Road Commission adopted the MERS Retiree Healthcare Funding Vehicle January 14, 2019.
- Plan Funding:
 - On February 5, 2019, the Board of the Road Commission approved the deposit of \$40,000 into the MERS Retiree Health Trust Fund. (\$20,000 for fiscal year 2017 and \$20,000 for fiscal year 2018)
- Other Considerations:
 - Based on the 2018 OPEB valuation report done by Watkins Ross, the liability dropped from \$4,212,810 to \$1,023,806

Prospective Changes:

- Modern Plan Design:
 - Current union contract goes until June 30, 2020. Will look at ways to drop the OPEB liability during negotiations.
- Plan Funding:
 - None Listed
- Other Considerations:
 - None Listed

Plan size: members 29

- Inactive employees or beneficiaries currently receiving benefits: 5
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 24

Treasury Recommendation
Alger County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 020100

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

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

- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the 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 were not met:

- Underfunded Status:
 - The corrective action plan failed to demonstrate the retirement system will reach 40% funded.

- Reasonable Timeframe:

The certifying official of the local unit indicates the retirement system will reach a funded status of at least 40% by fiscal year 2047; however, there is no supporting documentation to support this claim.

Supplemental Information:

The Road Commission provided a report from Watkins Ross showing the Net OPEB Liability for Alger County Road Commission. The total OPEB liability has decreased from over \$4 million to just over \$1 million. Despite this decrease in liability, there are no proposed steps to reaching 40% funded, only an overall commitment to reaching 40% by 2047.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
Benzie County Pension Corrective Action Plan (CAP)
Primary Unit 100000**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Municipal Employees Retirement System (MERS) of Michigan	Pension	\$11,251,184	\$17,565,274	64.1%	\$547,413	\$11,590,874	4.7%	YES

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by Benzie County, which was received by the Municipal Stability Board (the Board) on 2/20/2019. 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:
 - Attached to this corrective action plan is a Form 5572 using 2017 audited numbers showing the County's funded ratio of 64.1%

Prospective Changes:

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

Plan size: members 192

- Inactive employees or beneficiaries currently receiving benefits: 73
- Inactive employees entitled to but not yet receiving benefits: 36
- Active employees: 83

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 60% funded.

Treasury Recommendation
Benzie County Pension Corrective Action Plan (CAP)
Non-Primary Unit 100000

- Reasonable Timeframe:
 - The corrective action plan demonstrates through supporting documentation that it has already reached the PA 202 established funding level of 60%.

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

- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

Supplemental Information:

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
Benzie County Road Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 100100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$2,598,755	\$7,460,412	34.8%	\$340,746	\$5,934,879	5.7%	Yes
Healthcare	OPEB	\$260,665	\$259,513	100.4%	\$32,396		0.5%	No
Total		\$2,859,420	\$7,719,925		\$373,142	\$5,934,879	6.2%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by Benzie County Road Commission, which was received by the Municipal Stability Board (the Board) on 2/20/2019. 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:
 - Employees hired after July 1, 2011 are enrolled on the Commissions' Hybrid Plan with a 1% multiplier.
 - Employees hired prior to July 1, 2011 have a B2 plan with a 2% multiplier with a 2% multiplier.
- Plan Funding:
 - Contributed an additional \$15,000 per month over the required minimum contribution starting October 2016 through September 2018.
 - Starting October 2018, the Commission raised the additional amount to \$16,000 per month over the required minimum contribution requirement.
 - December 2017, the Commission added a "surplus" division with a contribution of \$86,647.
 - December 2017, the Commission added a "surplus" division with a contribution of \$86,647.
- Other Considerations:
 - None Listed

Prospective Changes:

- Modern Plan Design:
 - None Listed
- Plan Funding:
 - Starting October 2019, the Commission will contribute an additional \$20,000 per month over the required minimum contribution.
 - The Commission will contribute an additional \$84,007 to their MERS "surplus" division. These funds are a refund from their MDOT FY2017 audit.
- Other Considerations:
 - None Listed

Treasury Recommendation
Benzie County Road Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 100100

Plan size: members 77

- Inactive employees or beneficiaries currently receiving benefits: 40
- Inactive employees entitled to but not yet receiving benefits: 9
- Active employees: 28

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 60% funded.
- Reasonable Timeframe:
 - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 60% within a reasonable timeframe (2023).
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

Supplemental Information:

Benzie County Road Commission included a copy of the 2017 MDOT audit indicating the \$84,007 refund from MDOT. The Commission provided the proposed 100% funding in 10 years report demonstrating when the local unit will reach 60% funded and 100%. This report also demonstrates that the annual required employer payment increases from the \$340K that was required in 2017 to 930K in 2028. This increase accounts for a nearly \$600K increase in the annual payment, or 173%, in a 10 year time frame. The increased funding schedule would increase the ARC's percentage of governmental revenues to from 5.7% to nearly 16% using today's governmental revenues.

Treasury Recommendation
Benzie County Road Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 100100

Municipal Employees Retirement System of Michigan
Benzie CRC (1001) - Total of All Divisions
Projection of Employer Contributions and Funded Ratios

Valuation Year Ending December 31,	Fiscal year Beginning January 1	Baseline (No Phase-in)			Proposed - 100% Funding in 10 Years				
		Actuarial Accrued Liability	Valuation Assets	Funded Ratio	Minimum Employer Contribution Dollars	Actuarial Accrued Liability	Valuation Assets	Funded Ratio	Total Employer Contribution Dollars
2016	2018	7,686,364	2,968,338	39%	400,632	7,686,364	2,968,338	39%	701,868
2017	2019	7,725,523	2,854,853	37%	423,192	7,725,523	3,199,412	41%	727,122
2018	2020	7,726,627	2,734,545	35%	444,252	7,726,627	3,418,579	44%	753,207
2019	2021	7,720,495	2,620,073	34%	466,272	7,720,495	3,652,920	47%	780,218
2020	2022	7,703,701	2,586,260	34%	497,472	7,703,701	4,020,080	52%	808,428
2021	2023	7,677,066	2,562,302	33%	589,296	7,677,066	4,433,355	58%	837,428
2022	2024	7,645,168	2,563,807	34%	596,856	7,645,168	4,902,872	64%	867,688
2023	2025	7,607,557	2,655,709	35%	594,888	7,607,557	5,433,801	71%	899,006
2024	2026	7,567,960	2,761,470	36%	588,072	7,567,960	6,036,192	80%	931,530
2025	2027	7,526,599	2,872,556	38%	597,420	7,526,599	6,716,973	89%	93,624
2026	2028	7,481,147	2,982,017	40%	598,596	7,481,147	7,481,143	100%	95,928
2027	2029	7,433,162	3,108,390	42%	616,044	7,433,162	7,432,880	100%	98,184
2028	2030	7,368,671	3,230,705	44%	605,604	7,368,671	7,368,196	100%	100,752
2029	2031	7,291,238	3,370,212	46%	606,972	7,291,238	7,290,432	100%	103,644
2030	2032	7,212,178	3,511,434	49%	628,812	7,212,178	7,211,056	100%	106,824
2031	2033	7,137,277	3,672,317	51%	650,712	7,137,277	7,135,828	100%	110,124
2032	2034	7,070,954	3,879,464	55%	672,768	7,070,954	7,069,182	100%	113,436
2033	2035	7,013,066	4,135,709	59%	697,488	7,013,066	7,011,095	100%	117,180
2034	2036	6,966,597	4,447,012	64%	723,660	6,966,597	6,964,235	100%	121,572
2035	2037	6,953,456	4,840,895	70%	750,528	6,953,456	6,950,408	100%	125,844
2036	2038	6,962,225	5,311,026	76%	778,476	6,962,225	6,958,607	100%	130,356
2037	2039	6,988,171	5,857,501	84%	807,624	6,988,171	6,983,880	100%	135,192
2038	2040	7,034,701	6,489,172	92%	140,388	7,034,701	7,029,611	100%	140,496
2039	2041	7,106,905	7,216,980	102%	145,968	7,106,905	7,100,816	100%	146,016

Notes:

- (1) The Actuarial Accrued Liability, Valuation Assets, and Funded Ratio are calculated as of December 31.
- (2) Contributions are calculated for the applicable fiscal year.
- (3) The Proposed Scenario reflects an employer contribution of \$677,683 in calendar year 2017.
- (4) The annual investment return assumption is 7.75%.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
Cass County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 140100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Cass County Road Commission	OPEB	-	\$3,025,448	0%	\$167,385	\$9,813,815	1.7%	YES

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Cass County Road Commission, which was received by the Municipal Stability Board (the Board) on 2/20/2019. 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 Board passed new policy to stop stipend payments to retirees hired after October 2017.
 - The Road Commission adjusted the life insurance policy, reducing costs.
 - The Road Commission changed coverage on life insurance to stop at age 70.
 - All employees participate in premium sharing to alleviate costs.
- Plan Funding:
 - The Road Commission set up a Trust which they will contribute to yearly to obtain level requirements.
- Other Considerations:
 - Auditors did an actuarial valuation as of September 30, 2018 showing a reduction in liability since 2016 valuation.

Prospective Changes:

- Modern Plan Design:
 - Union negotiations to take place in 2020. May consider additional changes to further reduce liabilities
- Plan Funding:
 - The Board will consider a lump sum contribution each year into the Retiree Health Care Trust after reviewing year-end budget.
- Other Considerations:
 - None Listed

Treasury Recommendation
Cass County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 140100

Plan size: members 53

- Inactive employees or beneficiaries currently receiving benefits: 15
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 38

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
 - The local unit did not provide clear documentation that demonstrates the retirement system will reach 40% funded. Based on other information presented in the corrective action plan, we have determined the plan may be able to reach a funded ratio of 40% if the plan's assumptions remain accurate.
- Reasonable Timeframe:
 - The administrative officer indicates the plan will achieve a funded ratio of 40% by 2044; however, the local unit did not provide clear documentation that demonstrates this. Based on other information presented in the corrective action plan, we have determined the local government may be able to achieve the 40% funded ratio within this timeframe.

Supplemental Information:

The Road Commission indicates that their auditors did an actuarial valuation as of September 30, 2018. This showed a reduction in their retiree health liability from their 2016 valuation. The previous valuation showed a net OPEB liability of \$3,025,448. The new valuation shows a net OPEB liability of \$2,489,195. The Road Commission recently had their retiree health care assets and liabilities place into a trust. In tandem with that Trust, the Road Commission will deposit \$40,000 yearly for the next 29 years, creating a balance of \$1,200,000 by 2048. The Road Commission included a schedule under attachment A2. When paired with the September 30, 2018 valuation, the schedule shows the OPEB achieving a 40%

**Treasury Recommendation
Cass County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 140100**

funded ratio by 2044. This schedule does not take into consideration inflation or changes to the actuarial valuation; however, the OPEB may achieve a 40% funded ratio by 2044, within 30 years.

CASS COUNTY ROAD COMMISSION

We have established a Trust account with Fifth Third Bank with an initial deposit of \$40,000 in 2019

We will deposit each year \$40,000 for the next 29 years into the Fifth Third Trust account, with deposits totaling \$1,160,000, creating a balance of \$1,200,000

At the end of 29 years (2048) we will address future deposit needs and make an adjustment to the plan if necessary at that time.

Year	Deposit Amount	Balance
2019	40,000.00	40,000.00
2020	40,000.00	80,000.00
2021	40,000.00	120,000.00
2022	40,000.00	160,000.00
2023	40,000.00	200,000.00
2024	40,000.00	240,000.00
2025	40,000.00	280,000.00
2026	40,000.00	320,000.00
2027	40,000.00	360,000.00
2028	40,000.00	400,000.00
2029	40,000.00	440,000.00
2030	40,000.00	480,000.00
2031	40,000.00	520,000.00
2032	40,000.00	560,000.00
2033	40,000.00	600,000.00
2034	40,000.00	640,000.00
2035	40,000.00	680,000.00
2036	40,000.00	720,000.00
2037	40,000.00	760,000.00
2038	40,000.00	800,000.00
2038	40,000.00	840,000.00
2040	40,000.00	880,000.00
2041	40,000.00	920,000.00
2042	40,000.00	960,000.00
2043	40,000.00	1,000,000.00
2044	40,000.00	1,040,000.00
2045	40,000.00	1,080,000.00
2046	40,000.00	1,120,000.00
2047	40,000.00	1,160,000.00
2048	40,000.00	1,200,000.00

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Eastpointe Pension Corrective Action Plan (CAP)
Primary Unit 502020**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS		\$40,193,729	\$83,769,745	48.0%	\$3,341,277	\$29,178,945	11.5%	YES
City of Eastpointe OPEB	OPEB	\$7,361,111	\$35,865,768	20.5%	\$2,634,835		9.0%	NO
Total		\$47,554,840	\$119,635,513		\$5,976,112	\$29,178,945	20.5%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by City of Eastpointe, which was received by the Municipal Stability Board (the Board) on 2/20/2019. 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 system's multiplier for current employees was lowered January 2013 for general employees: 2.8x to 1.0x, police 2.8x to 1.8x, and fire 2.8x to 2.0 with an employee contribution of 5% of payroll. All new hires receive 1.0x.
- Plan Funding:
 - The City made an additional payment of \$2 million and an early payment of \$1.9 million to MERS in 12/18. The additional contribution will increase the systems funded ratio to 60% by 2025.
- Other Considerations:
 - None Listed

Prospective Changes:

- Modern Plan Design:
 - The City is investigating the impact of closing the pension system when contracts expire 06/2020.
- Plan Funding:
 - PA 545 of 2018 allows issuance of pension bonds by A rated communities. Eastpointe has an A+ rating and will bond if necessary to achieve 100% funding level.
- Other Considerations:
 - At the February 2019 council meeting, the City is looking to establish a legacy commission to review potential pension changes with stakeholders.
 - Retirees, active employees, resident taxpayers, business taxpayers, and Council will all be represented and have input into any solutions.

Plan size: members 327

- Inactive employees or beneficiaries currently receiving benefits: 210

Treasury Recommendation
City of Eastpointe Pension Corrective Action Plan (CAP)
Primary Unit 502020

- Inactive employees entitled to but not yet receiving benefits: 13
- Active employees: 104

Corrective Action Plan Criteria:

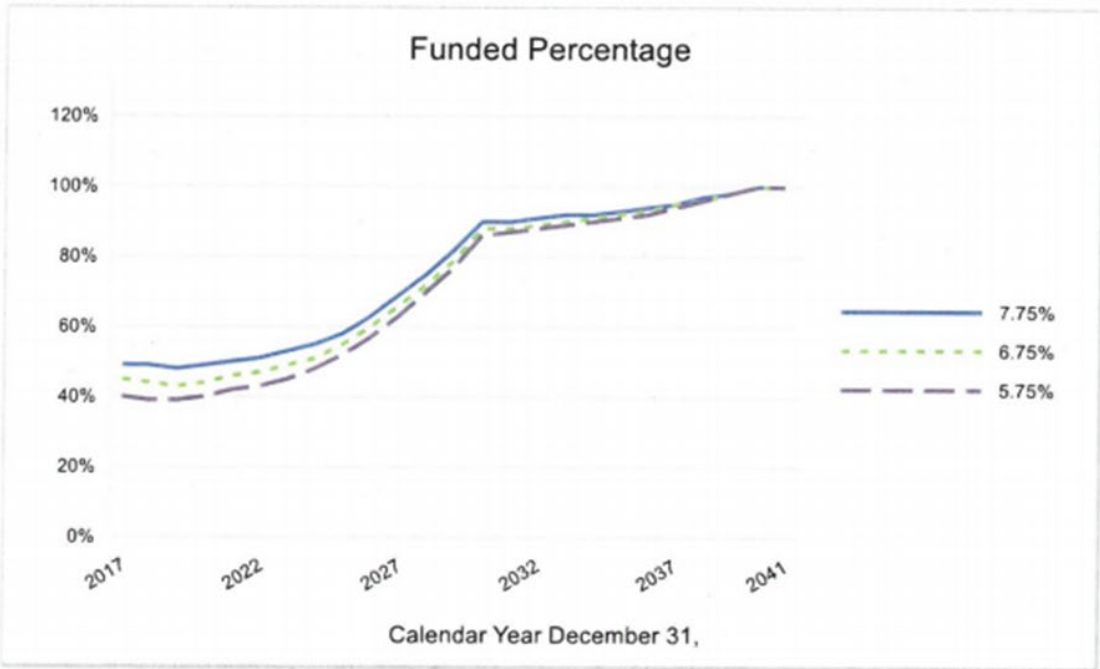
The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan.
- Reasonable Timeframe:
 - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 60% within a reasonable timeframe (2026).
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

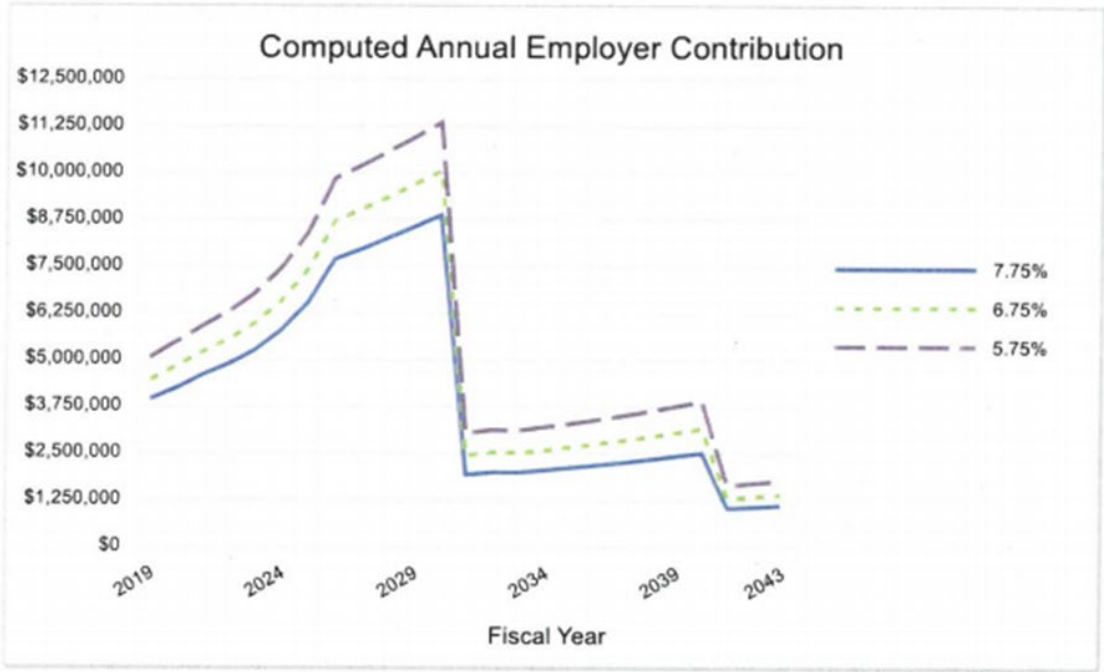
Supplemental Information:

Between 2019 and 2026, their ADC increases by \$4.25 million, or 113%. Please see the CBIZ graph below.

**Treasury Recommendation
 City of Eastpointe Pension Corrective Action Plan (CAP)
 Primary Unit 502020**



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



Notes:
 All projected contributions are shown with no phase-in.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
Charter Township of Flint OPEB Corrective Action Plan (CAP)
Primary Unit 251070**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Flint Township Firefighters' Retirement System	Pension	\$7,175,295	\$9,426,040	76.1%	\$277,622	\$14,775,826	7.7%	NO
MERS	Pension	\$18,964,043	\$31,221,673	60.7%	\$855,755		NO	
Flint Township Retiree Medical Plan	OPEB	\$208,110	\$24,203,667	0.9%	\$3,070,622		20.8%	YES
Total		\$26,347,448	\$64,851,380		\$4,203,999		28.5%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Charter Township of Flint, which was received by the Municipal Stability Board (the Board) on 2/20/2019. 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:
 - Non-union employees hired after 1/1/15 are not eligible for retiree health insurance.
 - All union and non-contractual retirees after 1/1/16 reimburse township at 5% of their health, dental, and vision insurance premiums.
 - Effective 1/1/16, patrol officers' CBA allows qualified officers to make a one-time irrevocable election to waive retiree health insurance coverage and participate in a HCSP.
 - Effective 1/1/2018, township changed health care coverage for all non-Medicare eligible employees and retirees from a 100% post-deductible coinsurance plan to a 80% post-deductible coinsurance plan
- Plan Funding:
 - None Listed
- Other Considerations:
 - None Listed

Prospective Changes:

- Modern Plan Design:
 - Flint Township negotiating with all its collective bargaining units to have all new hires after 1/1/19 to waive retiree health benefits and choose the HCSP with MERS. Flint

Treasury Recommendation
Charter Township of Flint OPEB Corrective Action Plan (CAP)
Primary Unit 251070

Township will contribute 5% of the employee's gross wages to the HCSP. Employees can also make voluntary contributions.

- Plan Funding:
 - Effective FY 2019 Flint Township will contribute \$175,000 annually to the OPEB Trust while funding the current retiree health insurance premiums. Per the 2017 Supplemental OPEB valuation, this will get the township's OPEB system to reach 40% funding within 30 years.
- Other Considerations:
 - None Listed

Plan size: members 115

- Inactive employees or beneficiaries currently receiving benefits: 61
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 54

Corrective Action Plan Criteria: 2049

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 (2049).
- 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:

- 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 28.5%. This reflects a significant portion of the local government's budget.

Treasury Recommendation
Charter Township of Flint OPEB Corrective Action Plan (CAP)
Primary Unit 251070

Supplemental Information:

Watkins Ross calculated two plan liability projections. The township will be contributing \$175,000 to a dedicated OPEB trust in addition to making projected retiree payments from general operating funds. This will be sufficient, the township demonstrated, to fund up to 40% of the open group liability in 30 years. It should also be noted that the township at this time does not know the effect the design-changes-made will have on the funded ratio. One scenario is the township reaches 40% sooner than 2049. While the combined ADC/revenues is high, the township shows and commits to hitting 40% in 30 years.

Year end	Asset ret assets	7.50%		Discount Total	3.80% Open group liability	Funded % Open grp
		Contrib+	Closed group Benefit=			
2018	208,110	0	961,764	961,764	24,203,667	0.9%
2019	223,718	175,000	1,005,315	1,180,315	24,434,667	0.9%
2020	415,497	175,000	1,043,191	1,218,191	24,660,252	1.7%
2021	621,659	175,000	1,104,859	1,279,859	24,891,665	2.5%
2022	843,284	175,000	1,156,600	1,331,600	25,097,377	3.4%
2023	1,081,530	175,000	1,145,100	1,320,100	25,290,610	4.3%
2024	1,337,645	175,000	1,156,317	1,331,317	25,532,550	5.2%
2025	1,612,968	175,000	1,215,744	1,390,744	25,805,943	6.3%
2026	1,908,941	175,000	1,221,723	1,396,723	26,071,406	7.3%
2027	2,227,111	175,000	1,245,368	1,420,368	26,378,286	8.4%
2028	2,569,145	175,000	1,283,354	1,458,354	26,715,002	9.6%
2029	2,936,831	175,000	1,288,916	1,463,916	27,065,541	10.9%
2030	3,332,093	175,000	1,300,211	1,475,211	27,460,603	12.1%
2031	3,757,000	175,000	1,292,091	1,467,091	27,897,429	13.5%
2032	4,213,775	175,000	1,315,491	1,490,491	28,398,943	14.8%
2033	4,704,808	175,000	1,307,242	1,482,242	28,933,043	16.3%
2034	5,232,669	175,000	1,322,717	1,497,717	29,533,447	17.7%
2035	5,800,119	175,000	1,353,321	1,528,321	30,183,122	19.2%
2036	6,410,128	175,000	1,355,543	1,530,543	30,863,335	20.8%
2037	7,065,887	175,000	1,318,529	1,493,529	31,605,212	22.4%
2038	7,770,829	175,000	1,288,278	1,463,278	32,452,922	23.9%
2039	8,528,641	175,000	1,273,597	1,448,597	33,404,905	25.5%
2040	9,343,289	175,000	1,240,269	1,415,269	34,446,202	27.1%
2041	10,219,036	175,000	1,255,393	1,430,393	35,601,757	28.7%
2042	11,160,463	175,000	1,257,847	1,432,847	36,825,066	30.3%
2043	12,172,498	175,000	1,272,825	1,447,825	38,131,597	31.9%
2044	13,260,436	175,000	1,273,318	1,448,318	39,507,737	33.6%
2045	14,429,968	175,000	1,231,152	1,406,152	40,970,776	35.2%
2046	15,687,216	175,000	1,221,525	1,396,525	42,566,254	36.9%
2047	17,038,757	175,000	1,189,242	1,364,242	44,261,248	38.5%
2048	18,491,664	175,000	1,133,728	1,308,728	46,081,543	40.1%

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Gibraltar OPEB Corrective Action Plan (CAP)
Primary Unit 822090**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
General Employees' Retirement System	Pension	\$1,670,905	\$1,578,536	102.1%	\$27,285	\$3,967,907	3.7%	NO
Public Safety Officers' Retirement System	Pension	\$8,833,407	\$8,654,053	105.9%	\$119,780			NO
Retiree Medical Plan	OPEB	\$404,972	\$8,464,004	4.8%	\$647,051		16.3%	YES
Total		\$10,909,284	\$18,696,593		\$794,116		20.0%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by City of Gibraltar, which was received by the Municipal Stability Board (the Board) on 2/20/2019. 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:**
 - Since 2012, the City has eliminated any retiree health care benefits beyond an annual contribution towards a retiree healthcare savings account for new employees. This was done through collective bargaining.
 - This retiree healthcare savings account does not add to the OPEB liabilities as it's an annual 1:1 contribution (employee to employer) up to a max of 3% - similar to a defined contribution system.
 - Also, in 2016 the City switched insurance providers for active and retirees below the age of 65. This resulted in a 35% reduction in premiums.
- **Plan Funding:**
 - In 12/17, the City approved \$505,000 to the newly established Retiree Health Care Fund, managed by PNC Bank. The intent of this fund is to receive, invest, and accumulate assets for retirement healthcare. As of the FY18 audit, its value is \$511,632.
- **Other Considerations:**
 - None Listed
 - Based on the 06/2018 actuarial report from Watkins Ross, it was determined that the net OPEB current and future liabilities is \$5,545,195, a reduction of \$3.195 million compared to FY17. Based on the 06/2018 actuarial report from Watkins Ross, it was determined that the net OPEB current and future liabilities is \$5,545,195, a reduction of \$3.195 million compared to FY17.

**Treasury Recommendation
City of Gibraltar OPEB Corrective Action Plan (CAP)
Primary Unit 822090**

Prospective Changes:

- Modern Plan Design:
 - Based on the analysis from Watkins Ross, they have developed funding amortization schedules they feel would be adequate to fully fund the plan over time. The City has adopted the 30 year annual funding schedule with an est. ADC of \$325,000.
 - Trending and participant analysis is done annually. Those reports will be used to support the annual contribution levels needed to fund the plan that would be manageable and attainable by the City.
 - It would be our intent to have those discussions each year during our budget development process.
- Plan Funding:
 - None Listed
- Other Considerations:
 - The City understands the importance to develop a plan to protect the commitments that have been bargained in good faith with our employees. We are devoted to that.
 - It is our hope that, by your review of what the City has done and will continue to do in the future in regard to our OPEB plan, Treasury will approve our course of action

Plan size: members 31

- Inactive employees or beneficiaries currently receiving benefits: 19
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 12

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The corrective action plan demonstrates it will no longer trigger underfunded status because the local unit's annual required contribution will be less than 12% of general fund operating revenues.
- Reasonable Timeframe:
 - The corrective action plan demonstrates the annual required contribution will be less than 12% of general fund operating revenues by 2018.
- 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.

Treasury Recommendation
City of Gibraltar OPEB Corrective Action Plan (CAP)
Primary Unit 822090

- 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 City is using an investment rate of return of 6.50%. The City is extending their amortization period in order to lower their ADC. This action drops their ADC/Revenue below the PA 202 trigger.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
Gladwin County Road Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 260100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
General Employees	Pension	\$8,299,943	\$16,004,689	51.9%	\$1,017,745	\$9,179,023	11.1%	YES
OPEB	OPEB	\$84,369	\$6,758,168	1.2%	\$435,952		4.7%	YES
Total		\$8,384,312	\$22,762,857		\$1,453,697		15.8%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by Gladwin County Road Commission, which was received by the Municipal Stability Board (the Board) on 2/20/2019. 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:
 - 7/1/12 - New division opened lowering the multiplier from 2.5 to 1.5X. Employee contributions were also increased from 3% to 5%.
 - 7/1/15 - Adopted a non-standard compensation definition. Vacation pay is no longer included in the FAC.
- Plan Funding:
 - Extra payments as follows: \$50,000 per year of 2012, 2013, and 2014; \$232,336 Year 2015; \$304,505 Year 2016, \$719,230 Year 2017, \$518,695 Year 2018
- Other Considerations:
 - None Listed

Prospective Changes:

- Modern Plan Design:
 - 12/11/18 - Closed Commissioner Division effective 1/1/19
 - 8/8/18 - Lowered the multiplier for current employees from 2.5X to 2X for the General Division
- Plan Funding:
 - The 2019 budget has a \$100K contribution per month in addition to the invoice amounts.
 - They have been making accelerated 10 year contributions since 2016.
- Other Considerations:
 - Included MERS projection using updated multiplier from 2.5X to 2X.
 - Certified reports with 10 year projections of employer contributions and funded ratios showing a funded ratio of 63% in 2019 and 67% by 2029.

Plan size: members 69

- Inactive employees or beneficiaries currently receiving benefits: 35
- Inactive employees entitled to but not yet receiving benefits: 4
- Active employees: 30

Treasury Recommendation
Gladwin County Road Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 260100

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan.
- Reasonable Timeframe:
 - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 60% within a reasonable timeframe (2019).
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

Supplemental Information:

The Road Commission included a MERS projection which demonstrated that based on a reduced multiplier from 2.5 to 2.0X, the Road Commission will reach 63% funded in 2019. Additionally, based on this projection, the annual required employer contribution is projected to increase from \$470K to over \$900K, an increase of approximately 94%.

**Treasury Recommendation
Gladwin County Road Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 260100**

Municipal Employees' Retirement System



2a

June 27, 2018

**Gladwin CRC (2601) - Divisions 01 & 11
Estimated Projected Employer Contributions and Funded Ratios**

Valuation Year Ending 12/31	Fiscal Year Beginning in Year	Baseline - Current Benefit				Scenario 2A - Bridge Down Division 01's Multiplier to 2.00% Effective 07/01/2018 Frozen FAC				Difference	
		Actuarial Accrued Liability	Valuation Assets	Funded %	Required Annual Employer Contribution	Actuarial Accrued Liability	Valuation Assets	Funded %	Required Annual Employer Contribution	Reduction in UAL	Reduction In Annual ER Contribution
2017	2019	16,740,020	9,761,242	58%	\$596,076	15,478,994	9,761,242	63%	\$470,868	\$1,261,026	\$125,208
2018	2020	17,075,895	9,910,199	58%	\$625,608	15,686,662	9,911,601	63%	\$496,104	\$1,390,635	\$129,504
2019	2021	17,413,327	10,008,347	57%	\$657,732	15,891,811	9,888,147	62%	\$526,656	\$1,401,316	\$131,076
2020	2022	17,715,142	10,398,157	59%	\$665,136	16,061,663	10,148,502	63%	\$532,368	\$1,403,824	\$132,768
2021	2023	17,989,197	10,781,038	60%	\$673,740	16,207,075	10,399,814	64%	\$539,436	\$1,400,898	\$134,304
2022	2024	18,229,650	11,054,005	61%	\$691,200	16,325,809	10,546,097	65%	\$555,228	\$1,395,933	\$135,972
2023	2025	18,401,533	11,274,259	61%	\$709,668	16,385,494	10,644,619	65%	\$571,752	\$1,386,399	\$137,916
2024	2026	18,522,384	11,469,835	62%	\$729,852	16,406,352	10,725,613	65%	\$589,560	\$1,371,810	\$140,292
2025	2027	18,594,633	11,646,010	63%	\$750,936	16,393,130	10,796,063	66%	\$608,100	\$1,351,556	\$142,836
2026	2028	18,623,874	11,811,675	63%	\$773,244	16,352,427	10,865,199	66%	\$627,516	\$1,324,971	\$145,728
2027	2029	18,606,929	11,967,061	64%	\$796,692	16,282,916	10,934,451	67%	\$647,652	\$1,291,403	\$149,040
2028	2030	18,542,985	12,115,327	65%	\$821,748	16,183,942	11,006,347	68%	\$669,024	\$1,250,063	\$152,724
2029	2031	18,434,021	12,262,413	67%	\$848,292	16,055,906	11,084,458	69%	\$691,176	\$1,200,160	\$157,116
2030	2032	18,292,608	12,425,222	68%	\$876,168	15,907,766	11,181,475	70%	\$714,384	\$1,141,095	\$161,784
2031	2033	18,122,374	12,612,277	70%	\$906,048	15,743,560	11,304,989	72%	\$738,972	\$1,071,526	\$167,076
2032	2034	17,928,182	12,833,641	72%	\$937,656	15,565,048	11,461,189	74%	\$764,928	\$990,682	\$172,728
2033	2035	17,722,447	13,107,487	74%	\$970,668	15,381,639	11,664,080	76%	\$792,024	\$897,401	\$178,644
2034	2036	17,512,601	13,447,399	77%	\$1,005,036	15,200,779	11,925,991	78%	\$820,332	\$790,414	\$184,704
2035	2037	17,303,614	13,865,038	80%	\$1,040,652	15,026,442	12,256,331	82%	\$849,648	\$668,465	\$191,004
2036	2038	17,103,074	14,375,246	84%	\$1,077,768	14,866,706	12,669,086	85%	\$879,960	\$530,208	\$197,808
2037	2039	16,912,822	14,987,701	89%	\$1,116,468	14,724,203	13,173,184	89%	\$911,460	\$374,102	\$205,008
2038	2040	16,739,045	15,716,773	94%	\$68,244	14,603,564	13,779,754	94%	\$67,932	\$198,462	\$312
2039	2041	16,593,289	16,582,876	100%	\$69,972	14,515,011	14,506,067	100%	\$69,792	\$1,469	\$180
2040	2042	16,485,263	16,474,851	100%	\$72,060	14,470,076	14,461,172	100%	\$71,628	\$1,508	\$432

Notes: The phase-in was excluded for ballpark and comparison purposes.

The amortization schedule in the proposed scenario is the same as the baseline. A description of the amortization policy can be found on page 24 of the annual valuation appendix:

<http://www.mersofmich.com/Portals/0/Assets/Resources/AAV-Appendix/MERS-2017AnnualActuarialValuation-Appendix.pdf>

The assumed future annual investment return is 7.75%.

The long term cost of benefits is the employer normal cost of 2.10% of payroll in both the baseline and the proposed scenario since benefits have not changed for new hires of Division 11.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
Gladwin County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 260100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$8,299,943	\$16,004,689	51.9%	\$1,017,745	\$9,179,023	11.1%	YES
OPEB	OPEB	\$84,369	\$6,758,168	1.2%	\$435,952		4.7%	YES
Total		\$8,384,312	\$22,762,857		\$1,453,697		15.8%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Gladwin County Road Commission, which was received by the Municipal Stability Board (the Board) on 2/20/2019. 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:
 - All employees hired after 8/19/09 will not be eligible for retiree health insurance.
- Plan Funding:
 - We have been contributing \$25,000 a year since 2012.
- Other Considerations:
 - We pay as you go. We will be having an OPEB Study done for 2018.

Prospective Changes:

- Modern Plan Design:
 - None Listed
- Plan Funding:
 - Local unit has been making \$25,000 payments a year since 2012. They plan to make annual \$100,000 payment to show our commitment to funding our OPEB obligations which will make the plan 40% funded in 27 years.
- Other Considerations:
 - Road Commission hired an attorney to get a legal opinion on any modifications they can make to retiree health insurance benefits.

Plan size: members 66

- Inactive employees or beneficiaries currently receiving benefits: 25
- Inactive employees entitled to but not yet receiving benefits: 21
- Active employees: 20

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

Treasury Recommendation
Gladwin County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 260100

feasible, and the plan is approved by the governing body.

- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
 - The local unit did not provide clear documentation that demonstrates the retirement system will reach 40% funded. Based on other information presented in the corrective action plan, we have determined the plan may be able to reach a funded ratio of 40% if the plan's assumptions remain accurate.
- Reasonable Timeframe:
 - The administrative officer indicates the plan will achieve a funded ratio of 40% by 2046; however, the local unit did not provide clear documentation that demonstrates this. Based on other information presented in the corrective action plan, we have determined the local government may be able to achieve the 40% funded ratio within this timeframe.

Supplemental Information:

The Road Commission will be making an additional \$100,000 payment every year towards the OPEB obligation. This funding plan will get them to 40% of the current liabilities, but this projection does not account for increases in liabilities due to health care inflation. Despite this, it is reasonably likely that they will reach 40% funded within the required 30 years.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
Lake County Road Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 430100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS OF MICHIGAN	Pension	\$5,136,143	\$10,431,557	49.2%	\$413,769	\$6,697,458	6.2%	YES
Postemployment Healthcare	OPEB	\$104,305	\$1,791,285	5.8%	\$183,240		2.7%	YES
Total		\$5,240,448	\$12,222,842		\$597,009		8.9%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by LAKE COUNTY ROAD COMMISSION, which was received by the Municipal Stability Board (the Board) on 2/20/2019. 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:
 - Effective April 1, 2013, LCRC changed from a 2.5% multiplier to a 2% for new hires. In the last 5 years, approximately 50% of the workforce has been replaced with new hires. 15 of 31 active employees enrolled are on the new plan with 2% multiplier.
- Plan Funding:
 - LCRC has made several additional funding contributions. 2010- 75K, 2011-75k, 2015-100k, 2016-100k, 2017-100k
- Other Considerations:
 - None Listed

Prospective Changes:

- Modern Plan Design:
 - None Listed
- Plan Funding:
 - Per the attached actuarial valuation, the required contributions are not enough to fund the plan within a reasonable timeframe. LCRC has created an alternative funding plan along with the actuaries at MERS to reach funding levels on 60% by 2026.
- Other Considerations:
 - None Listed

Plan size: members 72

- Inactive employees or beneficiaries currently receiving benefits: 42
- Inactive employees entitled to but not yet receiving benefits: 3
- Active employees: 27

Treasury Recommendation
LAKE COUNTY ROAD COMMISSION Pension Corrective Action Plan (CAP)
Non-Primary Unit 430100

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan.
- Reasonable Timeframe:
 - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 60% within a reasonable timeframe (2026).
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

Supplemental Information:

The Road Commission provided the table below showing the estimated employer contributions and funding ratios based on the updated funding policy. This chart shows the Road Commission reaching 60% in 2026. This chart also demonstrates that between 2018 and 2035, the annual required contribution increases by approximately \$515K, or approximately 106%.

Treasury Recommendation
LAKE COUNTY ROAD COMMISSION Pension Corrective Action Plan (CAP)
Non-Primary Unit 430100

LAKE CRC (4302) - ESTIMATED PROJECTED EMPLOYER CONTRIBUTIONS AND FUNDED RATIOS (TOTAL OF ALL DIVISIONS)

Valuation Year Ending	Fiscal Year Beginning	Baseline (No Phase-in)				Proposed: Proposed Contributions		
		Actuarial Accrued Liability	Valuation Assets	Funded %	Required Annual Employer Contribution	Valuation Assets	Funded %	Required Annual Employer Contribution
12/31/2016	1/1/2018	10,686,523	5,532,115	52%	\$462,504	5,532,115	52%	\$485,400
12/31/2017	1/1/2019	10,833,082	5,437,497	50%	\$492,840	5,437,497	50%	\$517,536
12/31/2018	1/1/2020	10,984,909	5,391,831	49%	\$521,952	5,415,598	49%	\$600,000
12/31/2019	1/1/2021	11,143,478	5,357,079	48%	\$553,272	5,408,323	49%	\$720,000
12/31/2020	1/1/2022	11,300,565	5,489,592	49%	\$573,204	5,625,823	50%	\$780,000
12/31/2021	1/1/2023	11,458,949	5,650,486	49%	\$594,048	5,970,343	52%	\$900,000
12/31/2022	1/1/2024	11,620,727	5,831,966	50%	\$615,300	6,391,272	55%	\$900,000
12/31/2023	1/1/2025	11,785,635	6,036,034	51%	\$637,380	6,956,272	59%	\$900,000
12/31/2024	1/1/2026	11,950,707	6,261,717	52%	\$660,480	7,548,800	63%	\$900,000
12/31/2025	1/1/2027	12,118,201	6,513,623	54%	\$684,180	8,173,062	67%	\$900,000
12/31/2026	1/1/2028	12,291,440	6,797,722	55%	\$708,744	8,834,396	72%	\$900,000
12/31/2027	1/1/2029	12,467,852	7,113,943	57%	\$734,376	9,532,486	76%	\$900,000
12/31/2028	1/1/2030	12,644,446	7,462,289	59%	\$760,956	10,266,798	81%	\$900,000
12/31/2029	1/1/2031	12,823,062	7,848,055	61%	\$788,220	11,041,835	86%	\$900,000
12/31/2030	1/1/2032	13,002,616	8,273,761	64%	\$816,852	11,859,391	91%	\$900,000
12/31/2031	1/1/2033	13,181,991	8,741,808	66%	\$846,660	12,721,355	97%	\$900,000
12/31/2032	1/1/2034	13,368,281	9,263,720	69%	\$877,356	13,637,991	102%	\$900,000
12/31/2033	1/1/2035	13,552,796	9,835,453	73%	\$909,948	14,604,099	108%	\$900,000
12/31/2034	1/1/2036	13,745,027	10,471,128	76%	\$942,936	15,632,849	114%	\$50,000
12/31/2035	1/1/2037	13,948,539	11,180,469	80%	\$977,520	16,731,897	120%	\$51,875
12/31/2036	1/1/2038	14,156,648	11,961,920	84%	\$1,013,748	17,016,692	120%	\$53,820
12/31/2037	1/1/2039	14,373,572	12,826,148	89%	\$1,051,104	17,311,820	120%	\$55,839
12/31/2038	1/1/2040	14,609,470	13,790,331	94%	\$211,236	17,627,212	121%	\$57,933
12/31/2039	1/1/2041	14,874,790	14,872,000	100%	\$218,772	17,973,127	121%	\$60,105
12/31/2040	1/1/2042	15,167,120	15,163,975	100%	\$227,088	18,346,306	121%	\$62,359

Notes: The assumed annual market return is 7.75%.

In the proposed scenario, the proposed \$900,000 annual contribution was decreased to a level (increased with wage inflation) that is projected to maintain approximately a 120% funded level.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
Lake County Road Commission OPEB Corrective Action Plan (CAP)
Primary/Non-Primary Unit 430100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS OF MICHIGAN	Pension	\$5,136,143	\$10,431,557	49.2%	\$413,769	\$6,697,458	6.2%	YES
Postemployment Healthcare	OPEB	\$104,305	\$1,791,285	5.8%	\$183,240		2.7%	YES
Total		\$5,240,448	\$12,222,842		\$597,009		8.9%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by LAKE COUNTY ROAD COMMISSION, which was received by the Municipal Stability Board (the Board) on 2/20/2019. 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 Noted
- Plan Funding:
 - LCRC has been making additional contributions of 25k in 2009,10,11,15,and 16
- Other Considerations:
 - None Listed

Prospective Changes:

- Modern Plan Design:
 - None Listed
- Plan Funding:
 - The board has adopted a funding plan that contributes 75k each year until fully funded in approximately 20 years.
- Other Considerations:
 - None Listed

Plan size: members N/A

- Inactive employees or beneficiaries currently receiving benefits: N/A
- Inactive employees entitled to but not yet receiving benefits: N/A
- Active employees: N/A

Treasury Recommendation
LAKE COUNTY ROAD COMMISSION OPEB Corrective Action Plan (CAP)
Primary/Non-Primary Unit 430100

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 (2025).
- 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. However, our review indicates the plan's annual required contribution as a percentage of general fund operating revenues is X%. This reflects a significant portion of the local government's budget.

Supplemental Information:

See the table below showing the estimated employer contributions and funding ratios, demonstrating that the Lake County Road Commission reaches 40% funded within the 30 year required timeframe.

Treasury Recommendation
LAKE COUNTY ROAD COMMISSION OPEB Corrective Action Plan (CAP)
Primary/Non-Primary Unit 430100

LAKE CRC - 4302 (OPEB)
ESTIMATED PROJECTED EMPLOYER CONTRIBUTIONS AND FUNDED RATIOS

Valuation Year Ending	Actuarial Accrued Liability	Market Value of Assets	Unfunded Accrued Liability	LCRC PROPOSED CONTRIBUTION PLAN 20 Year Amortization		Projected Revenues	Contribution Percentage
				Funded %	Annual Employer Contribution		
12/31/2014	1,791,285	104,305	1,686,980	5.82%	\$25,000	\$7,302,025	0.34%
12/31/2017	1,791,285	190,608	1,600,677	10.64%	\$25,000	\$7,383,939	0.34%
12/31/2018	1,791,285	265,608	1,525,677	14.83%	\$75,000	\$7,917,124	0.95%
12/31/2019	1,791,285	340,608	1,450,677	19.01%	\$75,000	\$8,226,017	0.91%
12/31/2020	1,791,285	415,608	1,375,677	23.20%	\$75,000	\$8,283,467	0.91%
12/31/2021	1,791,285	490,608	1,300,677	27.39%	\$75,000	\$8,797,472	0.85%
12/31/2022	1,791,285	565,608	1,225,677	31.58%	\$75,000	\$8,864,932	0.85%
12/31/2023	1,791,285	640,608	1,150,677	35.76%	\$75,000	\$8,864,932	0.85%
12/31/2024	1,791,285	715,608	1,075,677	39.95%	\$75,000	\$8,864,932	0.85%
12/31/2025	1,791,285	790,608	1,000,677	44.14%	\$75,000	\$8,864,932	0.85%
12/31/2026	1,791,285	865,608	925,677	48.32%	\$75,000	\$8,864,932	0.85%
12/31/2027	1,791,285	940,608	850,677	52.51%	\$75,000	\$8,864,932	0.85%
12/31/2028	1,791,285	1,015,608	775,677	56.70%	\$75,000	\$8,864,932	0.85%
12/31/2029	1,791,285	1,090,608	700,677	60.88%	\$75,000	\$8,864,932	0.85%
12/31/2030	1,791,285	1,165,608	625,677	65.07%	\$75,000	\$8,864,932	0.85%
12/31/2031	1,791,285	1,240,608	550,677	69.26%	\$75,000	\$8,864,932	0.85%
12/31/2032	1,791,285	1,315,608	475,677	73.44%	\$75,000	\$8,864,932	0.85%
12/31/2033	1,791,285	1,390,608	400,677	77.63%	\$75,000	\$8,864,932	0.85%
12/31/2034	1,791,285	1,465,608	325,677	81.82%	\$75,000	\$8,864,932	0.85%
12/31/2035	1,791,285	1,540,608	250,677	86.01%	\$75,000	\$8,864,932	0.85%
12/31/2036	1,791,285	1,615,608	175,677	90.19%	\$75,000	\$8,864,932	0.85%
12/31/2037	1,791,285	1,690,608	100,677	94.38%	\$75,000	\$8,864,932	0.85%
12/31/2038	1,791,285	1,765,608	25,677	98.57%	\$75,000	\$8,864,932	0.85%
12/31/2039	1,791,285	1,840,608	(49,323)	102.75%	\$75,000	\$8,864,932	0.85%

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
Village of Lexington OPEB Corrective Action Plan (CAP)
Primary Unit 763050**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$1,638,881	\$2,671,596	61.3%	\$67,032	\$1,278,677	5.2%	NO
Retiree Healthcare Plan	OPEB	-	\$2,319,909	0.0%	\$241,155		18.9%	YES
Total		\$1,638,881	\$4,991,505		\$308,187		24.1%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Disapproval of the OPEB corrective action plan submitted by Village of Lexington, which was received by the Municipal Stability Board (the Board) on 2/20/2019. If denied, Village of Lexington, will receive a detailed letter from the Board listing the reasons for disapproval. Village of Lexington will have 60 days from the date of the notification to address the reason for disapproval and resubmit a corrective action plan for approval.

Changes Made:

- Modern Plan Design:
 - None Listed
- Plan Funding:
 - None Listed
- Other Considerations:
 - The village included their 2018 5572 demonstrating its ADC/revenues is now 8.3% and therefore no longer triggers underfunded status.

Prospective Changes:

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

Plan size: members 21

- Inactive employees or beneficiaries currently receiving benefits: 8
- Inactive employees entitled to but not yet receiving benefits: N/A
- Active employees: 13

Treasury Recommendation
Village of Lexington OPEB Corrective Action Plan (CAP)
Primary Unit 763050

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The corrective action plan demonstrates it will no longer trigger underfunded status because the local unit's annual required contribution will be less than 12% of general fund operating revenues.
- Reasonable Timeframe:
 - The corrective action plan demonstrates the annual required contribution will be less than 12% of general fund operating revenues by 2019.

The following corrective action plan approval criteria were not met:

- Legal and Feasible:
 - The local unit failed to attach supporting documentation indicating the corrective action plan was approved by the governing body.
- Affordable:
 - The local unit did not confirm in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

Supplemental Information:

The Village's audited financial statements demonstrate that the underfunded status trigger of ADC as a percent of governmental fund revenues is below the threshold of 12%. The Village however, failed to provide governing body approval for the submitted corrective action plan. Additionally, the Village certified "No" in section 5, indicating that they no longer triggered, and therefore was not required to certify affordability. The Village's OPEB system appears to remain open to new employees, but there is no mention of a policy to pay normal cost for any employees hired after June 30, 2018.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

Treasury Recommendation
Luce County Housing Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 487503

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$399,539	\$715,948	55.8%	\$35,236	\$524,917	6.7%	YES

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Disapproval of the pension corrective action plan submitted by Luce County Housing Commission, which was received by the Municipal Stability Board (the Board) on 2/20/2019. If denied, Luce County Housing Commission, will receive a detailed letter from the Board listing the reasons for disapproval. Luce County Housing Commission will have 60 days from the date of the notification to address the reason for disapproval and resubmit a corrective action plan for approval.

Changes Made:

- Modern Plan Design:
 - None Listed
- Plan Funding:
 - None Listed
- Other Considerations:
 - The County has consistently increased the required annual contribution charged to the Housing Commission to obtain a funded ratio of at least 60% by 2020.

Prospective Changes:

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

Plan size: members 6

- Inactive employees or beneficiaries currently receiving benefits: 3
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 3

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.

Treasury Recommendation
Luce County Housing Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 487503

- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

The following corrective action plan approval criteria were not met:

- Underfunded Status:
 - The corrective action plan does not demonstrate when the retirement system will reach 60% funded. Supporting documentation must include an actuarial projection, an actuarial valuation, or an internally developed analysis which illustrates how and when the local unit will reach the minimum funding ratio percentages.
- Reasonable Timeframe:

The corrective action plan does not demonstrate when the retirement system will reach 60% funded.

Supplemental Information:

The corrective action plan the local unit submitted is the schedule of employer contributions and schedule of changes in the employer's net pension liability and related ratios from the FY 2017 audit. They indicated they have been increasing the annual determined contributions each year in order to reach the 60% funding threshold by 2020. Both the funding ratio and the annual determined contributions have increased the past few years. They have not provided evidence that they will reach this funding threshold by this time.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
Mecosta County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 540100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$7,832,922	\$10,200,248	76.8%	\$207,374	\$8,862,877	2.3%	NO
Road Commission group health insurance	OPEB	-	\$1,317,223	0.0%	\$43,907		0.5%	YES
Total		\$7,832,922	\$11,517,471		\$251,281		2.8%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Mecosta County Road Commission, which was received by the Municipal Stability Board (the Board) on 2/20/2019. 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:
 - Plan closed to new hires 7/1/16. Road commission set up MERS HCSP; Premiums cover retirees from 60-65 and retirees deductible is \$1,500 rather than \$750.
 - Plan only covers retired employees between 60-65.
- Plan Funding:
 - None Listed
- Other Considerations:
 - None Listed

Prospective Changes:

- Modern Plan Design:
 - None Listed
- Plan Funding:
 - Healthcare trust fund approved 12/11/18. Contributions to trust fund begin 3/2019.
 - Road Commission will begin full pre-funding the ARC; retiree healthcare to be fully pre-funded by 1/2021.
 - Funded ratio will be 40% 12/31/2038
- Other Considerations:
 - None Listed

Plan size: members 44

- Inactive employees or beneficiaries currently receiving benefits: 5
- Inactive employees entitled to but not yet receiving benefits: 7
- Active employees: 32

**Treasury Recommendation
Mecosta County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 540100**

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 (2037).
- 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 payments for all new hires (if applicable), according to the long-term budget forecast.

Supplemental Information:

Per contact with the commission's finance director by CEFD, MCRC intends to fund their retiree health funding vehicle (RHFV) at \$90,000 per year, of which the annual health premium payments will be made. Premium payments are estimated to range from \$25,000 to \$30,000 with the remaining funding left to accumulate in the RHFV asset fund. This plan was documented in attachment 2a of the MCRC corrective action plan.

The Community Engagement and Finance Division (CEFD) contact:

- CEFD reached out to the Road Commission for additional clarification on 3/4/2019.

**Treasury Recommendation
Metamora Township Pension Corrective Action Plan (CAP)
Primary Unit 441150**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$1,126,327	\$1,152,213	97.8	\$39,092	\$1,629,073	2.4%	YES
OPEB	OPEB	\$434,930	\$339,754	128%	\$0		0%	YES
Total		\$1,561,257	\$1,491,967		\$39,092		2.4%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by Metamora Township, which was received by the Municipal Stability Board (the Board) on 2/20/2019. 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:
 - Metamora Township included their 2018 Form 5572, demonstrating that they are over 40% funded

Prospective Changes:

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

Plan size: members 10

- Inactive employees or beneficiaries currently receiving benefits: 2
- Inactive employees entitled to but not yet receiving benefits: 3
- Active employees: 5

Corrective Action Plan Criteria: 2018

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 60% funded.

Treasury Recommendation
Metamora Township Pension Corrective Action Plan (CAP)
Primary Unit 441150

- Reasonable Timeframe:
 - The corrective action plan demonstrates through supporting documentation that it has already reached the PA 202 established funding level of 60%.

- 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:
 - While the local unit did not confirm in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget for

Supplemental Information: None

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
Metamora Township OPEB Corrective Action Plan (CAP)
Primary Unit 441150**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$1,126,327	\$1,152,213	97.8	\$39,092	\$1,629,073	2.4%	YES
OPEB	OPEB	\$434,930	\$339,754	128%	\$0		0%	YES
Total		\$1,561,257	\$1,491,967		\$39,092		2.4%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Metamora Township, which was received by the Municipal Stability Board (the Board) on 2/20/2019. 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:
 - Metamora Township included their 2018 Form 5572, demonstrating that they are over 40% funded

Prospective Changes:

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

Plan size: members 10

- Inactive employees or beneficiaries currently receiving benefits: 2
- Inactive employees entitled to but not yet receiving benefits: 3
- Active employees: 5

Corrective Action Plan Criteria: 2018

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.

Treasury Recommendation
Metamora Township OPEB Corrective Action Plan (CAP)
Primary Unit 441150

- Reasonable Timeframe:
 - The corrective action plan demonstrates through supporting documentation that it has already reached the PA 202 established funding level of 40%.

- 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:

While the local unit did not confirm in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast. However, our review indicates the plan's annual required contribution as a percentage of general fund operating revenues is 2.4%.

Supplemental Information: None

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
Monroe County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 580100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$21,172,824	\$31,432,016	67.4%	\$809,440	\$28,736,359	2.8%	NO
Monroe County Road Commission Retiree Health Care Plan	OPEB	\$2,999,315	\$26,883,901	11.2%	\$1,973,766		6.9%	YES
Total		\$24,172,139	\$58,315,917		\$2,783,206		9.7%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Monroe County Road Commission, which was received by the Municipal Stability Board (the Board) on February 20, 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:
 - Vesting changed from 8 to 15 years for retiree-healthcare eligibility
- Plan Funding:
 - As of 1/1/2018, funding was increased to 30% of payroll, which is 11.9% more than the ARC of 18%.
- Other Considerations:
 - Plan assets at 12/31/16 were \$2,999,315 and have increased to \$5,367,641 as of 9/30/18. Trust established in 2007 with a \$100,000 deposit. Had assets of \$589,660 by 12/31/13.

Prospective Changes:

- Modern Plan Design:
 - None Listed
- Plan Funding:
 - None Listed
- Other Considerations:
 - Newest actuarial projections reflect additional contributions of \$1,100,000 annually, states the benefit system will reach 40% by 2023.

Plan size: members 141

- Inactive employees or beneficiaries currently receiving benefits: 65
- Inactive employees entitled to but not yet receiving benefits: N/A
- Active employees: 76

**Treasury Recommendation
Monroe County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 580100**

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 (2023).
- 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:

Using the provided GRS projection schedule, the Road Commission is projecting to reach 40% funded by fiscal year 2023. This projected schedule also demonstrates that the annual employer cost is scheduled to increase from \$1.9 million in 2017 to over \$2.7 million in 2023. This is an increase of 42%.

**Monroe County Road Commission Retiree Health Care Plan
Projection Schedule**

Fiscal Year	Actuarial Accrued Liability (AAL) Projection				Market Value of Asset Projection					Unfunded Liability EOY	Funded Percentage
	Normal Cost	Benefit Payments	7.00% Interest	AAL End of Year (EOY)	Pay- Go Contribution	Additional Contribution ⁽¹⁾	Benefit Payments	7.00% Interest	Asset Value EOY ⁽²⁾		
	(a)				(b)					(c) = (a) - (b)	(d) = (b) / (a)
10/1/2016 - 9/30/2017				\$27,862,174					\$ 3,964,674	\$23,897,500	14.23%
10/1/2017 - 9/30/2018	\$471,602	\$1,153,989	\$1,926,873	29,106,660	\$1,153,989	\$1,100,000	\$1,153,989	\$ 315,376	5,380,050	23,726,610	18.48%
10/1/2018 - 9/30/2019	440,076	1,256,447	2,009,376	30,299,665	1,256,447	1,100,000	1,256,447	414,452	6,894,502	23,405,163	22.75%
10/1/2019 - 9/30/2020	413,891	1,344,900	2,088,942	31,457,598	1,344,900	1,100,000	1,344,900	520,464	8,514,966	22,942,632	27.07%
10/1/2020 - 9/30/2021	387,807	1,439,126	2,165,858	32,572,137	1,439,126	1,100,000	1,439,126	633,896	10,248,862	22,323,275	31.47%
10/1/2021 - 9/30/2022	367,000	1,525,396	2,240,191	33,653,932	1,525,396	1,100,000	1,525,396	755,269	12,104,131	21,549,801	35.97%
10/1/2022 - 9/30/2023	347,254	1,613,868	2,312,194	34,699,512	1,613,868	1,100,000	1,613,868	885,138	14,089,269	20,610,243	40.60%

⁽¹⁾ The Additional Contribution amount is set at a level specified by the Road Commission.

⁽²⁾ Projected values with the exception of the September 30, 2017 value. There may be cases where the schedule does not add due to rounding.

**Treasury Recommendation
Monroe County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 580100**

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
Mount Morris Township Pension Corrective Action Plan (CAP)
Primary Unit 251140**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$18,052,065	\$35,075,191	51.5%	\$1,259,724	\$7,795,032	16.2%	YES
BCBS	OPEB	-	\$14,538,229	0%	\$1,880,853		24.1%	YES
Total		\$18,052,065	\$49,613,420		\$3,140,577	\$7,795,032	40.3%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by Mount Morris Township, which was received by the Municipal Stability Board (the Board) on 2/20/2019. 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:
 - Divisions 1,2,10, and 11 have been closed to new hires between 2014 and 2016.
 - Increased employee contribution rates Div. 1 to 7%, Div. 2 to 8%, Div 10 to 3%, and Div. 11 to 3%..
 - Reduced multiplier for Division 1 to 1.5X.
- Plan Funding:
 - Provided additional lump sum payments to MERS in 2015 and 2018.
- Other Considerations:
 - None Listed

Prospective Changes:

- Modern Plan Design:
 - None Listed
- Plan Funding:
 - Projected additional contribution of \$80K-\$100K in March 2019.
- Other Considerations:
 - None Listed

Plan size: members 114

- Inactive employees or beneficiaries currently receiving benefits: 6
- Inactive employees entitled to but not yet receiving benefits: 60
- Active employees: 48

Treasury Recommendation
Mount Morris Township Pension Corrective Action Plan (CAP)
Primary Unit 251140

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan.
- Reasonable Timeframe:
 - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 60% within a reasonable timeframe (2025).
- 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.

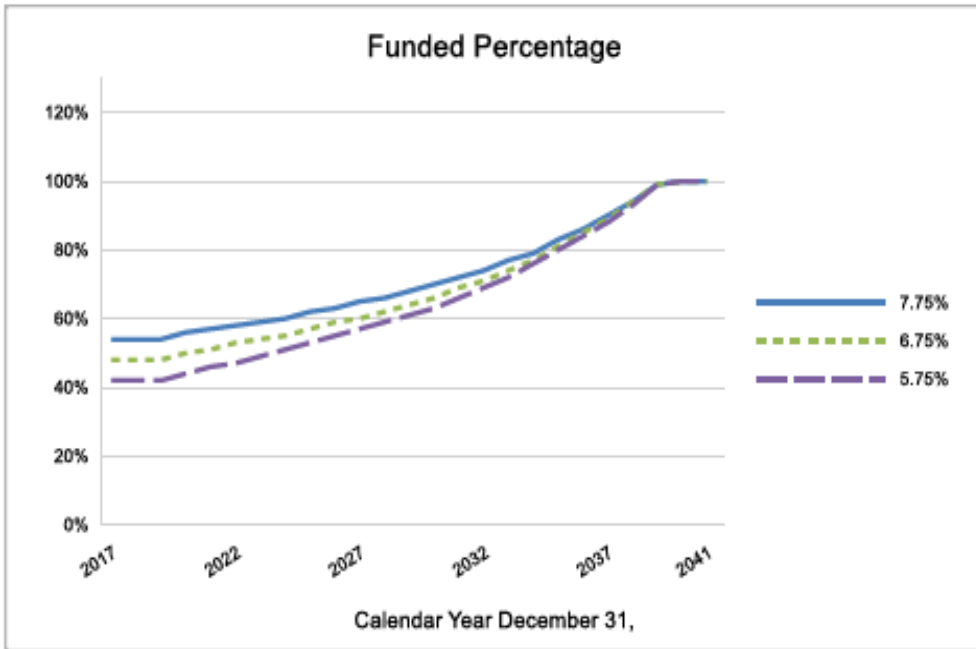
The following corrective action plan approval criteria are partially met:

- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast. However

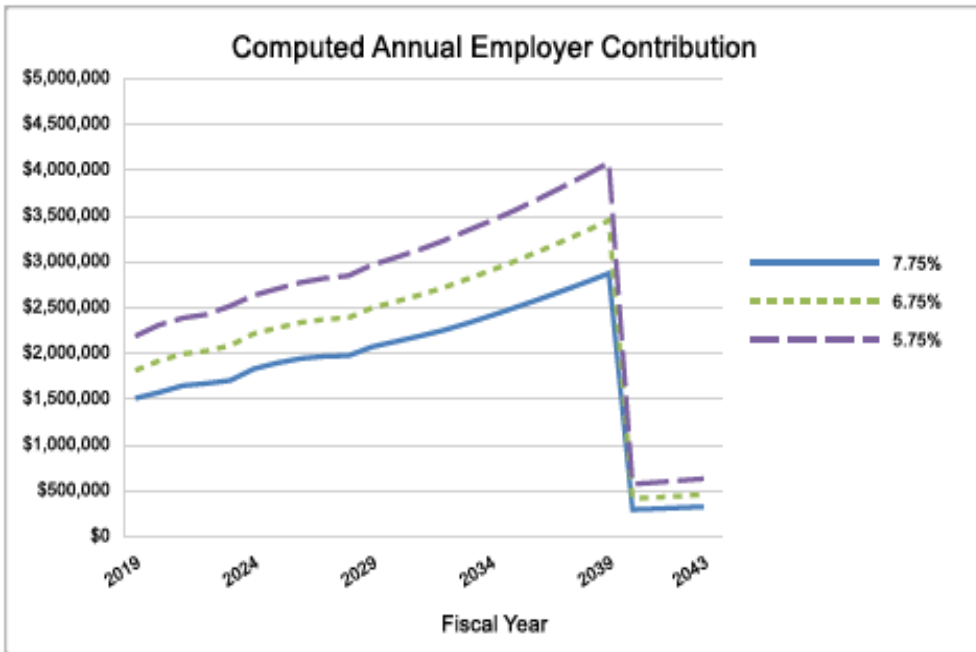
Supplemental Information:

Based on the information provided in the MERS actuarial valuation, the City of Mt. Morris will reach 60% funded by 2025. Additionally, the data found in the provided valuation shows that the computed annual employer contribution increases from \$1.5 million to nearly \$3 million, an increase of approximately 100% from 2019 to 2039.

**Treasury Recommendation
Mount Morris Township Pension Corrective Action Plan (CAP)
Primary Unit 251140**



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



Notes:
All projected contributions are shown with no phase-in.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of North Muskegon OPEB Corrective Action Plan(CAP)
Primary Unit 612040**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$4,824,995	\$6,485,459	7.4%	\$122,628	\$3,111,398	3.9%	
Retiree Healthcare Plan	OPEB	\$641,000	\$3,203,000	20.0%	\$438,057		14.1%	YES
Total		\$5,465,995	\$9,688,459		\$560,685		18.0%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by City of North Muskegon, which was received by the Municipal Stability Board (the Board) on 2/20/2019. 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:
 - Eliminated retiree healthcare to non-union employees in November 2016, and to Teamsters Local 214 employees in December 2017. Plan only currently open to Police Officers.
- Plan Funding:
 - Created a qualified retiree healthcare trust in 2007
 - Have made a number of additional payments to the OPEB trust since 2007.
- Other Considerations:
 - None Listed

Prospective Changes:

- Modern Plan Design:
 - Plan to seek revisions to POLC bargaining agreement during collective bargaining in 2019 to eliminate retiree healthcare benefits for new employees. This will eliminate increases in liability since there will be no new additions to the list of covered employees.
- Plan Funding:
 - Plan to pay premiums from General Fund, and contribute at least an additional \$50K annually.
- Other Considerations:
 - None Listed

Plan size: members 37

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

**Treasury Recommendation
City of North Muskegon OPEB Corrective Action Plan (CAP)
Primary Unit 612040**

- Active employees: 16

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 (2028).
- 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 City of North Muskegon provided an analysis provided by their actuary, Watkins-Ross, showing the effect of an additional \$50K annual payment above the premium amount. With this annual additional contribution to the OPEB trust, the actuarial analysis shows that the local unit will reach 40% funded in 2028.

**Treasury Recommendation
City of North Muskegon OPEB Corrective Action Plan (CAP)
Primary Unit 612040**

Example 2, 10 year contributions to achieve 40% funding:

Year ending 9/30	Expected Entry Age Normal Liability	Expected benefit payments	Contributions to OPEB trust	Expected Assets	Total Contribution	Funded Ratio
2018	4,290,828	160,054	50,000	920,159	210,054	21%
2019	4,515,298	184,575	49,500	1,033,978	234,075	23%
2020	4,673,738	196,151	49,500	1,155,753	245,651	25%
2021	4,827,599	189,709	49,500	1,286,040	239,209	27%
2022	4,991,623	192,339	49,500	1,425,435	241,839	29%
2023	5,163,302	179,096	49,500	1,574,572	228,596	30%
2024	5,359,470	173,476	49,500	1,734,135	222,976	32%
2025	5,572,345	181,241	49,500	1,904,851	230,741	34%
2026	5,788,794	188,750	49,500	2,087,500	238,250	36%
2027	6,007,070	198,428	49,500	2,282,916	247,928	38%
2028	6,225,239	209,135	49,500	2,491,992	258,635	40%

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

Treasury Recommendation
Oceana County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 640100

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Retiree Medical Plan	OPEB	\$112,408	\$1,151,147	9.8%	\$319,392	\$8,734,602	3.7%	YES

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Oceana County Road Commission, which was received by the Municipal Stability Board (the Board) on February 20, 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 OPEB plan does not allow anyone over 65 to be covered by the Commission plan.
- Plan Funding:
 - The Commission committed to sending \$25,000 quarterly to their OPEB Trust.
 - The Commission contributed \$75,000 to their OEPB in 2018. So far, the Commission has sent \$25,000 to the trust in 2019.
- Other Considerations:
 - None Listed

Prospective Changes:

- Modern Plan Design:
 - None Listed
- Plan Funding:
 - The Commission states that they will continue to put in \$25,000 per quarter until the OPEB requirement is met.
- Other Considerations:
 - In December 2021 when their union contract expires, the Commission will propose further health insurance options.

Plan size: members 61

- Inactive employees or beneficiaries currently receiving benefits: 34
- Inactive employees entitled to but not yet receiving benefits:
- Active employees: 27

Treasury Recommendation
Oceana County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 640100

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Reasonable Timeframe:
 - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 40% within a reasonable timeframe.

- 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:

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

- Affordable:

The local unit did not confirm in their corrective action plan that its plan was affordable; however, based on other information presented in the corrective action plan, the plan appears to be affordable if the plans assumptions remain accurate.

Supplemental Information:

The Commission's ADC using a 30 year amortization is \$99,045. Their minimum required contribution under PA 202 is \$80,069. Last year, the Commission paid above both numbers, \$152,979. The Watkins Ross accounting report states that the Commission's funding policy is that the employer will contribute any required amounts as determined by an annual actuarial valuation as a reference but not as a definitive requirement. An email from Watkins Ross states that in a ballpark estimate, if they contribute \$100,000 annually and pay reitree preminums from general funds, they would expect them to be more than 40% funded in 2 years and 100% funded in 5 years. Watkins Ross also states that this doesn't take into account new hires over the next five years and if premiums increase more than expected, interest rates change, or the return in the trust isn't as expected, that would also affect the timeline.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
Village of Ontonagon Pension Corrective Action Plan (CAP)
Primary Unit 663010**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$7,997,621	\$14,194,949	56.3%	\$287,317	\$1,073,081	26.8%	YES

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Disapproval of the pension corrective action plan submitted by Village of Ontonagon, which was received by the Municipal Stability Board (the Board) on 2/20/2019. If denied, Village of Ontonagon, will receive a detailed letter from the Board listing the reasons for disapproval. Village of Ontonagon will have 60 days from the date of the notification to address the reason for disapproval and resubmit a corrective action plan for approval.

Changes Made:

- **Modern Plan Design:**
 - Village Hospital plan closed in 2007
 - MERS allowed funding of hospital to be extended to 20 years.
 - Combined hospital plan with open administrator plan in 2015.
 - Changes made to ensure costs were allocated properly to enterprise divisions where wages are earned.
- **Plan Funding:**
 - None Listed
- **Other Considerations:**
 - The Village assumed the pension liability of the Village hospital after it closed in 2007. All pensions for active employees are allocated to both Governmental and proprietary funds

Prospective Changes:

- **Modern Plan Design:**
 - None Listed
- **Plan Funding:**
 - The Village will be considering increasing the millage rates to cover additional costs.
 - Projected property tax increases due to new employers may result in additional revenues to address pension liabilities.
- **Other Considerations:**
 - Village will continue to review financial position and refine pension allocations when available.

Plan size: members 161

- Inactive employees or beneficiaries currently receiving benefits: 117
- Inactive employees entitled to but not yet receiving benefits: 35
- Active employees: 9

Treasury Recommendation
Village of Ontonagon Pension Corrective Action Plan (CAP)
Primary Unit 663010

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan.

The following corrective action plan approval criteria are partially met:

- Reasonable Timeframe:
 - The local unit's corrective action plan indicates it will reach 60% funded by approximately 2035. The plan is currently 56.3% funded. According to the board's approval criteria this retirement system is not severely underfunded and the length of time to reach 60% funded is beyond the board's general guidance.

The following corrective action plan approval criteria were not met:

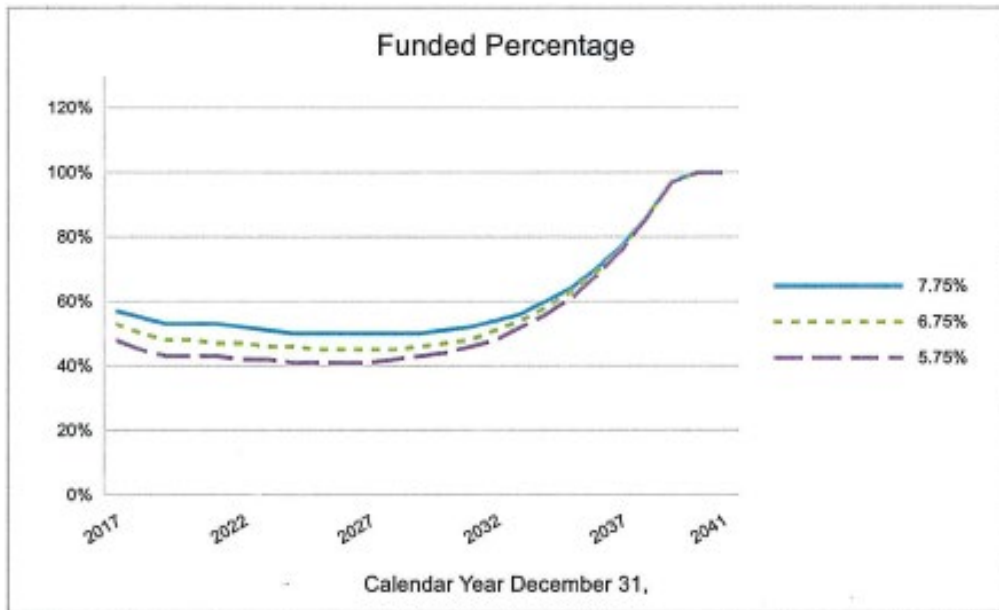
- Legal and Feasible:
 - While the local unit confirmed in section 7 of the corrective action plan template that the plan is legal and feasible, the increasing annual required contribution payment does not appear to be reasonably achievable.
- Affordable:
 - While the local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution according to the long-term budget forecast. The supporting documentation show a future annual required contribution nearly equivalent to their total 2017 governmental revenues.

Supplemental Information:

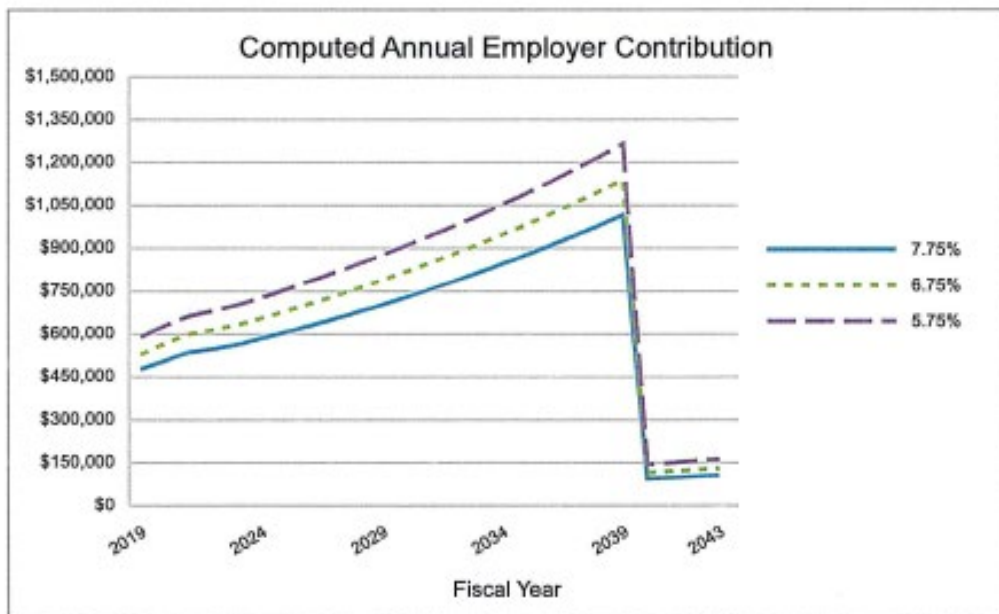
While the Village of Ontonagon has not made many proposed changes beyond changes that have already been implemented, the CAP does demonstrate them reaching 60% funded. The village certified that they would reach 60% funded in 2025, however, based on the provided MERS valuation, the Village is projected to reach the 60% funded ratio threshold in approximately 2035. Despite documentation showing that the Village will reach 60% funded, future annual required contributions appear to be potentially unaffordable. The provided valuation shows that the computed annual employer contribution increases from approximately \$450K to approximately \$1 million, or 120% from 2019 to 2035. The ARC payment in 2035 will account for nearly 100% of the 2017 governmental revenues.

**Treasury Recommendation
Village of Ontonagon Pension Corrective Action Plan (CAP)
Primary Unit 663010**

ONTONAGON, VLG OF (6603) - 2017



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



Notes:
All projected contributions are shown with no phase-in.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

Treasury Recommendation
Pathways Community Mental Health Pension Corrective Action Plan (CAP)
Non-Primary Unit 527511

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
PWCMH Defined Benefit MERS Retirement Plan	Pension	\$24,843,169	\$53,613,818	46.3%	\$2,267,622	\$35,924,516	6.3%	YES
PWCMH Retiree Health Care Fund Trust	OPEB	\$1,724,994	\$8,120,178	21.2%	\$690,102		1.9%	YES
Total		\$26,568,163	\$61,733,996		\$2,957,724		8.2%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by Pathways Community Mental Health, which was received by the Municipal Stability Board (the Board) on February 20, 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:
 - Reduced multiplier from 2.5 to 1.7 in 2011
 - Increased member contribution from 2% to 3%
- Plan Funding:
 - None Listed
- Other Considerations:
 - Medicaid/meidcare regulations state employer contributions to be charged to the programs are limited to the ARC

Prospective Changes:

- Modern Plan Design:
 - Plan is closed and no further system changes contemplated
- Plan Funding:
 - As a mental health authority, they indicate that they have no ability to levy bonds or taxes.
- Other Considerations:
 - Governed by medicare/medicaid, can only expense and seek reimbursement up to the ARC.

Plan size: members 347

- Inactive employees or beneficiaries currently receiving benefits: 68

Treasury Recommendation
Pathways Community Mental Health Pension Corrective Action Plan (CAP)
Non-Primary Unit 527511

- Inactive employees entitled to but not yet receiving benefits: 251
- Active employees: 28

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 60% funded.
- Reasonable Timeframe:
 - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 60% within a reasonable timeframe (2024).
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

Supplemental Information: None

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

Treasury Recommendation
Pathways Community Mental Health OPEB Corrective Action Plan (CAP)
Non-Primary Unit 527511

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
PWCMH Defined Benefit MERS Retirement Plan	Pension	\$24,843,169	\$53,613,818	46.3%	\$2,267,622	\$35,924,516	6.3%	YES
PWCMH Retiree Health Care Fund Trust	OPEB	\$1,724,994	\$8,120,178	21.2%	\$690,102		1.9%	YES
Total		\$26,568,163	\$61,733,996		\$2,957,724		8.2%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation:

Approval of the OPEB corrective action plan submitted by Pathways Community Mental Health, which was received by the Municipal Stability Board (the Board) on February 20, 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:
 - Closed for new hires in 1999
- Plan Funding:
 - None Listed
- Other Considerations:
 - Medicaid/meidcare regulations state employer contributions to be charged to the programs are limited to the ARC

Prospective Changes:

- Modern Plan Design:
 - The plan is closed and no further system changes are contemplated
- Plan Funding:
 - The mental health authority has no ability to levy bonds or taxes.
- Other Considerations:
 - Governed by medicare/medicaid, can only expense and seek reimbursement up to the ARC.
 - OPEB actuarial report ending Sep 30, 2018 shows pland funed at 45%

Plan size: members 73

**Treasury Recommendation
Pathways Community Mental Health OPEB Corrective Action Plan (CAP)
Non-Primary Unit 527511**

- Inactive employees or beneficiaries currently receiving benefits: 0
- Inactive employees entitled to but not yet receiving benefits: 73
- Active employees: 0

Corrective Action Plan Criteria: 2018

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 (2018).
- 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: Using updated valuation liabilities, the system is already funded above 40%

Milliman Financial Reporting Valuation

Net OPEB Liability

Net OPEB Liability	<u>September 30, 2017</u>	<u>September 30, 2018</u>
Total OPEB liability	\$4,914,653	\$4,331,132
Fiduciary net position	1,893,083	1,962,573
Net OPEB liability	3,021,570	2,368,559
Fiduciary net position as a % of total OPEB liability	38.52%	45.31%
Covered payroll	N/A	N/A
Net OPEB liability as a % of covered payroll	N/A	N/A

The total OPEB liability was determined by an actuarial valuation as of the measurement date, calculated based on the discount rate and actuarial assumptions below.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**MUNICIPAL STABILITY BOARD
RESOLUTION 2019-7**

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

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

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

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

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

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

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

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

Ayes:
Nays:
Recused:
Lansing, Michigan
March 20, 2019



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

Resolution 2019-7 Exhibit A

DATE: March 20, 2019
TO: The Municipal Stability Board (the Board)
FROM: Community Engagement and Finance Division, Department of Treasury
SUBJECT: Delinquent Corrective Action Plan(s)

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

- I. Mt. Morris Charter Township
 - a. OPEB

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