

# **Municipal Stability Board**

## **REGULAR MEETING**

Wednesday, January 16, 2019 at 10:00 a.m.

Austin Building

State Treasurer's Boardroom

430 W. Allegan Street

Lansing, MI 48922

### **I. Call to Order**

A. Roll Call

B. Approval of December 19, 2018 Minutes

### **II. Public Comment**

A. 2 minute limit

### **III. Correspondence**

A. Treasury Update

B. Draft Board Single CAP Approval Resolution

C. Draft Board Single CAP Disapproval Resolution

D. Corrective Action Plan Withdrawal Request

i. Flint Charter Township

### **IV. Old Business**

### **V. New Business**

A. Approval of Updated Bylaws (Resolution 2019-1)

B. Corrective Action Plan Extension Requests

i. Monroe County Road Commission

C. Receipt of Corrective Action Plans:

i. Michigan Works! Region B Consortium

ii. City of Benton Harbor

iii. City of Battle Creek

iv. Wayne County Airport Authority

- v. City of Riverview
- vi. Saginaw City Housing Commission (2 systems)
- vii. Otsego County Road Commission (2 systems)
- viii. City of Mount Clemens
- ix. Saline Area Fire Department
- x. Community Mental Health Authority of Clinton, Eaton, Ingham Counties
- xi. City of Essexville
- xii. City of Dearborn Heights
- xiii. West Iron County Sewer Authority
- xiv. Eastern Upper Peninsula Transportation Authority
- xv. Marquette County Road Commission (2 systems)
- xvi. City of Taylor (3 systems)
- xvii. Presque Isle County Road Commission
- xviii. City of Montrose
- xix. City of Crystal Falls
- xx. Bloomfield Township Public Library
- xxi. Ottawa County Road Commission
- xxii. Montcalm County Road Commission (2 systems)
- xxiii. Lansing City Housing Commission
- xxiv. Capital Area Transportation Authority
- xxv. City of Center Line (2 systems)
- xxvi. Jackson District Library
- xxvii. Ontonagon County Road Commission

D. Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-2)

- i. City of Hastings
- ii. Village of Union City

- iii. City of Davison (2 systems)
- iv. Interurban Transit Partnership (2 systems)
- v. Luce County Road Commission (2 systems)
- vi. Mackinac County Road Commission
- vii. City of New Baltimore
- viii. City of Warren (2 systems)
- ix. Newaygo County Road Commission
- x. City of Oak Park (5 systems)
- xi. St. Clair County Road Commission
- xii. City of Milan
- xiii. Ypsilanti Community Utilities Authority
- xiv. Charter Township of Redford (2 systems)
- xv. City of Highland Park (3 systems)
- xvi. City of Lincoln Park (3 systems)
- xvii. City of Wayne (2 systems)
- xviii. City of Woodhaven
- xix. City of Wyandotte
- xx. Grosse Pointes Clinton Refuse Authority
- xxi. Cadillac Housing Commission

E. Public Act 202 of 2017 Corrective Action Plan Noncompliance (Resolution 2019-3)

**VI. Public Comment**

A. 2 minute limit

**VII. Board Comment**

**VIII. Adjournment**

# **Municipal Stability Board Minutes**

Wednesday, December 19, 2018 at 10:30 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 10:30 a.m.

## **ROLL CALL**

### Members Present: Three

Eric Scorsone  
Daryl Delabbio  
Barry Howard

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

## **APPROVAL OF MINUTES**

Motion was made to approve the minutes regarding the November 14, 2018 board meeting.

Motion moved by Barry Howard and supported by Daryl Delabbio, the Board unanimously approved the November 14, 2018 meeting minutes. 3 ayes, 0 nays.

## **PUBLIC COMMENT**

- No public comment.

## **CORRESPONDENCE**

- Rod Taylor and chairman Eric Scorsone thanked Kevin Kubacki for his service to the Board and the Department of Treasury and presented him with a Governor's Leadership Coin.
- Dan Horn reintroduced Nick Brousseau to the Board and stated that he would be taking over Kevin Kubacki's role.
- Dan Horn introduced newly hired Departmental Analyst, Veronica Miller to the Board.
- Treasury presented PA 202 updates and status tables to the Board.

## **NEW BUSINESS**

### **APPROVALS AND DISAPPROVALS OF CORRECTIVE ACTION PLAN EXTENSION REQUESTS**

Kevin Kubacki provided the Board with the following two Local Units' Corrective Action Plan Extension Requests:

- Pathways Community Mental Health Authority (2 systems) (Approved)
- City of Taylor (Approved)

Motion was made to approve the two Local Units' Corrective Action Plan Extension Requests.

Motion moved by Daryl Delabbio and supported by Barry Howard, the Board unanimously approved the Corrective Action Plan Extension Requests. 3 ayes. 0 nays.

### **RECEIPT OF CORRECTIVE ACTION PLANS**

Kevin Kubacki provided the Board with the following 21 Local Units' Corrective Action Plans:

- Newaygo County Road Commission
- City of Lincoln Park (3 systems)
- Ypsilanti Community Utilities Authority
- City of Warren (2 systems)
- Luce County Road Commission (2 systems)
- St. Clair County Road Commission
- City of Milan
- City of Davison (2 systems)
- Mackinac County Road Commission
- City of Oak Park (5 systems)
- Charter Township of Redford (2 systems)
- City of Wayne (2 systems)
- Flint Charter Township
- City of Wyandotte
- City of Hastings
- City of Highland Park (3 systems)
- City of Woodhaven
- Cadillac Housing Commission
- Village of Union City
- Interurban Transit Partnership (2 systems)
- City of New Baltimore

Motion was made to receive the 21 Local Units' Corrective Action Plans.

Motion moved by Barry Howard and supported by Daryl Delabbio, the Board unanimously received the Corrective Action Plans. 3 ayes. 0 nays.

### **APPROVALS AND DISAPPROVALS OF CORRECTIVE ACTION PLANS (RESOLUTION 2018-18)**

Kevin Kubacki and Nick Brousseau were asked to review the 52 Treasury recommendations for approval or disapproval of the Corrective Action Plans (Resolution 2018-18) 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. Kubacki addressed questions from the Board.

- L'Anse (Approved)
- Bay City (Approved)
- Marshall (Denied)
- Dowagiac (Approved)
- Sault Ste. Marie (Approved)
- Crawford County Road Commission (Approved)
- City of Gladstone (Approved)
- City of Iron Mountain (2 systems) (Approved)
- City of Norway (Approved)
- City of Eaton Rapids (2 systems) (Approved)
- Richfield Township (Approved)
- City of Burton (Approved)
- City of Flushing (2 systems) (Approved)
- City of Ironwood (Approved)
- Traverse City Light and Power Authority (Approved)
- City of Lansing (3 systems) (Approved)
- Capital Region Airport Authority (Approved)
- Tawas Police Authority (Approved)
- City of Jackson (Approved)
- Vicksburg District Library (Approved)
- City of Center Line (2 systems) (Approved)
- City of St. Clair Shores (2 systems) (Approved)
- Village of Romeo (Denied)
- State of Michigan 41B District Court (Approved)
- City of Midland (Approved)
- City of Norton Shores (Approved)
- Charter Township of Bloomfield (Denied)
- City of Berkley (Approved)
- City of Clawson (Approved)
- City of Hazel Park (2 systems) (Approved)
- City of Madison Heights (3 systems) (Approved)
- City of Pontiac (Approved)
- Village of Holly (Approved)
- Ogemaw County Road Commission (Approved)
- City of Rogers City (Approved)

- City of Saginaw (2 systems) (Approved)
- City of Marine City (Approved)
- City of Marysville (Approved)
- City of Port Huron (Approved)
- City of Manistique (Approved)
- City of Allen Park (Approved)
- City of Dearborn (Approved)
- City of Gibraltar (Denied)
- City of Grosse Pointe Farms (2 systems) (Approved)
- City of Grosse Pointe Woods (Denied)
- City of Hamtramck (Approved)
- City of Rockwood (Denied)
- City of Romulus (Approved)
- City of Southgate (2 systems) (Approved)
- City of Trenton (Approved)
- City of Westland (2 systems) (Approved)
- Grosse Pointes-Clinton Refuse Disposal Authority (Denied)

Barry Howard had concerns over denying the Charter Township of Bloomfield because they are spending money for consulting to eventually get a plan in place. Mr. Howard felt it should be approved with possible denial during the monitoring period. Due to this, he requested the Charter Township of Bloomfield be removed from the Resolution 2018-18 and discussed separately from the other Treasury recommendations found in Appendix A.

A motion was made to remove the Charter Township of Bloomfield from Appendix A.

Motion moved by Barry Howard and supported by Daryl Delabbio, the Board unanimously approved the removal of the Charter Township of Bloomfield from Appendix A. 3 ayes. 0 nays.

A motion was made to approve the Approvals and Denials of Corrective Action Plans (Resolution 2018-18) after removing the Charter Township of Bloomfield.

Motion made by Barry Howard and supported by Daryl Delabbio, the Board unanimously approved the Approvals and Denials of Corrective Action Plans (Resolution 2018-18) after the removal of the Charter Township of Bloomfield.

A motion was made to discuss the Charter Township of Bloomfield's Corrective Action Plan and Treasury's recommendation of denial.

Motion was moved by Barry Howard and supported by Daryl Delabbio, the Board unanimously approved to discuss the Charter Township of Bloomfield's Corrective Action Plan and Treasury's recommendation of denial. 3 ayes. 0 nays.

The Board discussed the Charter Township of Bloomfield's Corrective Action Plan.

A motion was made to vote to deny the Charter Township of Bloomfield's Corrective Action Plan consistent with Treasury's recommendation.

Motion made by Barry Howard and supported by Daryl Delabbio, the Board denied the Charter Township of Bloomfield's Corrective Action Plan. A voice vote was made with 2 ayes from Eric Scorsone and Daryl Delabbio and 1 nay from Barry Howard.

### **PUBLIC COMMENT**

One Public Comment was received:

- Karl Kramer, the Genesee County Road Commission

### **BOARD COMMENT**

Daryl Delabbio and Barry Howard thanked Mr. Kubacki for his service.

### **NEXT MEETING**

Next regular meeting will be on January 16, 2019 at 10:00am.

### **ADJOURNMENT**

Motion made to adjourn. Motion moved by Daryl Delabbio, supported by Barry Howard, the Board unanimously approved the motion to adjourn. 3 ayes. 0 nays,

There being no further business, the meeting adjourned at 11:14 a.m.



# P.A. 202 of 2017 Status Update from Treasury

As of 1/10/2019

**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	Approved	Disapproved	Split	Pending	Non-Compliant
NON-PRIMARY	109	42 (37%)	18 (43%)	2 (5%)	0 (0%)	22 (52%)	7 (6%)
PRIMARY	106	77 (71%)	46 (60%)	8 (10%)	0 (0%)	23 (30%)	10 (9%)
<b>TOTAL</b>	<b>215</b>	<b>119 (53%)</b>	<b>64 (54%)</b>	<b>10 (8%)</b>	<b>0 (0%)</b>	<b>45 (38%)</b>	<b>17 (8%)</b>

**Table 2: Corrective Action Plan Review Schedule**

PA 202: Corrective Action Plan Review Schedule								
LOCAL UNIT TYPE	Tentative Month of Corrective Action Plan Review							
	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	TOTAL
NON-PRIMARY	8	16	8	3	37	8	4	86
PRIMARY	13	10	6	0	9	8	0	44
<b>TOTAL</b>	<b>21</b>	<b>26</b>	<b>14</b>	<b>3</b>	<b>46</b>	<b>16</b>	<b>4</b>	<b>130</b>

**12/19/2019 Treasury Recommendation Update:** Grosse Pointes Clinton Refuse Authority

**Proposed Bylaw Amendment (Resolution 2019-1) and Approval/Disapproval Procedure Update:**

- Resolution 2019-1 amends bylaws for the Municipal Stability Board (the Board) to simplify the procedure for a board member to remove a community from the Appendix A list of CAPs to be approved or disapproved to allow for further discussion.
- The amended bylaws would allow any member of the Board to remove a corrective action plan (CAP) from a resolution of multiple CAP determinations to be individually voted upon without a motion. This would be used if a board member would like to separately consider a CAP(s) from Appendix A for a more detailed discussion or if the board member disagrees with Treasury’s recommendation.
- If a board member takes this action, and after all board members have removed any CAP(s) for individual consideration, the board will then vote on the “Resolution to Approve Appendix A as Amended”.
- The chair would then request that the Board discuss each CAP that was removed from the Appendix.
- The chair would then motion for a resolution to either approve or disapprove the specific CAP that was removed from the Appendix, according to the original Treasury recommendation. If more than one CAP is removed, there would need to be a specific motion and resolution for each removed CAP to be individually voted upon.
  - For simplicity, we recommend that the motion for resolution is phrased as either an approval (or disapproval) “of the Corrective Action plan of [insert local unit] consistent with Treasury’s recommendation.”

**Example:**

Board Member A disagrees with Treasury’s recommendation to disapprove the CAP of Community X. Board Member A states that he would like to remove Community X from Appendix A to be discussed and voted upon individually. After approval of the amended resolution, the MSB Chair then asks for a motion to disapprove the CAP of Community X, consistent with Treasury’s recommendation.

**MUNICIPAL STABILITY BOARD  
RESOLUTION 2019-XX**

**APPROVAL OF THE \_\_\_\_\_  
CORRECTIVE ACTION PLAN**

**WHEREAS**, the Michigan legislature passed the Protecting Local Government Retirement and Benefits Act, MCL 38.2801 et. seq., 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 2018-10, the Board adopted the Corrective Action Plans Best Practices and Strategies (the “Best Practices”) and Corrective Action Plans Approval Criteria (the “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 [\_\_\_\_\_]’s (the “Municipality”) Corrective Action Plan;

**WHEREAS**, Treasury and the Board have reviewed the Municipality’s Corrective Action Plan pursuant to the Best Practices and Approval Criteria; and

**WHEREAS**, Treasury has provided a recommendation to the Board for the Municipality’s Corrective Action Plan.

**NOW THEREFORE, BE IT RESOLVED**, the Board determines that the Municipality’s Corrective Action Plan sufficiently meets the Best Practices and the Approval Criteria;

**BE IT FURTHER RESOLVED**, the Board approves the Municipality’s Corrective Action Plan; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan

[\_\_\_\_\_]

**MUNICIPAL STABILITY BOARD  
RESOLUTION 2019-XX**

**DISAPPROVAL OF THE \_\_\_\_\_  
CORRECTIVE ACTION PLAN**

**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 2018-10, the Board adopted the Corrective Action Plans Best Practices and Strategies (the “Best Practices”) and Corrective Action Plans Approval Criteria (the “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 [\_\_\_\_\_]’s (the “Municipality”) Corrective Action Plan;

**WHEREAS**, Treasury and the Board have reviewed the Municipality’s Corrective Action Plan pursuant to the Best Practices and Approval Criteria; and

**WHEREAS**, Treasury has provided a recommendation to the Board for the Municipality’s Corrective Action Plan.

**NOW THEREFORE, BE IT RESOLVED**, the Board determines that the Municipality’s Corrective Action Plan has failed to sufficiently meet the Best Practices and the Approval Criteria;

**BE IT FURTHER RESOLVED**, the Board denies the Municipality’s Corrective Action Plan;

**BE IT FURTHER RESOLVED**, that Treasury is directed to provide to the Municipality notification of the Board’s detailed reasons for the disapproval of the 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**, the Municipality shall be deemed in noncompliance with the Act if it fails to resubmit a Corrective Action Plan materially addressing the reasons for disapproval within sixty days of the Disapproval Letter as required by MCL 38.2810(4).

Ayes:

Nays:

Recused:

Lansing, Michigan

[\_\_\_\_\_]

DRAFT



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

**DATE:** January 16, 2019  
**TO:** The Municipal Stability Board (the Board)  
**FROM:** Department of Treasury, Community Engagement and Finance Division  
**SUBJECT:** Flint Charter Township: Withdrawal Request for corrective action plan (CAP)

The Board officially received the CAP for the Flint Charter Township at their December 2018 meeting. Flint Charter Township has asked the Municipal Stability Board (the Board) to remove from consideration its CAP, so the township can provide additional supplemental information to the Board. Flint Charter Township's CAP is due March 29, 2019.

**Suggested action:** No action is required. Treasury did not include the Flint Charter Township from Resolution 2019-2.

**From:** bethtakacs  
**To:** [LocalRetirementReporting](#)  
**Cc:** [kmiller](#)  
**Subject:** Flint Charter Township MSB Withdraw Request  
**Date:** Monday, January 7, 2019 4:24:05 PM

---

The Flint Charter Township is requesting that the Municipal Stability Board (the Board) delay action on our corrective action plan until we submit supplemental information by March 30, 2019. As a result of providing additional information, we request the MSB vote to approve or deny our corrective action plan the following month.

Sincerely,

Beth Takacs, Controller  
Flint Charter Township  
1490 S Dye Road  
Flint, MI 48532  
Direct Line: 810-600-3231  
Fax: 810-600-3244  
email: [bethtakacs@flinttownship.org](mailto:bethtakacs@flinttownship.org)

**MUNICIPAL STABILITY BOARD  
FOR  
THE STATE OF MICHIGAN**

**Amended and Restated Bylaws**

**ARTICLE I**

**Adoption of Bylaws**

The Municipal Stability Board for the State of Michigan (the "Board") adopts these Bylaws to govern its organization and operations pursuant to the Protecting Local Government Retirement and Benefits Act, Act No. 202, Michigan Public Acts of 2017 (the "Act").

**ARTICLE II**

**Members - Term of Office**

The members of the Board, their terms of office, and the method of selecting the members shall be as set forth in Sections 7(2) and (4) of the Act. Appointed members of the Board shall serve their term unless removed for cause or a member submits their resignation. A vacancy on the Board occurring other than by expiration of a term shall be filled by the Governor of the State of Michigan in the same manner as the original appointment for the balance of the unexpired term. Each member of the Board shall take and subscribe to the constitutional oath of office under Section 1 of Article XI of the Constitution of Michigan of 1963. The oath shall be filed with the Secretary of State of the State of Michigan.

**ARTICLE III**

**Officers and Employees**

Section 1. Officers. The officers of the Board shall be the Chairperson and other officers as may be designated by Board resolution.

Section 2. Chairperson. The member of the Board appointed under subsection (2)(a) of the Act shall be the Chairperson of the Board. The Chairperson shall preside at all meetings of the Board.

Section 3. Vice-Chairperson. The Chairperson may select a Vice-Chairperson who shall serve at the pleasure of the Chairperson. The Vice-Chairperson shall preside at all meetings of the Board upon request of the Chairperson, including in the absence of the Chairperson. The Vice-Chairperson shall have the other duties and responsibilities as delegated by the Chairperson and as permitted by law.

Section 4. Board Officer Vacancies. Should the office of Vice-Chairperson become vacant and the Board desires to appoint a replacement, the Board shall select a successor from its membership.

Section 5. Retention of Professionals. The Board may contract for professional services, as it requires, and shall determine the qualifications it considers necessary. "Professional services" means services that require a high degree of intellectual skill, an advanced degree, or professional licensing or certification. Those providing the professional services are distinguished based on their specialized knowledge, experience, and expertise. Professional services include, but are not limited to, accounting, actuarial, appraisal, auditing, investment advisor, and legal services. Any use of or contract for legal services requires prior approval by the Department of Attorney General.

Section 6. Budgeting, Procurement, Personnel, and Related Management Functions. Except as otherwise provided in the Act, the Board shall exercise its powers, duties, functions, and responsibilities under the Act independently of the State Treasurer. The budgeting, procurement, personnel, and related management functions of the Board shall be performed under the direction and supervision of the State Treasurer.

Section 7. Compensation. Members of the Board shall serve without compensation for their service on the Board, but may receive reasonable reimbursement for necessary travel and expenses incurred in the discharge of their official duties.

## ARTICLE IV

### Meetings

Section 1. Regular and Special Meetings. Regular Meetings of the Board shall be held no less than quarterly at the times and places determined by the Chairperson. Special Meetings of the Board shall be held at such times and such places as may be determined by the Board at any Regular or Special Meeting, or at any other times and places as determined by the Chairperson. The call for a Regular Meeting, specifying the time and place of the meeting and the suggested agenda shall be delivered in person, mailed, faxed, or emailed to each member of the Board prior to the date of such meeting. The call for a Special Meeting specifying the time and place for such meeting may be emailed (confirmation required) or given by telephone to the business or home address or cell phone of each member of the Board not less than 18 hours before the time of the meeting. Notice, posting and other procedures for the call of Regular or Special Meetings shall always be performed in accordance with the Open Meetings Act, Act No. 267, Michigan Public Acts of 1976 (the "Open Meetings Act").

Section 2. Quorum. A majority of the members of the Board shall constitute a quorum of the Board for the transaction of business at a meeting, or the exercise of a power or function of the Board.

Section 3. Action by the Board. The Board shall only take the actions approved by a resolution or motion of the Board which had a concurring vote of a majority of the members of the Board.

Section 4. Policies and Procedures. The Board may establish rules and procedures by resolution which govern the meetings and the members of the Board, provided such rules and procedures comply with the Act and the Open Meetings Act.

~~Section 4.~~ Section 5. Resolutions Involving Multiple Municipalities—Resolutions. Any member of the Board may unilaterally remove any municipality from resolutions involving multiple municipalities prior to voting on such resolution. This removal does not require a second or a vote by the Board. All removed municipalities shall be considered by separate individual resolutions at the same meeting.

~~Section 5.~~ Section 6. Manner of Voting. The voting on a resolution shall be by a roll call vote. The voting on all other questions at a meeting of the Board shall be by a voice vote, unless a member requests a roll call. In the case of either a roll call vote or a voice vote, the individual yeas and nays shall be entered in the minutes of that meeting.

~~Section 6.~~ Section 7. Public Meetings. All meetings of the Board shall be held in compliance with the Open Meetings Act.



~~Section 7,~~Section 8. Minutes. Minutes of all the Board meetings, including all votes, shall be kept on file in the Department of Treasury. Proposed minutes for a Board meeting shall be prepared within eight business days of the meeting. The minutes shall be corrected and approved at the succeeding meeting. If corrected, the minutes shall show both the original entry and the correction. The minutes for each meeting of the Board shall be open and available to the public in compliance with the Open Meetings Act and the Freedom of Information Act, Act No. 442, Michigan Public Acts of 1976.

~~Section 8,~~Section 9. Resolutions and Effective Date. All resolutions shall be in writing and shall be kept on file in the Department of Treasury. Resolutions shall become effective on the day of passage, upon adjournment of the meeting, unless otherwise stated in the resolution.

## ARTICLE V

### Liability of Members, Officers, and Employees

To the greatest extent authorized by law, no provision of these bylaws or any agreement or policy approved by the Board, shall be construed to waive the governmental immunity afforded to the Board under law. The Board, its agents and representatives, retain all governmental and official immunities conferred by law.

## ARTICLE VI

### Miscellaneous Provisions

Section 1. Fiscal Year. The fiscal year of the Board shall extend from October 1 of each calendar year to the ensuing September 30 of the following calendar year, unless the State's fiscal year changes, and then in that case, the Board's fiscal year shall be the same as the State's fiscal year.

Section 2. Execution of Documents. The Board may authorize by resolution the execution of documents or certificates on behalf of the Board by the members of the Board and other authorized officers of the Board as it considers appropriate.

Section 3. Conflict of Interest. Members of the Board and contractors or agents of the Board shall be subject to the provisions of Act No. 317, Michigan Public Acts of 1968 and Act No. 318, Michigan Public Acts of 1968.

Section 4. Conflict with the Act. To the extent that there is any conflict between these Bylaws and the Act or the underlying statutes, the Act and the underlying statutes shall control.

Section 5. Ethical Duties. Members of the Board and contractors or agents of the Board shall be subject to the provisions of the State Ethics Act, Act No. 196, Michigan Public Acts of 1973.

## ARTICLE VII

### Amendment and Suspension of Bylaws

Section 1. Amendment. These Bylaws may be amended by resolution adopted by the affirmative vote of a majority of the members. Advance notice of motions to amend the Bylaws need not be given.

Section 2. Suspension. Any and all of the provisions of the Bylaws, except those required by state law, may be suspended by the affirmative vote of a majority of the members.

Adopted: \_\_/\_\_/18

DRAFT



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

**DATE:** January 16, 2019  
**TO:** The Municipal Stability Board (the Board)  
**FROM:** Community Engagement and Finance Division, Department of Treasury  
**SUBJECT:** Corrective Action Plan Extension Requests

**Suggested Action:** The Board motions to approve the following corrective action plan extension requests, extending the 180-day deadline by up to an additional 45 days.

- I. Monroe County Road Commission
  - a. [OPEB: Monroe County Road Commission Retire Health Care Plan](#)

**Per Section 10(1) of Public Act 202 of 2017:** 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.



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

**DATE:** January 16, 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. Michigan Works! Region B Consortium
  - a. OPEB: Retirement Health Care
2. City of Benton Harbor
  - a. Pension: Municipal Employee's Retirement System of Michigan – MERS
3. City of Battle Creek
  - a. Pension: Municipal Employees' Retirement System of Michigan
4. Wayne County Airport Authority
  - a. OPEB: Wayne County Airport Authority Retirement Health Benefit System
5. City of Riverview
  - a. OPEB: City of Riverview Retiree Health Care Benefits
6. Saginaw City Housing Commission
  - a. Pension: Municipal Employee's Retirement System of Michigan
  - b. OPEB: Saginaw Housing Commission Retirement Benefits Self-funded
7. Otsego County Road Commission
  - a. Pension: MERS
  - b. OPEB: Otsego County Road Commission
8. City of Mount Clemens
  - a. OPEB: City of Mount Clemens Retiree Health Care Trust

9. Saline Area Fire Department
  - a. OPEB: Corrective Action Plan – 2017
  
10. Community Mental Health Authority of Clinton, Eaton, Ingham Counties
  - a. Pension: Clinton Eaton Ingham CMH
  
11. City of Essexville
  - a. OPEB: Essexville Retiree Health Care Benefits
  
12. City of Dearborn Heights
  - a. OPEB: Dearborn Heights Retiree Health Plan
  
13. West Iron County Sewer Authority
  - a. Pension: MERS
  
14. Eastern Upper Peninsula Transportation Authority
  - a. Pension: Municipal Employees' Retirement System
  
15. Marquette County Road Commission
  - a. Pension: MERS Pension Plan
  - b. OPEB: Retiree Health Plan
  
16. City of Taylor
  - a. Pension: General Government Employees' Retirement System
  - b. Pension: Police and Fire Retirement System
  - c. OPEB: Taylor OPEB System
  
17. Presque Isle County Road Commission
  - a. Pension: Municipal Employees Retirement System
  
18. City of Montrose
  - a. OPEB: Union
  - b. OPEB: Non-Union
  
19. City of Crystal Falls
  - a. OPEB: City of Crystal Falls OPEB
  
20. Bloomfield Township Public Library
  - a. OPEB: Bloomfield Township Other Post-Employment Benefits Program

21. Ottawa County Road Commission
  - a. OPEB: Retiree Healthcare Benefit Plan
  
22. Montcalm County Road Commission
  - a. Pension: Montcalm County Road Commission - MERS
  - b. OPEB: Montcalm County Road Commission Retiree Health Insurance
  
23. Lansing City Housing Commission
  - a. OPEB: None
  
24. Capital Area Transportation Authority
  - a. OPEB: Retiree Healthcare Benefit Plan
  
25. City of Center Line
  - a. Pension: MERS – City of Center Line
  - b. OPEB: OPEB Trust retiree Healthcare plan
  
26. Jackson District Library
  - a. OPEB: Jackson District Library Retiree Medical Plan
  
27. Ontonagon County Road Commission
  - a. Pension: MERS

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

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

Issued under authority of Public Act 202 of 2017.

### I. MUNICIPALITY INFORMATION

Local Unit Name: Region 7B Consortium Six-Digit Muni Code: \_\_\_\_\_  
Retirement Health Benefit System Name: Retirement Health Care  
Contact Name (Administrative Officer): Mark L. Berdan  
Title if not Administrative Officer: Executive Director  
Email: mberdan@michworks4u.org Telephone: (989) 539-2173

### 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](mailto: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 governing board comprised of Local Elected Officials, voted on June 15, 2018 to allow a one time payment to the only retiree who was receiving retirement health benefits. This would eliminate the future liability. No other employees are eligible for such benefits in the future. The amount of the payout was \$15,000. The check was dated June 20, 2018 and the check number was 17854. A copy of the check and Board minutes is included.

- 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) Region 7B Consortium to make, at a minimum, the retiree premium payment, as well as the normal cost payments for all new hires (if applicable), for the retirement health benefit system according to your long-term budget forecast?

Yes

No

If No, Explain The payment has already been made.

## 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 ( <a href="#">see CAP criteria issued by the Board</a> )?  |
| <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, Mark L. Berdan, 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 Retirement Health Care (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2018 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 11/30/18

# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

#### 1. MUNICIPALITY INFORMATION

Local Unit Name: CITY OF BENTON HARBOR Six-Digit Muni Code: 112010  
Defined Benefit Pension System Name: MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM OF MICHIGAN-MERS  
Contact Name (Administrative Officer): DARWIN WATSON  
Title if not Administrative Officer: CITY MANAGER  
Email: dwatson@cityofbentonharbormi.gov Telephone Number: (269) 927-8457

#### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

### Category of Prior Actions:

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

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

1. City administered pension plan closed and Municipal Employee's Retirement System of Michigan (MERS) appointed as administrator July 31, 2013. 2. Defined Benefit plan closed and hybrid plan offered to all new hires after April 1, 2013. 3. Reduced multiplier. 4. Changed Final Average Compensation calculation to remove OT, Holiday, Vacation and Sick pay. Detail statements and proof of change included in Attachments 6 a-h.

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

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

1. Increase in Employer contributions  
2. Increase in Employee contributions

Detail statements and proof of change include on Attachments 4 a-e.

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

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

Enterprise Fund employees in pension plan-IMPACT: Including the Enterprise Fund revenue in the revenue ratio would reduce the ratio from 13.8% to 9.8% PROOF: 21% of the City's retirement liabilities are attributable to employees within the Enterprise fund. By including the Enterprise operating revenue of \$3,288,603 (attachment 7a) with the governmental fund revenue of \$8,078,323 would increase the revenue in the calculation to \$11,366,926 resulting in a revenue ratio of \$1,115,747 divided by \$11,366,926 or 9.8%. Also see closing statement from the City (attachment 7b)

## 4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

**Category of Prospective Actions:**

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

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

Major system design changes have already been implemented - see attachment 7b.

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

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

The City of Benton Harbor will contribute a minimum of an additional 10% annually over the amount computed as the actuarially determined contribution (ADC) of the system.

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

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

Major system design changes have already been implemented - see attachment 7b.

**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 Benton Harbor to make, at a minimum, the annual required contribution payment for the defined benefit pension system according to your long-term budget forecast?

**Yes**

**No**

**If No, Explain:**



**6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN**

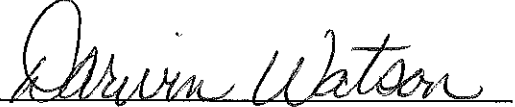
Documentation should be attached as a .pdf to this Corrective Action Plan. The documentation should detail the corrective action plan that would be implemented to adequately address the local unit of government's underfunded status. Please check all documents that are included as part of this plan and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

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

Naming Convention	Type of Document
<input checked="" type="checkbox"/> Attachment – 1	<b>This Corrective Action Plan Form (Required)</b>
<input checked="" type="checkbox"/> Attachment – 1a	<b>Documentation from the governing body approving this Corrective Action Plan (Required)</b>
<input type="checkbox"/> Attachment – 2a	Actuarial Analysis (annual valuation, supplemental valuation, projection)
<input type="checkbox"/> Attachment – 3a	Internally Developed Projection Study
<input checked="" type="checkbox"/> Attachment – 4a - e	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 checked="" type="checkbox"/> Attachment – 6a - h	A separate corrective action plan that the local unit has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio
<input checked="" type="checkbox"/> Attachment – 7a - b	Other documentation, not categorized above

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

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

Signature 

Date 12/18/2018

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

Issued under authority of Public Act 202 of 2017.

### I. MUNICIPALITY INFORMATION

Local Unit Name: City of Battle Creek Six-Digit Muni Code: 132020  
Defined Benefit Pension System Name: Municipal Employees' Retirement System of Michigan  
Contact Name (Administrative Officer): Rebecca L. Fleury  
Title if not Administrative Officer: City Manager  
Email: rfleury@battlecreekmi.gov Telephone: (269) 966-3378

### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

All divisions with the exception of the general non-union and Commission appointed were changed to a lower tier of benefits (from 2.5 to 1.5 multiplier or to a Hybrid plan) for new hires in 2010, 2011 and 2012 (see attached 12/31/17 MERS Actuarial Valuation Table 2 - Attachment 6a). The general non-union division eliminated the inclusion of vacation payout upon retirement in final average compensation in 2010.(continued-Attachment 6b-Item 1)

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

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

The City of Battle Creek created a surplus division at MERS and funded it with a lump sum contribution of \$289,601.89 in December 2017. This payment was in addition to the actuarially determined contribution (ADC). In November 2018 the City made an additional contribution of \$103,531.43 in addition to the actuarially determined contribution (ADC). Prior year contributions are shown on Table 5 from the 12/31/17 MERS valuation(attachment 3a).

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

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

The City of Battle Creek has enterprise funds with MERS pension liabilities of \$24.7 million recorded. Inclusion of the enterprise fund revenues in the calculation for determination of underfunded status would have resulted in the ADC/Revenues percentage of 9.7%. This result would have shown the MERS plan did not meet the criteria of underfunded.

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

Increases in employee contributions over a 5 year period have been targeted. Subject to the negotiation process, these targets will be considered as the City begins the negotiation process with 4 bargaining units that have contracts expiring 6/30/19. Non-bargained units (non union and Commission appointed) will implement the increases effective 7/1/19. See the attached Estimated Projected ....Funded Ratios from MERS dated 11/30/18 (attachment 6b - item 2).

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

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

Effective 7/1/19 the City will provide additional annual employer contributions as shown on the attached Estimated Projected Employer Contributions and Funded Ratios schedule prepared by MERS dated 11/30/18. These additional employer contributions are the result of targeted increases in employee contributions with no corresponding decrease in the employer contribution. This ballpark estimated actuarial projection shows the 60% funded ratio at 6/30/20.

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

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

The City of Battle Creek convened a Legacy Cost Committee in September 2015. This committee has been tasked with recommending creative solutions for employee retirement benefits that will reduce liabilities in the long run, recommending best practices in regards to pension, and maintaining a benefit package that will (continued-6b item 3)

## 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 Battle Creek to make, at a minimum, the annual required contribution payment for the defined benefit pension system according to your long-term budget forecast?

- Yes  
 No  
If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

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

### Type of Document

- This Corrective Action Plan Form (Required)**
- Documentation from the governing body approving this Corrective Action Plan (Required)**
- An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 60% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 10% of governmental fund revenues, as defined by the Act. (Required)**
- Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).
- Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)
- A separate corrective action plan that the local unit has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio
- Other documentation not categorized above

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria	Description
<input checked="" type="checkbox"/> Underfunded Status	Is there a description and adequate supporting documentation of how and when the retirement system will reach the 60% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all pension systems will be less than 10 percent of governmental fund revenues?
<input checked="" type="checkbox"/> Reasonable Timeframe	Do the corrective actions address the underfunded status in a reasonable timeframe ( <u>see CAP criteria issued by the Board</u> )?
<input checked="" type="checkbox"/> Legal and Feasible	Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?
<input checked="" type="checkbox"/> Affordability	Do the corrective action(s) listed allow the local unit to make the annual required contribution payment for the pension system now and into the future without additional changes to this corrective action plan?

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

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

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

The Municipal Employees' Retirement System (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% 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 defined benefit pension retirement systems of \_\_\_\_\_ (**Insert local unit name**) will be less than 10% of the local unit of government's annual governmental fund revenues by Fiscal Year \_\_\_\_\_ as demonstrated by required supporting documentation listed in section 6.

Signature

Rebecca L. Fleury

Date

12/19/18

# 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: Wayne County Airport Authority Six-Digit Muni Code: 827585  
Retirement Health Benefit System Name: Wayne County Airport Authority Retirement Health Benefit System  
Contact Name (Administrative Officer): Chad Newton  
Title if not Administrative Officer: Chief Executive Officer  
Email: Chad.Newton@wcaa.us Telephone: (734) 942-5367

#### 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](mailto: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**.*

The Wayne County Airport Authority will continue to make contributions to the Wayne County Airport Authority Retirement Health Benefit System (System) which meet or exceed annual recommended contributions as reported in the System's actuarial valuation. In addition, it is noted that the System valuation prepared as of September 30, 2017 shows that the funded ratio has improved to 46.3%. The September 30, 2017 valuation has been attached.

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) Wayne County Airport 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

## 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  | <b>This Corrective Action Plan (Required)</b>   |
| <input checked="" type="checkbox"/> Attachment – 1a | <b>Documentation from the governing body approving this Corrective Action Plan (Required)</b>   |
| <input checked="" type="checkbox"/> Attachment – 2a | <b>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)</b> |
| <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**

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?

Reasonable Timeframe

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

Legal and Feasible

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

Affordability

Do the corrective action(s) listed allow the local unit to make the 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**

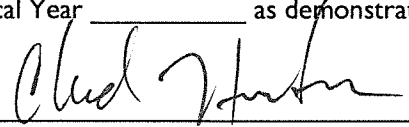
I, Chad Newton, as the government's administrative officer (insert title Chief Executive Officer (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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

The WCAA Retirement Health Benefit System (**Insert Retirement Healthcare System Name**) will achieve a funded status of at least 40% by Fiscal Year 2018 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 12/18/18

APPROVED AS TO FORM:

BY:   
GENERAL COUNSEL

# 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 Riverview Six-Digit Muni Code: 822240  
Retirement Health Benefit System Name: City of Riverview Retiree Health Care Benefits  
Contact Name (Administrative Officer): Douglas W. Drysdale  
Title if not Administrative Officer: City Manager  
Email: ddrysdale@cityofriverview.com Telephone Number: (734) 281-7402

## 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](mailto: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.**

- City of Riverview retirees get taken off City Blue Cross Blue Shield plans, once they turn 65 years old, and are moved to a Medicare plan with a Humana supplement. This saves the City, on average, \$17,658.72 per person per year.
- As of December of 2016 the retiree health care system has been closed to all new City employees.
- Retiree Health Savings Plans have been created and are utilized for all employees not eligible for retiree health benefits, across all government units.

- 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 of Riverview has established an Other Post-Employment Benefits Trust Agreement to receive, invest, and accumulate assets for retirement healthcare.
- City Administration, along with the two most recently negotiated union contracts, require eligible employees to contribute a portion of wages for other post employment benefit expenses.

- 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 City of Riverview has kept current on a "pay as you go" method.

#### 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 City of Riverview plans to continue negotiating language that changes the age at which an employee can start receiving retired medical benefits, from 55 to 60, into all collectively bargained contracts.

- 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 Riverview plans to continue negotiating language that requires, all eligible employees to contribute a portion of their wages for other post employment benefit expenses, into all collectively bargained contracts.

-The City of Riverview will make a one-time deposit of \$200,000.00 into the Other Post-Employment Benefits Trust in fiscal year 2018/19 and will continue to budget a \$2,000.00 contribution per eligible employee, per year, in all future annual budgets.

- 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 Riverview 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	<b>This Corrective Action Plan (Required)</b>
<input checked="" type="checkbox"/> Attachment – 1a	<b>Documentation from the governing body approving this Corrective Action Plan (Required)</b>
<input type="checkbox"/> Attachment – 2a	Actuarial Analysis (annual valuation, supplemental valuation, projection)
<input type="checkbox"/> Attachment – 3a	Internally Developed Projection Study
<input type="checkbox"/> Attachment – 4a	Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).
<input type="checkbox"/> Attachment – 5a	Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)
<input type="checkbox"/> Attachment – 6a	A separate corrective action plan that the local unit has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio
<input type="checkbox"/> Attachment – 7a	Other documentation, not categorized above

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

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

Signature  Date 12-18-2018

# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

#### 1. MUNICIPALITY INFORMATION

Local Unit Name: Saginaw Housing Commission Six-Digit Muni Code: 732101  
Defined Benefit Pension System Name: Municipal Employee's Retirement System of Michigan  
Contact Name (Administrative Officer): Lesley Foxx  
Title if not Administrative Officer: Executive Director  
Email: lfoxx@saginawhousing.org Telephone: (989) 755-8183

#### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

Closed DB plan to eligible employees enrolled after 4/28/06. Opened a Hybrid system to eligible employees and new hires beginning July 1, 2014 with a lower tier benefits such as 1% multiplier and normal retirement age of 60 years old.

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

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

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

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

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

The Saginaw Housing Commission will make additional payments to fund the pension in phases throughout the year. As assessment will be done quarterly/semi-annually to determine how much the housing authority can additionally fund based on the cash flow and financial health of the housing authority. After this assessment is completed, a payment will be made. The agency's goal is to be 60% funded within 5 years. The first payment of \$75,000 will be made in December 2018.

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

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

The actuarial valuation for 2017 shows the funding ratio will reach 60% in approximately 2036. If the Saginaw Housing Commission can make three additional payments of \$150,000 for this fiscal year and the two thereafter, the funding ratio will reach 61% by 2021 and 100% funded by 2037 - see estimated projected employer funded ratios.

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

- Yes**  
 **No**  
**If No, Explain**

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

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

### Type of Document

**This Corrective Action Plan Form (Required)**

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

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

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

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

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

Other documentation not categorized above

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria	Description
<input checked="" type="checkbox"/> Underfunded Status	Is there a description and adequate supporting documentation of how and when the retirement system will reach the 60% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all pension systems will be less than 10 percent of governmental fund revenues?
<input checked="" type="checkbox"/> Reasonable Timeframe	Do the corrective actions address the underfunded status in a reasonable timeframe ( <a href="#">see CAP criteria issued by the Board</a> )?
<input checked="" type="checkbox"/> Legal and Feasible	Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?
<input checked="" type="checkbox"/> Affordability	Do the corrective action(s) listed allow the local unit to make the annual required contribution payment for the pension system now and into the future without additional changes to this corrective action plan?

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

I Lesley Foxx, as the government's administrative officer (*enter 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 Saginaw Housing Commission (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2023 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature \_\_\_\_\_ Date \_\_\_\_\_



# 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: Saginaw Housing Commission Six-Digit Muni Code: \_\_\_\_\_  
Retirement Health Benefit System Name: Saginaw Housing Commission Retirement Benefits Self-funded  
Contact Name (Administrative Officer): Lesley Foxx  
Title if not Administrative Officer: Executive Director  
Email: lfoxx@saginawhousing.org Telephone: (989) 755-8183

#### 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](mailto: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**.*

Retiree healthcare or life insurance is not eligible for employees hired after July 1, 2007 or enter the AFSCME union after January 1, 2008. Retiree healthcare or life insurance is not eligible for employees hired after July 1, 2007 or enter the SEIU union after July 1, 2012. Retiree healthcare for union employees is subject to healthcare caps beginning July 1, 2014. A spouse must be added to plan five years prior to retirement to be eligible for coverage.

- 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**.*

According to the last OPEB report for June 30, 2018, we have 101% of the cost contributed.

**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 Saginaw Housing Commission will create a qualified trust to receive, invest, and accumulate assets for retirement healthcare by June 30, 2019. Beginning in fiscal year ending 2020, the agency will begin to fund based on the cash flow and financial health of the housing authority. The agency will become 40% funded by 2049.

**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 Saginaw Housing Commission will review the new actuarial report for other considerations when received. The letter of engagement was accepted July 31, 2018.

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No

If No, Explain

## 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 ( <a href="#">see CAP criteria issued by the Board</a> )?
<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, Lesley Foxx, 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 SHC Retiree Healthcare Plan (**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 \_\_\_\_\_

Date \_\_\_\_\_

# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

#### 1. MUNICIPALITY INFORMATION

Local Unit Name: Otsego County Road Commission Six-Digit Muni Code: 690100

Defined Benefit Pension System Name: MERS

Contact Name (Administrative Officer): Rebecca Jerry

Title if not Administrative Officer: Finance Director

Email: jerryr@ocrc-mi.org

Telephone: (989) 732-5202

#### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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



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

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

**Category of Prior Actions:**

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

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

See attached.

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

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

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 **62%** as indicated on page 13.*

See attached.

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

See attached.

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

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

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

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

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No

If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

Attachment – 1

**This Corrective Action Plan Form (Required)**

Attachment – 1a

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

Attachment – 2a

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

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment –6a

Other documentation not categorized above

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria	Description
<input checked="" type="checkbox"/> Underfunded Status	Is there a description and adequate supporting documentation of how and when the retirement system will reach the 60% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all pension systems will be less than 10 percent of governmental fund revenues?
<input checked="" type="checkbox"/> Reasonable Timeframe	Do the corrective actions address the underfunded status in a reasonable timeframe ( <u>see CAP criteria issued by the Board</u> )?
<input checked="" type="checkbox"/> Legal and Feasible	Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?
<input checked="" type="checkbox"/> Affordability	Do the corrective action(s) listed allow the local unit to make the annual required contribution payment for the pension system now and into the future without additional changes to this corrective action plan?

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

I Jason Melancon, as the government's administrative officer (*enter title*) 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 Mers (Insert Retirement Pension System Name) will achieve a funded status of at least 60% 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 defined benefit pension retirement systems of \_\_\_\_\_ (Insert local unit name) will be less than 10% of the local unit of government's annual governmental fund revenues by Fiscal Year \_\_\_\_\_ as demonstrated by required supporting documentation listed in section 6.

Signature \_\_\_\_\_

Date December 20, 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: Otsego County Road Commission Six-Digit Muni Code: 690100

Retirement Health Benefit System Name: Otsego County Road Commission

Contact Name (Administrative Officer): Finance Director

Title if not Administrative Officer: Finance Director

Email: jerryr@ocrc-mi.org Telephone: (989) 732-5202

#### 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](mailto: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 attached.

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

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

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.*

See attached.

**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**.*

See attached.

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

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

See attached.

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

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

See attached.



**5. CONFIRMATION OF FUNDING**

Please check the applicable answer:

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

- Yes
  - No
- If No, Explain

**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	<b>This Corrective Action Plan (Required)</b>
<input checked="" type="checkbox"/> Attachment – 1a	<b>Documentation from the governing body approving this Corrective Action Plan (Required)</b>
<input checked="" type="checkbox"/> Attachment – 2a	<b>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)</b>
<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 ( <u>see CAP criteria issued by the Board</u> )?
<input checked="" type="checkbox"/> Legal and Feasible	Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?
<input type="checkbox"/> Affordability	Do the corrective action(s) listed allow the local unit to make the retiree healthcare premium payment, as well as normal cost payment for new hires now and into the future without additional changes to this corrective action plan?

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

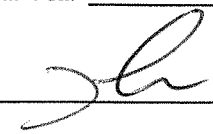
I, Jason Melnacon, as the government's administrative officer (insert title) Manager (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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

The Otsego County Road Commission (**Insert Retirement Healthcare System Name**) will achieve a funded status of at least 40% by Fiscal Year 2022 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 December 20, 2018

## 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 Mount Clemens Six-Digit Muni Code: 502050

Retirement Health Benefit System Name: City of Mount Clemens Retiree Health Care Trust

Contact Name (Administrative Officer): Linda A. Kunath

Title if not Administrative Officer: Finance Director/Treasurer

Email: LKunath@cityofmountclemens.com Telephone: (586) 469-6838

### 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](mailto: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**.*

Retired membership mirrors current collective bargaining agreement (CBA) until Medicare eligible, then covered by Medicare Advantage plan. Employees hired on or after 09/06/2016, with 20 years or more of service, are eligible for Health Reimbursement Arrangement (HRA) per CBA between City and Government Employees Labor Council bargaining units for Clerical, Crew Leader, and DPW employees, which reduced OPEB liability; Attachment-6a GASB.

- 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 of Mount Clemens created a Retiree Health Care Trust (HCT) to receive, invest, and accumulate assets for retiree healthcare on 05/01/2017. Mount Clemens adopted a policy to continue Pay-Go funding retiree benefits plus committed to contribute \$50,000 FY 2019, \$500,000 FY 2020, \$500,000 FY 2021, and \$180,000 FY 2022 until FY 2045, Attachment-1a, City Commission approval. The additional contributions will increase the retirement system's funded ratio to 40% within 30 years, Attachment-2a, Actuary Analysis-GRS, Alternate 1, page 3.

- 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 from the audit used actuarial data from 2015. The 2018 actuarial valuation records the City's Net OPEB Liability has decreased, by \$1,246,687, to Total OPEB Liability of \$51,739,737, Attachment-6a, GASB 74-75, page 1 of Executive Summary.

**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 City of Mount Clemens will seek to align health care benefit levels for retired membership with each class of active employees. New hires after 06/30/2016, in 3 of 4 applicable CBA, permit only HRA upon retirement. Contract negotiations with International Association of Firefighters will seek to revise CBA to match other labor agreements' language for new hires to be eligible for only HRA upon retirement.

- 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.*

City of Mount Clemens' elected body adopted additional funding for OPEB obligations, Attachment-1a, based upon actuarial valuated projection options, Attachment-2a, and future funding analysis, Attachment-6b. Mount Clemens will continue Pay-Go plus contribute \$50,000 FY 2019, \$500,000 FY 2020, \$500,000 FY 2021, and \$180,000 FY 2022 until FY 2045. Additional contributions will increase funded ratio to 40% within 30 years, Attachment-2a.

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

**Sample Statement:** *Beginning in **fiscal year 2019**, the local unit will begin amortizing the unfunded portion of the 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 Mount Clemens 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  | <b>This Corrective Action Plan (Required)</b>   |
| <input checked="" type="checkbox"/> Attachment – 1a | <b>Documentation from the governing body approving this Corrective Action Plan (Required)</b>   |
| <input checked="" type="checkbox"/> Attachment – 2a | <b>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)</b> |
| <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 ( <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, Linda A. Kunath, as the government's administrative officer (insert title) Finance Director/Treasurer (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 Mount Clemens Retiree Health Care Trust (**Insert Retirement Healthcare System Name**) will achieve a funded status of at least 40% by Fiscal Year 2045 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 12/21/2018



# 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: Saline Area Fire Dept Six-Digit Muni Code: 817542  
Retirement Health Benefit System Name: Corrective Action Plan -2017  
Contact Name (Administrative Officer): Craig D. Hoeft  
Title if not Administrative Officer: Fire Chief  
Email: salinefire@aol.com Telephone: (734) 429-4440

#### 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](mailto: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**.*

We are in the first year of a Collective Bargaining Agreement, in 2020 we have plans to negotiate a number of items such as increased employee co-payments and deductibles for healthcare. We also will discuss providing healthcare to the retiree only and not the spouse.

- 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.*

Our local unit has started a qualified trust to receive, invest, and accumulate assets for retirement healthcare. Our objective is to reach the 40% in 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) Saline Area Fire Dept 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  | <b>This Corrective Action Plan (Required)</b>   |
| <input checked="" type="checkbox"/> Attachment – 1a | <b>Documentation from the governing body approving this Corrective Action Plan (Required)</b>   |
| <input checked="" type="checkbox"/> Attachment – 2a | <b>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)</b> |
| <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 ( <a href="#">see CAP criteria issued by the Board</a> )?  |
| <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, Craig D. Hoef, as the government's administrative officer (insert title)  
Fire Chief (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 Saline Area Fire Dept20 (**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

Craig D. Hoef FIRE CHIEF

Date 12/11/2018

## Protecting Local Government Retirement and Benefits Act Corrective Action Plan:

### Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

#### 1. MUNICIPALITY INFORMATION

Local Unit Name: Community Mental Health Authority Of City Six-Digit Muni Code: 330801

Defined Benefit Pension System Name: Clinton Eaton Ingham CMH

Contact Name (Administrative Officer): Stacia Chick

Title if not Administrative Officer: Chief Financial Officer

Email: chick@ceicmh.org

Telephone: (517) 346-8221

#### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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



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

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

**Category of Prior Actions:**

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

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

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

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

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

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

The Form 5572 unintentionally missed the deadline for submission. Attached is the form 5572 using actuarial information from December 31, 2016 for the fiscal year ended September 30, 2017. The Form shows a funded status of 71.5% and is not considered underfunded.

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

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

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

After Completing form 5572 the funded status is 71.5% and is not considered underfunded.

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No

If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

Attachment – 1

Attachment – 1a

Attachment – 2a

Attachment – 3a

Attachment – 4a

Attachment – 5a

Attachment – 6a

### Type of Document

**This Corrective Action Plan Form (Required)**

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

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

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

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

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

Other documentation not categorized above

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

### Corrective Action Plan Criteria

### Description

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Underfunded Status   | Is there a description and adequate supporting documentation of how and when the retirement system will reach the 60% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all pension systems will be less than 10 percent of governmental fund revenues? |
| <input checked="" type="checkbox"/> Reasonable Timeframe | Do the corrective actions address the underfunded status in a reasonable timeframe (see CAP criteria issued by the Board)?  |
| <input checked="" type="checkbox"/> Legal and Feasible   | Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?  |
| <input checked="" type="checkbox"/> Affordability        | Do the corrective action(s) listed allow the local unit to make the annual required contribution payment for the pension system now and into the future without additional changes to this corrective action plan?  |

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

I Stacia Chick, as the government's administrative officer (*enter title*) Chief Financial 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 Clinton Eaton Ingham CMH (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2017 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature



Date 11/07/2018



CITY OF ESSEXVILLE

1107 Woodside Avenue  
Essexville, MI 48732

Daniel J. Hansford  
City Manager/  
Director of Public Works  
989-893-7192

Anne Norman  
Administrative Assistant  
989-893-2441

Sarah J. Wilcox  
City Clerk  
989-893-0772

Kimberly VanTiffin  
City Treasurer  
989-893-2441

William H. Gutzwiller, Sr.  
Director of Public Safety  
989-892-2541

Fax: 989-892-3452

[www.essexville.org](http://www.essexville.org)

November 15, 2018

Municipal Reporting Board  
State of Michigan @  
[LocalRetirementReporting@michigan.gov](mailto:LocalRetirementReporting@michigan.gov)

Essexville Retirement Health Care Financial Plan

1. Essexville Retiree Health Care Benefits were closed to any newly hired employees after January 1<sup>st</sup>, 2006. During the calendar year 2018 the City had a total of 10 retired employees enrolled in the City provided Blue Care Network Program. This program requires those employees 65 years old or older to be signed up for Medicare Parts A and B. The Blue Care Network Program then provides insurance coverage for any "gap" in coverage by providing a Plan F to cover any excess expense beyond parts A and B. This supplemental coverage is funded by the City each year from the General Fund.
2. Beginning in 2019 the retiree count will increase to 12. There are presently 2 individuals still working and 4 that are retired but still under 65 years of age that will be eligible for the retiree plan. Those individuals were hired prior to the January 1<sup>st</sup> 2006 cutoff date. The largest the insured group could ever be at one time is 16 individuals.
3. At present the City pays \$6,107.08 per month or \$73,284.90 annually. In 2019 this will increase to \$7,475.06 (insurance rates reduced by 2% for 2019) or \$89,700.79 annually. The assumptions are based on no consideration factored for mortality.
4. On November 19<sup>th</sup>, 2018 the Essexville City Council approved by Resolution the creation of an Insurance Fund that will be supplemented annually and be allowed to provide financial insurance for the Retiree Health Care Fund in the event there should ever be a financial shortfall on the City's part in the future. On January 2, 2019 this "Fund" will be created by the City Treasurer by depositing an initial \$20,000.00 into an interest bearing account dedicated to and earmarked specifically for the financial support of the Fund.
5. Presently Retiree Health Care premiums are paid monthly from funds in the City's Annual Budget Benefit Funds. The annual amount of \$20,000.00 being deposited each year into the Retiree Health Care Fund will be taken directly from the City General Revenue Funds.

6. **Plan Funding:** The Retiree Health Care Plan is primarily funded by budget line items introduced into each new budget on July 1. Council approves this funding based on present retiree health care costs provided by our insurance carrier each year. Any increases over the prior year are built into the budgeted costs. In addition, beginning January 2019 an investment fund will be created and seeded from General Fund Revenues. This fund creation required City Council approval as the transfer of funds was not in the original 2018/2019 approved budget. Each year this fund will be allowed growth and be supplemented by the annual deposit of \$20,000.00. These deposits will be monitored to assure steady fund growth and stability. The Fund will be allowed to grow each year until a minimum goal of 50% over the annual cost of the Fund is achieved. In 2019 costs this amount would be \$134,551.18.
7. **Plan Monitoring:** On a semi-annual basis the City Treasure will prepare a report for the City Council detailing the activity of the Retiree Health Care Fund. This report will contain at a minimum.
  - a. Fund Balance
  - b. Fund Growth
  - c. Employee Participation and Roster size.
  - d. Anticipated Health care costs for next year.
  - e. Suggested further investment ideas.
  - f. Provide Council with a current Actuarial and Audited report.
8. **Plan Reduction/Closure:** Eventually mortality will reduce the necessity for the Fund. In the future as the requirement for the Plan becomes unnecessary and the original contract requirements have been satisfied it is anticipated that the investment fund could be closed and the funds returned to the General Fund they were derived from.

Sincerely,



Daniel J. Hansford  
City Manager  
City of Essexville

# **COMMUNICATION FROM THE CITY MANAGER**

**TO THE ESSEXVILLE CITY COUNCIL**

**For Its Regular Meeting of September 19, 2018**

---

**SUBJECT: RETIREE HEALTH CARE FUND MANDATED COMPLIANCE**

**DATE: November 11, 2018**

Whereas the State of Michigan requires the City of Essexville to create and fund our retiree health care program a minimum of 40%. The Essexville City Council hereby approves the creation of an interest bearing account solely for the purpose of funding said retiree health care. Beginning on January 1, 2019 and January 1, 2020 an amount of \$20,000.00 (twenty thousand dollars) each will be deposited into said account. This Retiree Health Care Fund will be reviewed annually by the city manager to assure that the funding level is maintained in compliance until at which time, through mortality, can be closed and the funds returned to the General Fund.

**Resolved; therefore by this resolution read and approved this date the Retiree Health Care Fund is hereby created.**

DJH

**CONSIDERATION OF CREATING THE RETIREE HEALTH CARE FUND**

Weiler, Hughes:

**Resolved; therefore by this resolution read and approved this date the Retiree Health Care Fund is hereby created.**

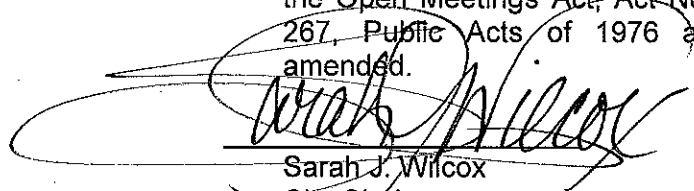
*Council Members Voting Yes: Weiler, Hughes, Connelly, Rondeau, Tanner, Wittbrodt,*

*Council Members Voting No: None*

*Council Members Absent: Covieo*

STATE OF MICHIGAN    )  
  ) SS  
COUNTY OF BAY        )

I hereby certify that the foregoing constitutes a true and complete copy of a resolution passed by the City Council of the City of Essexville, November 19, 2018, and that notice of said meeting was given in full compliance with the Open Meetings Act, Act No. 267, Public Acts of 1976 as amended.

  
\_\_\_\_\_  
Sarah J. Wilcox  
City Clerk  
City of Essexville, Michigan



## 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 Dearborn Heights Six-Digit Muni Code: 822040

Retirement Health Benefit System Name: Dearborn Heights Retiree Health Plan

Contact Name (Administrative Officer): Daniel S. Paletko

Title if not Administrative Officer: Mayor

Email: dpaletko@ci.dearborn-heights.mi.us Telephone: (313) 791-3490

### 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](mailto: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.***

In 2009, retirees were placed into lower costing Medicare Advantage plans. As of 2011, new police officers are no longer eligible for retiree healthcare. The City of Dearborn Heights (CODH) adopted the hardcaps established by PA 152 and changed benefit plans for all current employees as of 01/01/2018. Employees retired after 12/31/2018 have higher premium cost sharing. The retiree's 2019 premium is approx. 0.7% lower than 2018.

- 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 CODH passed a Headlee Override in 2011, raising the millage rate to cover retiree healthcare expenditures. The Act 345 millage pays for retiree healthcare premiums for Police and Fire retirees. In addition, there is approx. \$2 million earmarked in the General Fund balance for future healthcare costs in order to start funding the trust. See Attachment 6E.

- 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.*

Information provided on the Form 5572 from the audit used actuarial data from FY 2016/17. Attached is the GASB 75 valuation for 2018 showing a lower liability of \$165,700,259. Using assumptions prescribed by PA 202, the Actuarial Accrued Liability is \$111,515,681. To achieve a 40% funded status of the plan, CODH obtained an actuarial calculation (attached) which shows a \$1.5 m additional funding will be required over the next 30 years from the City (in addition to the pay-as-you-go expense). The CODH is capable of providing additional funding of \$1.5 million.

### 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 mentioned, retirees after 12/31/2018 have increased premium cost sharing and lower costing healthcare plan designs. The CODH will seek to reduce/eliminate retiree healthcare benefits for all new hires. The CODH will also continue to work with our healthcare consultants to strategically lower costs while maintaining benefit levels for existing retirees.

- 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 CODH's Corp Counsel is currently reviewing trust establishment documents. The CODH will bifurcate the funds between Police & Fire retirees and General Govt retirees. The Act 345 millage will be used to fund the trust as it relates to retiree healthcare costs for Police & Fire. To achieve a 40% funding level, \$1.5 million must be placed into the trusts, and the City has this amount assigned for this purpose in the near term.

- 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 CODH will begin funding the OPEB based on the attached actuarial analysis with an annual payment of \$1.5 million. This will allow the OPEB to reach a funded status of 41% by 06/30/2047, which is within the required 30 year period. Based on historical cash flows in the General Fund and other funds that are responsible for prefunding the \$1.5 million, the City is more than capable of meeting the obligation to ensure 40% funding within the required 30 year period.

## 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 Dearborn Heights 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  | <b>This Corrective Action Plan (Required)</b>   |
| <input checked="" type="checkbox"/> Attachment – 1a | <b>Documentation from the governing body approving this Corrective Action Plan (Required)</b>   |
| <input checked="" type="checkbox"/> Attachment – 2a | <b>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)</b> |
| <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, Daniel S. Paletko, as the government's administrative officer (insert title)  
Mayor (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 DH Gen Gov Retirement/Act 345 Retirement (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 \_\_\_\_\_

Date \_\_\_\_\_

## Protecting Local Government Retirement and Benefits Act

### Corrective Action Plan:

### Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

1. MUNICIPALITY INFORMATION	
Local Unit Name: <u>West Iron County Sewer Authority</u>	Six-Digit Muni Code: <u>367501</u>
Defined Benefit Pension System Name: <u>MERS</u>	
Contact Name (Administrative Officer): <u>Chris Stachowicz</u>	
Title if not Administrative Officer: <u>Chairman</u>	
Email: <u>wicsa@fast-air.net</u>	Telephone: <u>(906) 265-5209</u>
2. GENERAL INFORMATION	
<p><b>Corrective Action Plan:</b> An underfunded local unit of government shall develop and submit for approval a corrective action plan for the local unit of government. The local unit of government shall determine the components of the corrective action plan. This Corrective Action Plan shall be submitted by any local unit of government with at least one defined benefit pension retirement system that has been determined to have an underfunded status. Underfunded status for a defined benefit pension system is defined as being less than 60% funded according to the most recent audited financial statements, and, if the local unit of government is a city, village, township, or county, the annually required contribution (ARC) for all of the defined benefit pension retirement systems of the local unit of government is greater than 10% of the local unit of government's annual governmental fund revenues, based on the most recent fiscal year.</p> <p><b>Due Date:</b> The local unit of government has <b>180 days from the date of notification</b> to submit a corrective action plan to the Municipal Stability Board (the Board). The Board may extend the 180-day deadline by up to an additional 45 days if the local unit of government submits a reasonable draft of a corrective action plan and requests an extension.</p> <p><b>Filing:</b> 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. <b>You must provide proof of your governing body approving this Corrective Action Plan and attach the documentation as a separate PDF document.</b> 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 60% funded ratio. Or, if the local unit is a city, village, township, or county, the submitted plan may demonstrate how and when the ARC for all of the defined benefit pension systems will be less than 10% of annual governmental fund revenues, as defined by the Act. Supporting documentation for the funding ratio and/or ARC must include an actuarial projection, an actuarial valuation, or an internally developed trends and projected rates of inflation.</p> <p>The completed plan must be submitted via email to Treasury at <a href="mailto:LocalRetirementReporting@michigan.gov">LocalRetirementReporting@michigan.gov</a> for review by the Board. <b>If you have multiple underfunded retirement systems, you are required to complete separate plans and send a separate email for each underfunded system.</b> 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: <b>Corrective Action Plan-2017, Local Unit Name, Retirement System Name</b> (e.g. Corrective Action Plan-2017, City of Lansing, Employees' Retirement System)</p>	

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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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



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

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

**Category of Prior Actions:**

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

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

WICSA has closed the Defined Benefit Plan and opened a Hybrid Plan in 2012. WICSA closed the DB to reduce the liability.

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

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

Starting March 2018 WICSA has committed to an additional \$500 a month to be used in a Surplus Division account to reduce the liability.

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

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

Attached is a chart from the MERS actuarial showing funding percentage being reached at or near 2030. This chart was completed thru Dec 31, 2017 prior to the additional funds being deposited. Attached is also the Municipality Funding Level Calculator that sets the funded level at 48% on Dec 31, 2018 after the additional payments. This was obtained from MERS last month.

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

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

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

WICSA is using all of MERS best practices; limited Final Average Compensation, Fixed Amortization period, Regular Actuarial Experience studies, and benefit increase policy.

**5. CONFIRMATION OF FUNDING**

Please check the applicable answer:

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

- Yes
  - No
- If No, Explain

**6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN**

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

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

Naming Convention	Type of Document
<input checked="" type="checkbox"/> Attachment - 1	This Corrective Action Plan Form (Required)
<input checked="" type="checkbox"/> Attachment - 1a	Documentation from the governing body approving this Corrective Action Plan (Required)
<input checked="" type="checkbox"/> Attachment - 2a	An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 60% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 10% of governmental fund revenues, as defined by the Act. (Required)
<input 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**

Underfunded Status

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

Reasonable Timeframe

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

Legal and Feasible

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

Affordability

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

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

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

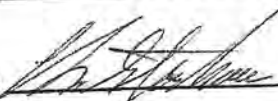
I confirm to the best of my knowledge that because of the changes listed above, one of the following statements will occur:

The MERS (Insert Retirement Pension System Name) will achieve a funded status of at least 60% by Fiscal Year 2030 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature



Date

12/15/18

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

Issued under authority of Public Act 202 of 2017.

### 1. MUNICIPALITY INFORMATION

Local Unit Name: Eastern Upper Peninsula Transportation Six-Digit Muni Code: 177516

Defined Benefit Pension System Name: Municipal Employees' Retirement System

Contact Name (Administrative Officer): Akemi Gordon

Title if not Administrative Officer: Finance Director

Email: agordon@eupta.net Telephone: (906) 632-2898

### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

The system's multiplier for employees hired 6/1/16 or after was reduced from 2.25X to 1.5X. In addition, the FAC was increased from 3 years to 5 years. Vesting requirements increased from 6 years to 10 years. No early retirement option and no cost of living increase.

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

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

In July 2018, The Eastern Upper Peninsula Transportation Authority chose the "no phase in" as their employer contributions. This increased their contribution from \$41,175 to \$46,203 per month. The most recent actuary available does not yet reflect the positive impact of the "no phase in" option.

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

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

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

The Eastern Upper Peninsula Transportation Authority will continue to contribute under the "no phase in" option. The most recent actuary shows our funded ratio would be 60% funded by fiscal year 2030 which is in 12 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 pension liability using a **level-dollar amortization method over a closed period of 10 years**. This will allow the retirement system to reach a funded status of **62% by 2022** as shown in the attached actuarial analysis on page 13.

Limited FAC - Limits the wages which the pension is based. Fixed amortization period - Provides a specific target date to each plan by which all known obligations will be fully funded. Regular Actuarial Experience Study - Ensures that current assumptions and methodologies are aligned with real-world experience. Benefit Increases Policy.



**5. CONFIRMATION OF FUNDING**

Please check the applicable answer:

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

- Yes
- No  
If No, Explain

**6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN**

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

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

**Naming Convention**

**Type of Document**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Attachment – 1  | <b>This Corrective Action Plan Form (Required)</b>  |
| <input checked="" type="checkbox"/> Attachment – 1a | <b>Documentation from the governing body approving this Corrective Action Plan (Required)</b>   |
| <input checked="" type="checkbox"/> Attachment – 2a | <b>An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 60% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 10% of governmental fund revenues, as defined by the Act. (Required)</b> |
| <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**

Underfunded Status

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

Reasonable Timeframe

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

Legal and Feasible

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

Affordability

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

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

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

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

The Municipal Employees' Retirement System (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2030 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature

Akemi Gordon

Date

12-27-18

# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

#### I. MUNICIPALITY INFORMATION

Local Unit Name: Marquette County Road Commission Six-Digit Muni Code: 520100  
Defined Benefit Pension System Name: MERS Pension Plan  
Contact Name (Administrative Officer): Mary Sholander  
Title if not Administrative Officer: Director of Finance & Administration  
Email: msholander@marqroad.org Telephone: (906) 486-4491

#### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

The system's multiplier for all employees hired PRIOR to 1/1/2013 was bridged from 2.5% to 2.25% and EMPLOYEE contributions were INCREASED from 2.43% to 4.5% . The union division FAC was FROZEN as of 12/31/2013. The system's multiplier was reduced to 1.5% for NEW HIRES as of 1/1/2013. EMPLOYEE contributions were set at 5%, and EMPLOYER contributions were CAPPED at 10% for employees hired after 1/1/2013. Page 6a-pg 1.

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

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

A "Surplus Division" for add'l voluntary Employer contributions was established in Sept 2017 and \$672,690 have been deposited. FY2019 Budget includes the first year of 10 years funding toward eliminating the UAL, Page 3a-pg 1, supported by MERS Annual Actuarial Valuation page 2a-pg 3 of attached docs. Using this very aggressive funding, 60% funding level is anticipated to be reached by 9/30/2020, as shown on page 2a-pg 4 thru pg 7.

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

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

MCRC and the County Road Association is working with MERS to review the actuarial assumptions being used relative to Road Commission specific information, as shown on the supporting doc page 6a-pg 2. Because of the local units commitment to eliminating the unfunded liability, funding of the first of ten years funding has been approved by the Board for the FY 2019 budget, and began in October 2018, as shown on page 2a-pg 6 thru 8.

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

2012 collective bargaining negotiations resulted in SIGNIFICANT changes to the MERS plan design effective 1/1/2013. The ongoing effects of these changes will be recognized in future Annual Actuarial Valuation reports, as employees hired prior to 1/1/2013 retire and the active workforce moves exclusively to the new plan design already in place, as described in Item 3. above, and shown on page 6a-pg 1 of the supporting docs.

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

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

FY 2019 budget provides for amortizing the pension UAL using a level-dollar amortization method over the first of 10 years, allowing for 61.62% funding by 9/30/2020 as shown on page 2a-pg 4.

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

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

Best Practices implemented by MERS: Limited Final Average Compensation; Fixed amortization period; Regular Actuarial Experience Study; Benefit Increases Policy. The local units Board has been actively working and supportive of reducing the UAL for several years, as shown in Board minutes attached, page 4a-pg 1 thru pg 7.

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No

If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

Attachment – 1

**This Corrective Action Plan Form (Required)**

Attachment – 1a

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

Attachment – 2a

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

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment –6a

Other documentation not categorized above

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria	Description
<input checked="" type="checkbox"/> Underfunded Status	Is there a description and adequate supporting documentation of how and when the retirement system will reach the 60% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all pension systems will be less than 10 percent of governmental fund revenues?
<input checked="" type="checkbox"/> Reasonable Timeframe	Do the corrective actions address the underfunded status in a reasonable timeframe ( <a href="#">see CAP criteria issued by the Board</a> )?
<input checked="" type="checkbox"/> Legal and Feasible	Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?
<input checked="" type="checkbox"/> Affordability	Do the corrective action(s) listed allow the local unit to make the annual required contribution payment for the pension system now and into the future without additional changes to this corrective action plan?

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

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

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

The MERS (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 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 defined benefit pension retirement systems of \_\_\_\_\_ (**Insert local unit name**) will be less than 10% of the local unit of government's annual governmental fund revenues by Fiscal Year \_\_\_\_\_ as demonstrated by required supporting documentation listed in section 6.

Signature Mary Sholander Date 12-27-2018



# 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: Marquette County Road Commission Six-Digit Muni Code: 520100

Retirement Health Benefit System Name: Retiree Health Plan

Contact Name (Administrative Officer): Mary Sholander

Title if not Administrative Officer: Director of Finance & Administration

Email: msholander@marqroad.org Telephone: (906) 486-4491

## 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](mailto: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**.*

Effective with those employees retiring after 1/1/2013, benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee, both union and non-union. As required by PA 152 of 2011, public employer contributions to medical benefit plan are determined annually and applied to both active and retiree premiums as shown on page 6a-pg 2. All employees hired after 1/1/2013 are NOT provided retiree health care.

- 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 local unit created a qualified trust to receive, invest, and accumulate assets for retirement healthcare in October 2007. Voluntary contributions to the trust have been made since that time, providing for a current balance of \$1,759,898, as shown on page 2a-pg 9.

- 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 from the audit used actuarial data from 2012. Attached is an updated actuarial valuation for 2016 that shows our funded ratio has improved to 25% as indicated on page 2a-2.

**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**.*

Following complete elimination of all post-employment health care for employees hired after 1/1/2013 and capping of the employer portion of contributions for those retiring after 1/1/2013, the local unit anticipates funding levels to increase significantly in future actuarial reports. The attached analysis indicates the system to be in excess of 40% funded by the end of FY2020. The Board will review the funding levels each year and will take action as needed.

- 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.*

Refunds previously received by the local unit have been used toward additional funding of both the pension and OPEB UAL. FY 2019 Budget provides for funding of pension UAL as shown on page 4a-pg 6, so all refunds received will be applied toward the OPEB UAL exclusively and the Board will review funding levels each year in order to meet the ARC until the plan is funded at 40% minimum, anticipated to be by the end of FY 2020, as shown on page 2a-pg 4.

- 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 additional road funding provided by recent legislation provides the funds necessary to reach a funded status of more than 40% by the end of FY 2020, as shown in the attached analysis on page 2a-pg 4.

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No

If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

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, Mary Sholander, as the government's administrative officer (insert title) Director of Finance & Administration (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 Care 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

Mary Sholander

Date

12-27-2018

# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan: Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

### I. MUNICIPALITY INFORMATION

Local Unit Name: City of Taylor Six-Digit Muni Code: 822280  
Defined Benefit Pension System Name: General Government Employees' Retirement System  
Contact Name (Administrative Officer): Jason Couture  
Title if not Administrative Officer: Finance Director  
Email: jcouture@ci.taylor.mi.us Telephone: (734) 287-6550

### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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



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

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

**Category of Prior Actions:**

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

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

The defined benefit pension system was closed for all new hires. Taylor Governmental Management Association employees hired after 3/6/2001, Local 1128 and 1917 AFSCME employees hired after 12/22/2004 and elected officials hired after 11/8/2005 are not allowed to participate in the defined benefit plan. Employees hired after these dates can participate in the City's defined contribution plan.

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

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

Since fiscal year 2013-14, the City has adjusted actuarial assumptions to increase contributions to the pension system. The employer contribution in 2013-14 was \$2,379,647 based on a 30-year amortization schedule (Attachment 1B). The current employer contribution for fiscal year 2018-19 is \$3,968,766 based on 21-year amortization schedule (Attachment 1C). Decreasing the amortization period contributed to the approximate annual increase of \$1,200,000 to \$1,500,000 in employer contributions over the past two 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 **62%** as indicated on **page 13**.*

A large portion of the General Government Employee Retirement System net pension liabilities are attributable to employees within the City's enterprise funds (e.g. Water and Sewer funds). If the City could have included enterprise funds revenue as part of the governmental funds revenue, the City's revenue ratio would be 9.91% which is within the 10.0% required maximum.

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

Currently the City is contributing approximately \$1,500,000 more than it did in fiscal year 2013-2014. The system's funding ratio increased to 50.70% as of 12/31/2017 actuary report (Attachment 6A). According to the projection developed by the City's actuary (Attachment 4A), if the City maintains the annual actual determined contributions listed, the retirement system's funded ratio will be 60.7% funded by 2030.

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

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

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No

If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

Attachment – 1

**This Corrective Action Plan Form (Required)**

Attachment – 1a

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

Attachment – 2a

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

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment – 6a

Other documentation not categorized above

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria	Description
<input checked="" type="checkbox"/> Underfunded Status	Is there a description and adequate supporting documentation of how and when the retirement system will reach the 60% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all pension systems will be less than 10 percent of governmental fund revenues?
<input checked="" type="checkbox"/> Reasonable Timeframe	Do the corrective actions address the underfunded status in a reasonable timeframe ( <u>see CAP criteria issued by the Board</u> )?
<input checked="" type="checkbox"/> Legal and Feasible	Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?
<input checked="" type="checkbox"/> Affordability	Do the corrective action(s) listed allow the local unit to make the annual required contribution payment for the pension system now and into the future without additional changes to this corrective action plan?

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

I Rick Sollars, as the government's administrative officer (*enter title*)  
Mayor (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 General Govt Employees' Retirement Plan (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2030 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature \_\_\_\_\_

Date \_\_\_\_\_

12/19/18

# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

#### I. MUNICIPALITY INFORMATION

Local Unit Name: City of Taylor Six-Digit Muni Code: 822280  
Defined Benefit Pension System Name: Police and Fire Retirement System  
Contact Name (Administrative Officer): Jason Couture  
Title if not Administrative Officer: Finance Director  
Email: jcouture@ci.taylor.mi.us Telephone: (734) 287-6550

#### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

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

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

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

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

Attached is an updated actuarial valuation for June 30, 2018 which was used for the City's financial audit for the same time period. The funded ratio for the pension system has improved to 65.64% as indicated on page 3 of the document. The plan has met the requirement per Sec. 5(4)(b) and is not considered underfunded.

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

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

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

Attached is draft form 5572 for fiscal year ended June 30, 2018 which indicates funded status of 65.64% for the Police and Fire Retirement system as supported by the attached actuarial report.



## 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 Taylor to make, at a minimum, the annual required contribution payment for the defined benefit pension system according to your long-term budget forecast?

Yes

No

If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

Attachment – 1

**This Corrective Action Plan Form (Required)**

Attachment – 1a

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

Attachment – 2a

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

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment – 6a

Other documentation not categorized above

**7. CORRECTIVE ACTION PLAN CRITERIA**

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

Corrective Action Plan Criteria	Description
<input checked="" type="checkbox"/> Underfunded Status	Is there a description and adequate supporting documentation of how and when the retirement system will reach the 60% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all pension systems will be less than 10 percent of governmental fund revenues?
<input checked="" type="checkbox"/> Reasonable Timeframe	Do the corrective actions address the underfunded status in a reasonable timeframe (see CAP criteria issued by the Board)?
<input checked="" type="checkbox"/> Legal and Feasible	Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?
<input checked="" type="checkbox"/> Affordability	Do the corrective action(s) listed allow the local unit to make the annual required contribution payment for the pension system now and into the future without additional changes to this corrective action plan?

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

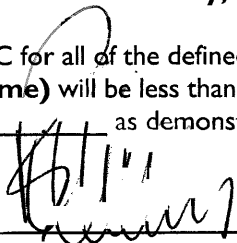
I Rick Sollars, as the government’s administrative officer (enter title) Mayor (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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

The Taylor Police and Fire Retirement Plan (Insert Retirement Pension System Name) will achieve a funded status of at least 60% by Fiscal Year 2018 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature  Date 12/19/18

# 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 Taylor Six-Digit Muni Code: 822280  
Retirement Health Benefit System Name: Taylor OPEB System  
Contact Name (Administrative Officer): Jason Couture  
Title if not Administrative Officer: Finance Director  
Email: jcouture@ci.taylor.mi.us Telephone: (734) 374-1460

#### 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](mailto: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 attachment 1B regarding the City's prior actions related to system design changes. These changes have had a positive affect on the City's OPEB liability. The City's OPEB actuarial report dated 6/30/2018 reported a decrease in the OPEB liability of \$39,381,609 or 12% (\$333,124,138-\$293,742,529), see attachment 6A. Since the City has not established a qualified trust, the reduction to the liability is largely in part to the plan design changes noted.

- 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**.*

Beginning 7/1/2019, the City will move all Medicare eligible retirees to a Humana Medicare Advantage plan with no change in coverage. The estimated annual savings of this change will be approximately \$900,000. Additionally, the City will move to a self-funded prescription drug plan for retirees who are Medicare eligible which is estimated to save \$116,000 annually. The plan design changes noted above are expected to decrease the OPEB liability by \$54,256,878 to \$239,505,651. See attachment 2A.

**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.*

Refer to attachment 1C regarding additional funding.

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

Yes

No

If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

Attachment – 1

**This Corrective Action Plan (Required)**

Attachment – 1a

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

Attachment – 2a

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

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment – 6a

Other documentation, not categorized above

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

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

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

I, Rick Sollars, as the government's administrative officer (insert title)  
Mayor (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 Taylor OPEB System (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 

Date 12/27/18



# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

#### 1. MUNICIPALITY INFORMATION

Local Unit Name: Presque Isle CRC Six-Digit Muni Code: 710101  
Defined Benefit Pension System Name: Municipal Employees Retirement System  
Contact Name (Administrative Officer): Gerald Smigelski  
Title if not Administrative Officer: Superintendent/Manager  
Email: info@piroad.com Telephone: (989) 734-2216

#### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

Lower tier of benefits for new hires: Employees hired after 07/01/2015 have a reduced defined benefit multiplier of 2.0 and the early retirement (unreduced) 55/30 option was eliminated.

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

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

Additional monthly funding of \$5,000 as of 08/03/2011, \$10,000 as of 02/18/2017, \$15,000 as of 01/01/2018. Effective 08/06/2012 active employees began contributing 3% of gross pay to MERS, 07/01/2013 - 4% and 07/01/2014 - 5% of gross pay. 5% of gross pay for 2015, 2016, 2017, 2018.

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

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

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

Implementation of a Surplus Division effective 1/1/2019. 2018 additional funding \$180,000 transferred into Surplus Division on 1/1/2019 and all future excess payments placed in Surplus. Recalculated funded Ratio with \$180,000 into Surplus is 53.20% as of December 31, 2018.

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

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

Effective 01/01/2019, additional funding (over actuarially determined contribution) of \$20,000 per month into the surplus division, which will raise the Employer's overall funded status in future 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 pension liability using a **level-dollar amortization method over a closed period of 10 years**. This will allow the retirement system to reach a funded status of **62% by 2022** as shown in the attached actuarial analysis on page **13**.

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

- Yes**  
 **No**  
**If No, Explain**

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

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

### Type of Document

**This Corrective Action Plan Form (Required)**

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

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

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

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

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

Other documentation not categorized above

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria	Description
<input checked="" type="checkbox"/> Underfunded Status	Is there a description and adequate supporting documentation of how and when the retirement system will reach the 60% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all pension systems will be less than 10 percent of governmental fund revenues?
<input checked="" type="checkbox"/> Reasonable Timeframe	Do the corrective actions address the underfunded status in a reasonable timeframe ( <a href="#">see CAP criteria issued by the Board</a> )?
<input checked="" type="checkbox"/> Legal and Feasible	Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?
<input checked="" type="checkbox"/> Affordability	Do the corrective action(s) listed allow the local unit to make the annual required contribution payment for the pension system now and into the future without additional changes to this corrective action plan?

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

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

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

The MERS (710101) (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2030 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature Gerald Smigelski, Supt. Mgr

Date 12/27/2018

**PENSION AND RETIREE HEALTH BENEFITS  
FUNDING POLICY AND ACTION PLAN**  
*IN COMPLIANCE WITH PA 202 OF 2017*

# **City of Montrose**

## **2018**

ADMINISTRATION:

**Neil Rankin, City Manager**  
Christina Rush, City Clerk  
Chrystal Raible, City Treasurer  
Janet Loomis, City Secretary  
Sam Spence, DPW Director

CITY COUNCIL:

**Colleen Brown, City Mayor**  
Mark Richard, Mayor Pro-Tem  
Robert Arnold, Council Member  
Thomas Bigelow, Council Member  
Deborah Gross, Council Member  
Ryan Heslop, Council Member  
Christy Sanborn, Council Member

## INTRODUCTION/UNDERSTANDING

In December 2017, Governor Snyder signed into law Public Act 202 of 2017, also referred to as the “*protecting local government retirement and benefits act.*” This new law requires all local governments to annually report its underfunded liabilities to the State and create a set of criteria to determine if a particular local government is in “underfunded” status. This legislation creates minimum funding requirements for both pension systems and retiree healthcare, also referred to as Other Post-Employment Benefits (OPEB). In addition it provides for standard actuarial assumptions for determining funding status which will be reviewed and published each year by the Michigan Department of Treasury.

If a local unit of government is determined to be “underfunded” based on the calculations set out in the act they are subject to review by a governor-appointed panel called the “municipal stability board.” This panel is to have three members; one representing state officials, one representing local officials and one representing employees and retirees. The board will determine “best practices” to be used for pension and OPEB systems and will review the annual reports and corrective action plans of local units required to submit them. In addition, local units which fall into the category of “underfunded” may submit an application for a “waiver of underfunded status” to Treasury. This allows them the opportunity to take preemptive measures to address their funding status without triggering a full review.

To obtain a waiver, the application must be accompanied by a corrective action plan which details specific polices, and benefit provisions that either reduces liabilities and removes the system from underfunded status or that adequately funds the current liabilities over time. The specific items outlined in the plan are determined by the local unit preparing the plan. However, the adequacy of the plan is determined by Treasury. If a waiver is approved, the local unit will be required to make progress toward funded status. If the waiver is denied and the plan is not approved by Treasury, it will trigger an “individualized and comprehensive internal review...” of the local unit’s retiree benefit systems.

This document serves as the City of Montrose’s corrective action plan. It will be revisited annually and amended as necessary based on updated actuarial information. It is intended not just for the Michigan Department o Treasury but will also serve as the ***City of Montrose Pension and Retiree Health Benefits Funding Policy.***

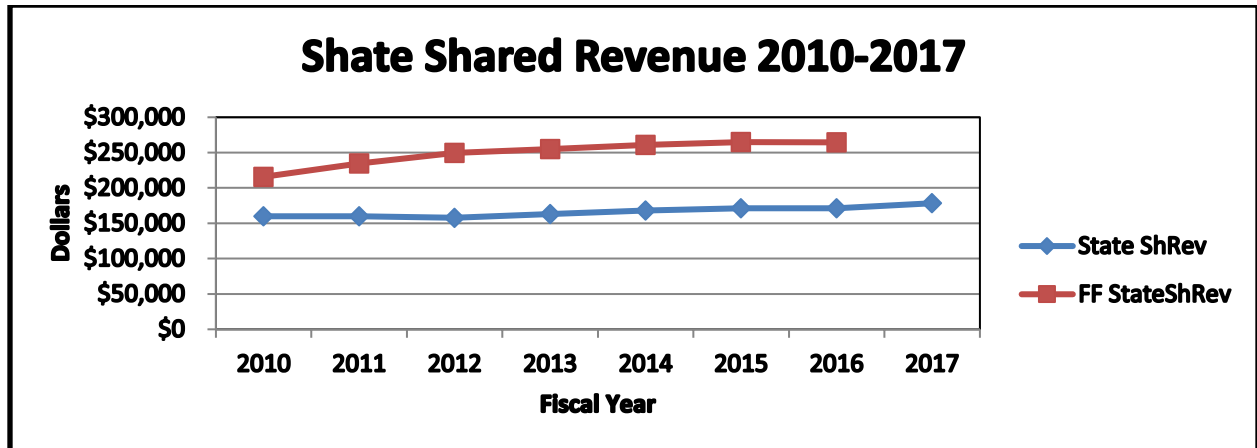


## CITY FINANCIAL CONDITIONS

Since 2003, The City of Montrose has seen a cumulative loss of state shared revenue of approximately \$839,000. The time surrounding the great recession of 2008 to 2013, the general fund revenue dropped from \$853,067 to \$762,135. This is a drop of about \$91,000 from all resources. From 2010 to 2015 the property tax revenue dropped by approximately 8 percent.



During the period of 2010 to 2016, our state shared revenue has remained relatively flat. The chart below demonstrates our actual funding which is represented by the blue line. Compare this to the fully funded level, the red line, we have been anywhere from \$55,000 to \$90,000 less than the fully funded level.



MERS PENSION SYSTEM STATUS

The City of Montrose currently has MERS manage the pension funds for its general employee group, which includes all full time administrative employees and DPW workers and a police group. As of December 1994 The City of Montrose no longer has a City Police Department; therefore, this division is closed.

Benefit provisions for each group as of the date of our most recent actuarial report (12/31/2017) are outlined as follows:

<b>02 - Police -</b>	<b>CLOSED</b>	<b>TO NEW HIRES</b>
<b>Benefit Multiplier:</b>		1.70% Multiplier (no max)
<b>Normal Retirement Age:</b>		60
<b>Vesting:</b>		6 years
<b>Final Average Compensation:</b>		3 years
<b>COLA for Future Retirees:</b>		
<b>Employee Contributions:</b>		0%
<b>Act 88:</b>		No

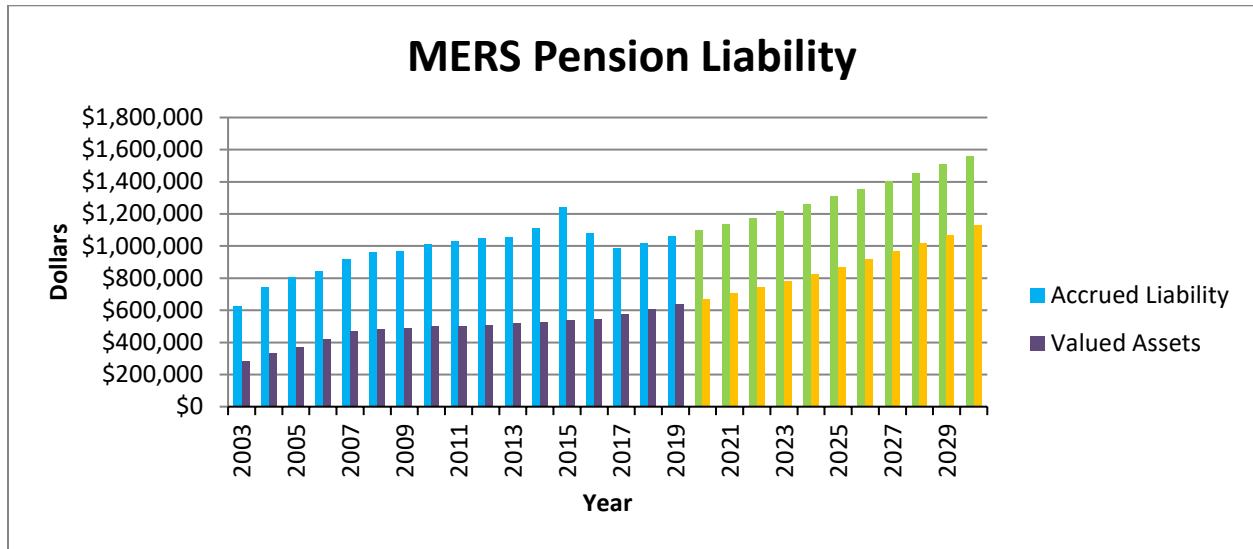
*The Police Division has 3 participants, of which all 3 are Retirees/Beneficiaries*

<b>11 - General -</b>	<b>OPEN</b>	<b>DIVISION</b>
<b>Benefit Multiplier:</b>		1.70% Multiplier (no max)
<b>Normal Retirement Age:</b>		60
<b>Vesting:</b>		6 years
<b>Final Average Compensation:</b>		5 years
<b>COLA for Future Retirees:</b>		
<b>Employee Contributions:</b>		8%
<b>Act 88:</b>		No

*The General Division currently has 4 Active Employees, 6 Vested Former Employees, and 5 Retirees/Beneficiaries*

According to the MERS 2017 Annual Actuarial Valuation Report, the current total MERS liability is \$962,346. Our valued assets total \$567,611, bringing our actuarial funding level to **59 percent**. The average increase in liability since 2003 is 3.6 percent while the average increase in valued assets has been 5.33 percent.

As the chart shows below, the projected trend is showing there is a gap between accrued liabilities and valued assets. Therefore, it will be necessary that multiple annual payments over the next ten years will need to be made if we wish to close this gap.



One of the issues the City of Montrose faces is the limited number of employees that can contribute to MERS. There are twice as many retirees currently receiving benefits versus the number of active employees. In the past, active employees were not contributing to MERS. In 2012, employees began contributing 2 percent to MERS. Another issue is the rate of return by MERS.

#### MERS FUNDING POLICY AND ACTION PLAN

In fiscal year 2015/2016, the City of Montrose began an internal review of unfunded liabilities and began discussing solutions with MERS for increasing the funding level. One solution was employees were investing 2 percent of wages toward their pension benefits, as of August 2016, this increased to 6 percent and in July 2017, it increased to 8 percent contribution. Employees hired after 2016 automatically began contributing 8 percent. As of current, all employees are contributing 8 percent.

In 2020 a long-term general obligation refunding bond will be retired. This will provide additional unassigned dollars in the general fund to begin to make additional annual payments to the accrued liability in the amount of \$30,000.

#### RETIREE HEALTHCARE (OPEB) POLICY AND ACTION PLAN

The City of Montrose maintains two post-employment health care benefit plans, one for non-union employees and one for union employees. For FY 2017 the City of Montrose was 0% funded for its retiree healthcare liability audited financial statement in the amount of \$604,922 for non-union and \$928,966 for union employee.

In FY 2018 under the GASB 75 the City of Montrose Post Employee Benefits Accounting Report ending in June 30, 2018 shows a decrease of OPEB liability to \$81,350. This reduction in liabilities would no longer place the City of Montrose in an "underfunded status". Revenues for FY 2018 are \$2,030,913 and ARC is \$17,328 which is .09% and under the 12% threshold requirement for the city to need to adopt a corrective action plan. The City will continue to take corrective measures to fund this liability through either MERS Post Employee Benefits account or OPEB Trust Fund.

This is a result of a retiree no longer qualifying for post employee benefits and a change in the union contract that reduces the number of years retirees can qualify for post employee benefits that took place in FY2017 and 2018.

According to the union employee contract, for future retirees, the City of Montrose has currently placed in effect for union employees who are at least 55 years of age and have been a permanent full-time employee for 25 years will be able to have hospitalization and medical insurance provided for 7 years after retirement. However, if hospitalization and medical insurance monthly premium cost increases above, or more than, the benchmark baseline amounts agreed upon for various categories of coverage this increase shall be shared with the City paying 75 percent of the increase premium cost and the eligible, participating retiree paying the remaining 25 percent of the increase premium cost.

The City has also implemented within the union contract that future retirees can receive a \$1000 yearly cap with a City match for their health savings plan; therefore, reducing costs as well as City funded post employment health benefits for retirees.

**RESOLUTION No. 11-18**  
**AUTHORIZING THE SUBMISSION OF A CORRECTIVE ACTION PLAN AS CONCERNS THE CITY OF**  
**MONTROSE RETIREE HEALTH BENEFITS PLAN "UNDERFUNDED STATUS"**

At a regular meeting of the City Council of the City of Montrose, County of Genesee, State of Michigan, held at the City of Montrose Offices Building, 139 S. Saginaw St., Montrose, Michigan, on the 20<sup>th</sup> day of December at 7:00 o'clock p.m.,

**PRESENT:** Mayor Colleen Brown, Christy Sanborn, Robert Arnold,  
Mayor Pro-Tem Mark Richard, Tom Bigelow and Ryan Heslop

**ABSENT:** Deborah Gross

The following resolution was **moved** by Council Member Robert Arnold and **seconded** by Council Member Mark Richard to adopt the following:

**WHEREAS**, the City of Montrose acknowledges receipt of written notice of its retiree health care "underfunded status" from the Michigan Department of Treasury pursuant to an evaluation conducted as authorized by PA 202 of 2017;

**WHEREAS**, the City of Montrose has completed a Corrective Action Plan to address the 2017 "underfunded status" and also voluntarily take steps to set aside funds through either an Other Post Employee Benefits Trust Fund and or equivalent offered plan;

**WHEREAS**, the City Council has met to discuss the Corrective Action Plan and has recommended the attached application be submitted to the Michigan Department of the Treasury for consideration;

**THEREFORE BE IT RESOLVED:** That the City of Montrose council formally authorizes the City Treasurer and City Manager to prepare, submit and execute the Corrective Action Plan and all other supporting and required documents to the Michigan Department of Treasury within the deadline for submission of same for the purpose of obtaining approval of said Corrective Action Plan from the Municipal Stability Board.

**AYES:** Mark Richard, Tom Bigelow, Christy Sanborn, Ryan Heslop, Robert Arnold, and Mayor Colleen Brown

**NAYS:** None

**RESOLUTION DECLARED ADOPTED**



Christina M. Rush, City Clerk

Resolution No. 11-18

STATE OF MICHIGAN        )

                                  Ss:    )

COUNTY OF GENESEE        )

I, the undersigned, the duly qualified and acting Clerk for the City of Montrose, Genesee County, Michigan, do hereby certify that the foregoing is a true and complete copy of a Resolution adopted by the City of Montrose, at a regular meeting of the City of Montrose Council on the 20<sup>th</sup> day of December, 2018.



---

Christina M. Rush, City Clerk

## 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 Crystal Falls Six-Digit Muni Code: 362020  
Retirement Health Benefit System Name: City of Crystal Falls OPEB  
Contact Name (Administrative Officer): Patrick Reagan, City Manager  
Title if not Administrative Officer: \_\_\_\_\_  
Email: citymanager@crystalfalls.org Telephone: (906) 875-3212

### 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](mailto: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**.*

In 2012, the City adopted a benefit change for employees that provides retiree healthcare for new retirees only (coverage for spouses/ dependents are removed from the plan upon the employees retirement) until the age of 65, at which point the retiree is eligible for Medicare and is removed from the City's health insurance plan. In 2017, the City entered into a new agreement with both POAM and IBEW that increased all new hires portion of insurance premiums from 0% to 20% annually. Current IBEW employees also agreed to begin paying 10% of premiums immediately.

- 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.*

As of January 1, 2016, the City created a qualified Trust/ Retiree Healthcare Funding Vehicle (RHFV) with MERS and has funded it at an average of \$3,404.42 per month (\$40,853.04 annually). As of September 30, 2017, the City's OPEB obligation was \$3,182,654, which will require a MERS RHFV plan value of \$1,273,061.60 to meet the 40% funded ratio. As of September 30, 2018, this account has \$123,519.71 (contributions+gains). The funding of this RHFV is in addition to the City's ARC.

- 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 October 2017, the City contracted the firm of Milliman, Inc of Brookfield, Wisconsin to perform an actuarial valuation of the City's OPEB and RHFV. Please find this analysis attached. According to this analysis, the City shall reach the 40% funded threshold for its OPEB system by 2024 by making \$7,500.00 in monthly contributions to the RHFV, which the City Council has approved by resolution. Please find this resolution attached.

**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 City of Crystal Falls will seek to maintain the 20% insurance premium cost-sharing system during labor negotiations in 2020, when the two current agreements are set to expire.

- 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 November 2018 (and again in December 2018) the Crystal Falls City Council approved a measure to increase the monthly funding of the RHFV from the average of \$3,400 per month (\$40,800.00 annually) to \$7,500.00 per month (\$90,000.00 annually). With the current balance of \$123,519 in the RHFV, along with this increase in funding, the City will meet the 40% threshold by 2024 according to the attached actuarial analysis.

- 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**.*

It should be noted that, with regard to the initial calculations, enterprise funds from the City (Water, Electric, and Sewer) were not allowed inclusion in the final calculation. When these are included, the City is well below the 12% of general fund operating revenues for retirement health systems trigger.

## 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 Crystal Falls 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	<b>This Corrective Action Plan (Required)</b>
<input checked="" type="checkbox"/> Attachment – 1a	<b>Documentation from the governing body approving this Corrective Action Plan (Required)</b>
<input checked="" type="checkbox"/> Attachment – 2a	<b>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)</b>
<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 ( <a href="#">see CAP criteria issued by the Board</a> )?
<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, Patrick Reagan, 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 City of Crystal Falls OPEB (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2024 as demonstrated by required supporting documentation listed in section 6.

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

- The ARC for all of the 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 Patrick Reagan

Date 12/28/2018

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

#### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

**Sample Statement:** *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On **January 1, 2017**, the local unit entered into new collective bargaining agreements with the **Command Officers Association** and **Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system is **40% funded as of June 30, 2017.***

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

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

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

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

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

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

Attached is our recent actuarial report for 2018 showing how our funded ratio will improve if 40% is funded in a qualified trust, as indicated on page 3. Based on the actuarial report, we worked with an investment advisor to develop an investment strategy, and therefore, we are using the actuarial proposed 6% discount rate. The attached Investment Policy Statement was reviewed and approved at the December 18, 2018 regular board meeting.

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

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

At a regular board meeting held on December 18, 2018, the local unit approved to create a qualified trust to receive, invest and accumulate assets for retirement healthcare by the fiscal year end 3/31/19. The local unit of government approved to change its funding methodology from Pay-As-You-Go basis to 40% funding of the healthcare liability by resolution of this Corrective Action Plan, dated 12/18/18.

- 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**.*

Beginning in FY 2019, the local unit will fund 40% of the healthcare liability in a qualified Section 115 Trust and will continue to maintain a 40% funded level, as periodically determined by the actuary.



**5. CONFIRMATION OF FUNDING**

**Please check the applicable answer:**

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

- Yes**
- No**  
**If No, Explain**

**6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN**

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

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

**Naming Convention**

**Type of Document**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Attachment – 1  | <b>This Corrective Action Plan (Required)</b>   |
| <input checked="" type="checkbox"/> Attachment – 1a | <b>Documentation from the governing body approving this Corrective Action Plan (Required)</b>   |
| <input checked="" type="checkbox"/> Attachment – 2a | <b>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)</b> |
| <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 ( <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, Sandra Bird, as the government's administrative officer (insert title) Finance Coordinator (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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

The Bloomfield Twp. OPEB Program-Library Div (**Insert Retirement Healthcare System Name**) will achieve a funded status of at least 40% by Fiscal Year 2019 as demonstrated by required supporting documentation listed in section 6.

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

The ARC for all of the retirement healthcare systems of \_\_\_\_\_ (**Insert local unit name**) will be less than 12% of the local unit of government's annual governmental fund revenues by Fiscal Year \_\_\_\_\_ as demonstrated by required supporting documentation listed in section 6.

Signature Sandra Bird

Date 12/18/18

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

Issued under authority of Public Act 202 of 2017.

## I. MUNICIPALITY INFORMATION

Local Unit Name: Ottawa County Road Commission Six-Digit Muni Code: 700100  
Retirement Health Benefit System Name: The Retiree Health Plan  
Contact Name (Administrative Officer): Amy Fairchild  
Title if not Administrative Officer: Finance Director  
Email: afairchild@ottawacorc.com Telephone: (616) 850-7209

## 2. GENERAL INFORMATION

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

2013 new non-bargaining employees and 2016 new bargaining employees are not offered health insurance upon retirement (attachment - 7a health insurance policy). Retiree health insurance now requires a 16% contribution from retirees to insurance costs (attachment 2a - actuarial valuation page 9).

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

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

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

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

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

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

2019 MERS retiree health funding vehicle will be utilized to create a OPEB trust with funding of \$20,000 annually in addition to cash basis payment of retiree premium payments. No distribution from the MERS retiree health funding vehicle will occur before 100% funding is achieved (2048 estimated first year of 100% funding), (attachment - 7a actuarial funding status)

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

Yes

No

**If No, Explain** There are no new hires eligible for the plan as the plan is closed to new hires. In addition to making pay-as-you go premium payments the Commission will contribute \$20,000 annual to a MERS funding vehicle until 100% funded.

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

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

- The OCRC Retirement Health Care 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

12/20/18



# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

#### 1. MUNICIPALITY INFORMATION

Local Unit Name: Montcalm County Road Commission Six-Digit Muni Code: 590100  
Defined Benefit Pension System Name: Montcalm County Road Commission - MERS  
Contact Name (Administrative Officer): Mark Christensen  
Title if not Administrative Officer: Superintendent/Manager  
Email: mark@montcalmroads.com Telephone Number: (989) 831-5285

#### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

The 01 Division was closed in 2011 to new hires. The new Division (Division 11) eliminated the E2 Rider (COLA benefit for future retirees) and changed the vesting period from 6 years to 10 years. The 10 Division was closed to new hires in 2011. The new Division (Division 12) eliminated the E2 Rider (COLA benefit for future retirees) and also lowered the multiplier from 2.5% to 2.25%, vesting from 6 years to 10 years.

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

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

In 2016 employee contributions were raised .5% to 4%-5.5% depending on division. The Road Commission paid a lump sum of \$100,000 in 2016 in addition to the ADC. In 2018 a surplus division was opened and another \$100,000 lump sum in addition to ADC was paid. In 2017, MCRC is paying monthly contributions based on the "No-Phase In" option. An additional \$20,000 per month is budgeted beginning in Feb.2019 to accelerate funding to 100%. This additional \$240,000 annual payment will accelerate MCRC to 100% funded in 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 **62%** as indicated on page **13**.*

In accordance with a negotiated CBA with AFSCME Local 1071.03 in 2018, (Page 20) employee contributions will continue to increase by .5% in 2019, 2020 and 2021 respectively. This will assist to accelerate funding to 89% by 2032 and a large reduction to our ARC in 2032.

#### **4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

The Montcalm County Road Commission will continue to budget and contribute no less than the annual required contribution and the additional \$240,000 annually to the MERS Defined Benefit Plan.

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

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

**5. CONFIRMATION OF FUNDING**

Please check the applicable answer:

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

**Yes**

**No**

**If No, Explain:**

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention	Type of Document
<input checked="" type="checkbox"/> Attachment – 1	<b>This Corrective Action Plan Form (Required)</b>
<input checked="" type="checkbox"/> Attachment – 1a	<b>Documentation from the governing body approving this Corrective Action Plan (Required)</b>
<input checked="" type="checkbox"/> Attachment – 2a	Actuarial Analysis (annual valuation, supplemental valuation, projection)
<input type="checkbox"/> Attachment – 3a	Internally Developed Projection Study
<input checked="" 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 checked="" type="checkbox"/> Attachment – 5a	Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)
<input type="checkbox"/> Attachment – 6a	A separate corrective action plan that the local unit has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio
<input checked="" type="checkbox"/> Attachment – 7a	Other documentation, not categorized above

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

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

Signature \_\_\_\_\_

Date \_\_\_\_\_

# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Retirement Health Benefit Systems

Issued under authority of Public Act 202 of 2017.

<b>1. MUNICIPALITY INFORMATION</b>
Local Unit Name: <u>Montcalm County Road Commission</u> Six-Digit Muni Code: <u>590100</u>
Retirement Health Benefit System Name: <u>Montcalm County Road Commission Retiree Health Insurance</u>
Contact Name (Administrative Officer): <u>Mark Christensen</u>
Title if not Administrative Officer: <u>Superintendent/Manager</u>
Email: <u>mark@montcalmroads.com</u> Telephone Number: <u>(989) 831-5285</u>
<b>2. GENERAL INFORMATION</b>
<p><b>Corrective Action Plan:</b> 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.</p> <p><b>Due Date:</b> The local unit of government has <b>180 days from the date of notification</b> 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><b>Filing:</b> 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. <b>You must provide proof of your governing body approving this Corrective Action Plan and attach the documentation as a separate PDF document.</b> 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 completed plan must be submitted via email to Treasury at <b>LocalRetirementReporting@michigan.gov</b> for review by the Board. <b>If you have multiple underfunded retirement systems, you are required to complete separate plans and send a separate email for each underfunded system.</b> 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: <b>Corrective Action Plan-2017, Local Unit Name, Retirement System Name</b> (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).</p> <p><b>Municipal Stability Board:</b> 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.</p>

**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 July 1, 2018 MCRC entered into a new CBA with AFSCME Local 1071.03 that created a HCSP (Health Care Savings Plan.) for all new hires and for any current employee with 10 years or less time of service. 17 current employees moved to the HCSP which is funded at \$1,400 per year by MCRC. These 17 employees and all new hires will not be eligible for post employment health care benefits. This change, along with the additional \$32,000 per year in contributions by MCRC will, according to Watkins Ross actuary firm, cause the plan to be 80% by 2031.

- 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.*

In 2009, MCRC created a qualified 115 Trust to receive, invest and accumulate assets for OPEB. MCRC has contributed \$20,000 to the account since its inception. In the 2019 fiscal year budget, by resolution of the board, an extra \$1,000 per month was committed to the annual OPEB payment bringing the total contributed to \$32,000. The additional payment of \$32,000 will accelerate funding to 80% in the next 13 years. (2031)

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

- Yes**  
 **No**

If No, Explain: .

**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

Actuarial Analysis (annual valuation, supplemental valuation, projection)

Attachment – 3a

Internally Developed Projection Study

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).

Attachment – 5a

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

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

Attachment – 7a

Other documentation, not categorized above

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

I Mark Christensen, 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 1-2-2019

## 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: Lansing Housing Commission Six-Digit Muni Code: 337534  
Retirement Health Benefit System Name: None  
Contact Name (Administrative Officer): Dawn Allman  
Title if not Administrative Officer: Finance Manager  
Email: dawna@lanshc.org Telephone: (517) 853-3066

### 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](mailto: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 November 28, 2018, Lansing Housing Commission Board of Commissioners approved various plan changes to the current OPEB plan (Att. 5a & 5b) which decreased the liability and increased funding. Please see page 5 of the attached actuarial analysis of proposed changes that indicates the system is 40% funded as of the year 2020 (Att. 2a).

- 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.*

LHC created a qualified trust to receive, invest, and accumulate assets for retirement healthcare on December 4, 2018 (Att. 6a-e). LHC has adopted a policy to pay its current year funding requirements in addition to additional funding of prior balances. The current employees will receive catch up funding to be completed over two years while the current retirees will be funded over a longer time period. Future hires to the LHC will not receive an OPEB benefit (Att 5a & 5b).

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

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

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

On November 28, 2018, Lansing Housing Commission Board of Commissioners approved various plan changes to the current OPEB plan (Att. 5a & 5b) which decreased the liability and increased funding. Please see page 5 of the attached actuarial analysis of proposed changes that indicates the system is 40% funded as of the year 2020 (Att. 2a). These changes are being voted upon with our local union which covers six employees.

- 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.*

LHC made a payment of \$86,850.00 on 1/2/19 to fund all vested current employees for all prior months of service. Current months of service will be funded monthly to their qualified individual trust. Non-vested current employees will receive current months of service funding starting 1/1/19 and prior months of service funding in January 2020. Current retirees will receive prior funding of approximately \$40,000 in addition to monthly funding starting prior to May 2019.

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

- Yes  
 No  
If No, Explain

## 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	<b>This Corrective Action Plan (Required)</b>
<input checked="" type="checkbox"/> Attachment – 1a	<b>Documentation from the governing body approving this Corrective Action Plan (Required)</b>
<input checked="" type="checkbox"/> Attachment – 2a	<b>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)</b>
<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 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
<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 ( <a href="#">see CAP criteria issued by the Board</a> )?
<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, Dawn Allman, as the government's administrative officer (insert title)  
LHC's Finance 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 MERS OPEB Retirement System (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 

Date 11/7/18



# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Retirement Health Benefit Systems

Issued under authority of Public Act 202 of 2017.

#### I. MUNICIPALITY INFORMATION

Local Unit Name: Capital Area Transportation Authority Six-Digit Muni Code: 337510

Retirement Health Benefit System Name: Retiree Healthcare Benefit Plan

Contact Name (Administrative Officer): Bradley T. Funkhouser

Title if not Administrative Officer: Chief Executive Officer

Email: bfunkhouser@cata.org Telephone Number: (517) 999-2532

#### 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](mailto: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**.

See attached memorandum.

- 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 attached memorandum.

- 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**.

See attached memorandum.

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

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

See attached memorandum.

- 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) CATA 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	<b>This Corrective Action Plan (Required)</b>
<input type="checkbox"/> Attachment – 1a	<b>Documentation from the governing body approving this Corrective Action Plan (Required)</b>
<input checked="" type="checkbox"/> Attachment – 2a	Actuarial Analysis (annual valuation, supplemental valuation, projection)
<input type="checkbox"/> Attachment – 3a	Internally Developed Projection Study
<input type="checkbox"/> Attachment – 4a	Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).
<input type="checkbox"/> Attachment – 5a	Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)
<input type="checkbox"/> Attachment – 6a	A separate corrective action plan that the local unit has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system’s funded ratio
<input checked="" type="checkbox"/> Attachment – 7a	Other documentation, not categorized above

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

I Bradley T. Funkhouser, as the government’s administrative officer (*enter title*) Chief Executive Officer (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 01/08/2019

# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

#### 1. MUNICIPALITY INFORMATION

Local Unit Name: City of Center Line Six-Digit Muni Code: 502010  
Defined Benefit Pension System Name: MERS Defined Retirement Plan  
Contact Name (Administrative Officer): Mark Knapp  
Title if not Administrative Officer: City Treasurer/Finance Director  
Email: mknapp@centerline.gov Telephone: (586) 758-8270

#### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

Information previously sent.

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

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

Information previously sent.

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

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

Information previously sent.

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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



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

**Category of Prospective Actions:**

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

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

Information previously sent

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

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

Information previously sent.

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

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

Information previously sent.

## 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 Center Line to make, at a minimum, the annual required contribution payment for the defined benefit pension system according to your long-term budget forecast?

Yes

No

If No, Explain Yes, City Council has approved the Surplus Division with increased contributions above the actuarially required contributions.

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

Attachment – 1

**This Corrective Action Plan Form (Required)**

Attachment – 1a

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

Attachment – 2a

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

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment – 6a

Other documentation not categorized above

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

### Corrective Action Plan Criteria

### Description

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Underfunded Status   | Is there a description and adequate supporting documentation of how and when the retirement system will reach the 60% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all pension systems will be less than 10 percent of governmental fund revenues? |
| <input checked="" type="checkbox"/> Reasonable Timeframe | Do the corrective actions address the underfunded status in a reasonable timeframe ( <a href="#">see CAP criteria issued by the Board</a> )?  |
| <input checked="" type="checkbox"/> Legal and Feasible   | Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?  |
| <input checked="" type="checkbox"/> Affordability        | Do the corrective action(s) listed allow the local unit to make the annual required contribution payment for the pension system now and into the future without additional changes to this corrective action plan?  |

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

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

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

- The City of Center Line (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2028 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature



Date

11/13/2018

# 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 Center Line Six-Digit Muni Code: 502010  
Retirement Health Benefit System Name: OPEB Trust  
Contact Name (Administrative Officer): Mark Knapp  
Title if not Administrative Officer: City Treasurer/Finance Director  
Email: MKnapp@centerline.gov Telephone: (568) 758-8270

## 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](mailto: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 attached correspondence

- 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 attached correspondence

- 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 attached correspondence.

**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**.*

See attached correspondence.

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

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

See attached correspondence.

- 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**.*

See attached correspondence.

## 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 Center Line 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  | <b>This Corrective Action Plan (Required)</b>   |
| <input checked="" type="checkbox"/> Attachment – 1a | <b>Documentation from the governing body approving this Corrective Action Plan (Required)</b>   |
| <input checked="" type="checkbox"/> Attachment – 2a | <b>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)</b> |
| <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**

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?

Reasonable Timeframe

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

Legal and Feasible

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

Affordability

Do the corrective action(s) listed allow the local unit to make the 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, Mark Knapp, as the government's administrative officer (insert title) City Treasurer/Finance Director (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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

The City of Center Line OPEB Trust (**Insert Retirement Healthcare System Name**) will achieve a funded status of at least 40% by Fiscal Year 2022 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 11/13/2018

# 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: JACKSON DISTRICT LIBRARY Six-Digit Muni Code: 388000  
Retirement Health Benefit System Name: JACKSON DISTRICT LIBRARY RETIREE MEDICAL PLAN  
Contact Name (Administrative Officer): SARA TACKETT  
Title if not Administrative Officer: DIRECTOR - JACKSON DISTRICT LIBRARY  
Email: tackettse@myjdl.com Telephone: (517) 788-4099

#### 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](mailto: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.*

The Jackson District Library contributed \$300,000 to the plan on June 30, 2018. (See Attachment 4a for the MERS account summary detailing the contribution). This contribution increased the funding level above the 40% requirement. (See Attachment 2a for Form 5572 updated OPEB report.

- 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 Jackson District Library adopted a funding policy (see Attachment 1a, so at a minimum, fund the Annual Required Contribution (ARC). Additionally, the Jackson District Library will budget and contribute additional contributions until the plan becomes fully funded.

**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) Jackson 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  | <b>This Corrective Action Plan (Required)</b>   |
| <input checked="" type="checkbox"/> Attachment – 1a | <b>Documentation from the governing body approving this Corrective Action Plan (Required)</b>   |
| <input checked="" type="checkbox"/> Attachment – 2a | <b>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)</b> |
| <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, Sara Tackett, as the government's administrative officer (Insert title) Jackson District Library (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 JACKSON DISTRICT LIBRARY RETIREE (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2018 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 Sara Tackett

Date 1-3-19

# Protecting Local Government Retirement and Benefits Act

## Application for Waiver and Plan: Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

### I. MUNICIPALITY INFORMATION

Local Unit Name: Ontonagon County Road Commission Six-Digit Muni Code: 660100

Defined Benefit Pension System Name: MERS

Contact Name (Administrative Officer): Jacqueline S. Johns

Title if not Administrative Officer: Business Manager

Email: ocrcjackie@yahoo.com Telephone: (906) 884-2332

### 2. GENERAL INFORMATION

**Application for Waiver and Plan:** This Application for Waiver and Plan may be filed by any local unit of government with at least one defined benefit pension retirement system that has triggered a preliminary review of underfunded status. In accordance with Public Act 202 of 2017 (the Act), if the state treasurer determines that the underfunded status is adequately being addressed by the local unit of government, the state treasurer shall issue a waiver of the determination of underfunded status. If requesting a waiver, you must submit a separate and unique application for each underfunded retirement system as determined by the *2017 Retirement System Annual Report (Form 5572)*.

**Due Date:** The local unit of government has **45 days from the date of notification** to complete and file the Application for Waiver and Plan. Failure to file within 45 days will result in a determination of underfunded status for your local unit of government as defined by the Act, and your local unit of government will be required to submit a corrective action plan to the Municipal Stability Board for approval.

**Filing:** This Application for Waiver and 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 Application for Waiver and Plan and attach the documentation as a separate PDF document.** Failure to provide documentation that demonstrates approval from your governing body will automatically result in a denial of the waiver application.

The completed application must be submitted via email to [LocalRetirementReporting@michigan.gov](mailto:LocalRetirementReporting@michigan.gov). **If you have multiple underfunded retirement systems, you are required to complete separate applications and send a separate email for each underfunded system.** Please attach each application 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: **Waiver-2017, Local Unit Name, Retirement System Name** (e.g. Waiver-2017, City of Lansing, Employees' Retirement System Pension Plan). Treasury will send an automatic reply acknowledging receipt of the email. Your individual email settings must allow for receipt of Treasury's automatic reply. This will be the only notification confirming receipt of the application(s).

**Considerations for Waiver:** A successful Application for Waiver and Plan will demonstrate what your local unit **has already done** to adequately address its underfunded status. Prospective solutions will not be granted merit in determining the outcome of the waiver application (e.g. future amendments to collective bargaining agreements, upcoming millage proposals, potential budget changes, etc.). However, Treasury may consider additional ongoing funding dedicated to your retirement system if those commitments have been formally enacted by the governing body and can be documented. Section three of this waiver application allows the local unit of government to enter a brief description



of prior actions that have already been implemented to adequately address its underfunded status. For purposes of Sec. 6.(1) of the Act, this application will also be considered the plan.

Underfunded status for a defined benefit pension system is defined as being less than 60% funded according to the most recent audited financial statements, and, if the local unit of government is a city, village, township, or county, the actuarially determined contribution for all of the defined benefit pension retirement systems of the local unit of government is greater than 10% of the local unit of government's annual governmental fund revenues, based on the most recent fiscal year.

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

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

#### Category of Prior Actions:

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

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

Enter System Design Statement here:

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

**Sample Statement:** *The local unit provided a lump sum payment of \$1 million to the **General Employees' Retirement System** on **January 1, 2017**. This lump sum payment was in addition to the actuarially determined contribution (ADC) of the*

system. The additional contribution will increase the retirement system's funded ratio to **61% by 2025**. Please see page 10 of the attached enacted budget, which highlights this contribution of **\$1 million**.

**Enter Additional Funding Statement here:**

We have paid additional funds May 2016 to November 2016, March 2017 to September 2017, and May 2018 until November 2018 as funds are available.

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

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

**Sample Statement:** *50% of our retirement liabilities are attributable to employees within our enterprise divisions as shown in the attached analysis, yet we could not include enterprise revenue as part of our governmental funds. The attached analysis shows that our revenue ratio (ADC / Total Governmental Funds) would only be 5% when including enterprise funds within the calculation.*

**Enter Other Considerations Statement here:**

**4. DOCUMENTATION ATTACHED TO THIS WAIVER APPLICATION AND PLAN**

Documentation must be attached as a .pdf to this waiver application. The documentation must demonstrate the prior actions that have already been implemented to adequately address the local unit of government's underfunded status. Please ensure this documentation directly supports and highlights the systems funded ratio as entered in section three of the waiver application above. Please check all documents that are included as part of this application 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".

Continued on Page 4.

**Naming Convention**

- Attachment – 1
- Attachment – 1a
- Attachment – 2a
- Attachment – 3a
- Attachment – 4a
- Attachment – 5a
- Attachment – 6a
- Attachment – 7a

**Type of Document**

**This Waiver Application and Plan (Required)**

**Documentation from the governing body approving the Waiver Application and Plan (Required)**

Actuarial Analysis (annual valuation, supplemental valuation, projection)

Internally Developed Projection Study

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

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

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

Other documentation, not categorized above

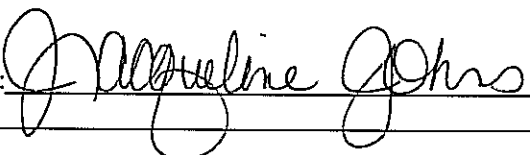
**5. LOCAL UNIT OF GOVERNMENT'S ADMINISTRATIVE OFFICER APPROVAL OF WAIVER APPLICATION AND PLAN**

I Jacqueline S. Johns, as the government's administrative officer (*enter title*) Business Manager (Ex: City/Township Manager, Executive director, Chief Executive Officer, etc.) approve this Application for Waiver and Plan. We are requesting a waiver of underfunded status, because we have already implemented substantial changes to our retirement system as described above.

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

The Retirement Pension System listed below will achieve a funded status of at least 60% by the Fiscal Year listed below.

Retirement Pension System Name: MERS Fiscal Year: 2021

Signature: 

Date: 5/31/2018

**MUNICIPAL STABILITY BOARD  
RESOLUTION 2019-2**

**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

January 16, 2019

MSB Appendix A January 16, 2019

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

CAP Criteria Key	
<b>Underfunded Status</b>	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?
<b>Timeframe</b>	Does this corrective action for this plan meet the Reasonable Timeframe criteria as defined by the Municipal Stability Board?
<b>Legal/Feasible</b>	Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?
<b>Affordable</b>	The local unit must confirm that corrective actions listed in the CAP allow for the local unit to make, at a minimum, the annual required contribution (ARC) payment for pension plans and/or the retiree healthcare premium payment, as well as the normal cost payment for new hires for retirement health benefits

#	Local Unit	Municode	System Type	Date Received	Underfunded Status	Timeframe	Legal/Feasible	Affordable	Treasury Recommendation	Corrective Action Plan Link
1	City of Hastings	082010	OPEB	12/19/2018	Yes	Yes	Yes	Partial	Approve	<a href="#">City of Hastings - OPEB</a>
2	Village of Union City	123030	Pension	12/19/2018	Yes	Yes	Yes	Partial	Approve	<a href="#">Village of Union City Pension</a>
3	City of Davison	252020	Pension	12/19/2018	Yes	Yes	Yes	Partial	Approve	<a href="#">City of Davison - Pension</a>
4	City of Davison	252020	OPEB	12/19/2018	Yes	Yes	Yes	Partial	Approve	<a href="#">City of Davison - OPEB</a>
5	Interurban Transit Partnership	417530	Pension - Amalgamated Trust	12/19/2018	Yes	Yes	Yes	Yes	Approve	<a href="#">Interurban Transit Partnership - Pension - Amalgamated Trust</a>
6	Interurban Transit Partnership	417530	Pension-Pension Plan	12/19/2018	Yes	Yes	Yes	Yes	Approve	<a href="#">Interurban Transit Partnership - Pension-Pension Plan</a>
7	Luce County Road Commission	480100	Pension	12/19/2018	Yes	Yes	Yes	Yes	Approve	<a href="#">Luce County Road Commission Pension</a>
8	Luce County Road Commission	480100	OPEB	12/19/2018	Yes	Yes	Yes	Yes	Approve	<a href="#">Luce County Road Commission OPEB</a>
9	Mackinac County Road Commission	490100	OPEB	12/19/2018	Yes	Yes	Yes	Yes	Approve	<a href="#">Mackinac County Road Commission OPEB</a>
10	City of New Baltimore	502060	OPEB	12/19/2018	Yes	Yes	Yes	Yes	Approve	<a href="#">City of New Baltimore OPEB</a>
11	City of Warren	502120	OPEB-City Employees	12/19/2018	Partial	Partial	Yes	Partial	Approve	<a href="#">City of Warren - OPEB-City Employees</a>
12	City of Warren	502120	OPEB-Police and Fire	12/19/2018	Partial	Partial	Yes	Partial	Approve	<a href="#">City of Warren - OPEB-Police and Fire</a>
13	Newaygo County Road Commission	620100	OPEB	12/19/2018	Yes	Yes	Yes	Yes	Approve	<a href="#">Newaygo County Road Commission OPEB</a>
14	City of Oak Park	632140	Pension-General Employees	12/19/2018	Yes	Yes	Yes	Partial	Approve	<a href="#">City of Oak Park Pension-General Employees</a>
15	City of Oak Park	632140	Pension-Public Safety	12/19/2018	Yes	Yes	Yes	Partial	Approve	<a href="#">City of Oak Park Pension-Public Safety</a>
16	City of Oak Park	632140	OPEB-General Employees	12/19/2018	No	No	Yes	Partial	Disapprove	<a href="#">City of Oak Park OPEB-General Employees</a>
17	City of Oak Park	632140	OPEB-Public Safety	12/19/2018	No	No	Yes	Partial	Disapprove	<a href="#">City of Oak Park OPEB-Public Safety</a>
18	City of Oak Park	632140	OPEB-District Court	12/19/2018	No	No	Yes	Partial	Disapprove	<a href="#">City of Oak Park OPEB-District Court</a>
19	St Clair County Road Commission	740100	OPEB	12/19/2018	Yes	Yes	Yes	Yes	Approve	<a href="#">St Clair County Road Commission OPEB</a>
20	City of Milan	812020	Pension	12/19/2018	Yes	Yes	Yes	Yes	Approve	<a href="#">City of Milan - Pension</a>
21	Ypsilanti Community Utilities Authority	817514	Pension	12/19/2018	Yes	Yes	Yes	Yes	Approve	<a href="#">Ypsilanti Community Utilities Authority Pension</a>
22	Redford Charter Township	821080	OPEB-General Employees	12/19/2018	Yes	Yes	Yes	Partial	Approve	<a href="#">Redford Charter Township - OPEB-General Employees</a>
23	Redford Charter Township	821080	OPEB-Police and Fire	12/19/2018	Yes	Yes	Yes	Partial	Approve	<a href="#">Redford Charter Township - OPEB-Police and Fire</a>
24	City of Highland Park	822160	Pension-General Employees	12/19/2018	Partial	Partial	No	No	Disapprove	<a href="#">City of Highland Park Pension-General Employees</a>

25	City of Highland Park	822160	Pension-Police and Firemen	12/19/2018	Partial	Partial	No	No	Disapprove	<a href="#">City of Highland Park Pension-Police and Firemen</a>
26	City of Highland Park	822160	Pension-Public Safety Employees	12/19/2018	Partial	Partial	No	No	Disapprove	<a href="#">City of Highland Park Pension-Public Safety Employees</a>
27	City of Lincoln Park	822180	Pension-MERS	12/19/2018	Yes	Yes	Yes	Partial	Approve	<a href="#">City of Lincoln Park Pension-MERS</a>
28	City of Lincoln Park	822180	Pension-Police and Fire	12/19/2018	Yes	Yes	Yes	Partial	Approve	<a href="#">City of Lincoln Park Pension-Police and Fire</a>
29	City of Lincoln Park	822180	OPEB	12/19/2018	Partial	Partial	Yes	Partial	Approve	<a href="#">City of Lincoln Park OPEB</a>
30	City of Wayne	822300	Pension	12/19/2018	Yes	Yes	Yes	Yes	Approve	<a href="#">City of Wayne - Pension</a>
31	City of Wayne	822300	OPEB	12/19/2018	Yes	Yes	Yes	Yes	Approve	<a href="#">City of Wayne - OPEB</a>
32	City of Woodhaven	822320	OPEB	12/19/2018	Partial	Partial	Yes	Partial	Approve	<a href="#">City of Woodhaven - OPEB</a>
33	City of Wyandotte	822330	OPEB	12/19/2018	Partial	Partial	Yes	Partial	Approve	<a href="#">City of Wyandotte - OPEB</a>
34	Grosse Pointes Clinton Refuse Authority	827502	Pension	11/13/2018	Yes	Yes	Yes	Yes	Approve	<a href="#">Grosse Pointes Clinton Refuse Authority Pension</a>
35	Cadillac City Housing Commission Authority	837511	OPEB	12/19/2018	Partial	Partial	No	Yes	Disapprove	<a href="#">Cadillac City Housing Commission Authority OPEB</a>

**Treasury Recommendation  
City of Hastings  
OPEB Corrective Action Plan (CAP)  
Primary Unit 082010**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$7,982,175	\$15,968,218	50.0%	\$567,651	\$5,827,849	9.7%	No
Healthcare	OPEB	\$218,223	\$10,019,025	2.2%	\$820,520		14.1%	Yes
<b>Total</b>		<b>\$8,200,398</b>	<b>\$25,987,243</b>	<b>52.2%</b>	<b>\$1,388,171</b>	<b>\$5,827,849</b>	<b>23.8%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by the City of Hastings, which was received by the Municipal Stability Board (the Board) on December 19, 2018. 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 post-employment health care insurance for new employees hired after dates ranging from 2002 to 2006 depending on labor unit.
  - Eliminated post-employment health care insurance for employees that are not eligible to receive full pension benefits.
  - Adopted a tiered schedule of required retiree contributions from 10% to 50% depending on the length of employment with the City.
  - Adopted an optional post-employment health care plan for eligible retirees that is less costly than the City's standard plan. Because of retiree cost share this can save the employee and the City money.
  
- Plan Funding:
  - In, 2014 established a MERS OPEB funding vehicle.
  - Payments made
    - 2014 - \$110,000
    - 2015 - \$110,000
    - 2016 - \$110,000
    - 2017 - \$150,000
    - 2018 - \$110,000
  
- Other Considerations:
  - None Listed.



**Treasury Recommendation  
City of Hastings  
OPEB Corrective Action Plan (CAP)  
Primary Unit 082010**

**Prospective Changes:**

- Modern Plan Design:
  - The City provided retirees a choice between lower rate health plans provided by Blue Care Network or a stipend beginning January 1, 2019.
    - This change is estimated to save at least \$772,000 in 2019
  - The City estimates the savings to be at least \$77,200 for the 2019 fiscal year.
  
- Plan Funding:
  - Have budgeted \$110,000 for 2019 to 2022.
  
- Other Considerations:
  - Anticipated to drop ARC to \$731,466 with Governmental Revenue of \$6,141,831 the ARC/Governmental funds Revenue will be 11.9% for 2019.
    - Provided additional e-mail from actuary stating that ADC for 2019 would be \$598,258, based on changes in health care options for retirees.
  - The City projects the Other-Post Employment Benefit liability will decrease by \$4,257,519 with a change in the assumptions of lower health insurance premiums.

**Plan size: 71 members**

- Inactive employees or beneficiaries currently receiving benefits: 46
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 25

**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.
  
- 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 Hastings  
OPEB Corrective Action Plan (CAP)  
Primary Unit 082010**

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, our review indicates all of the local unit's annual required contribution as a percentage of general fund operating revenues is 23.8%. This reflects a significant portion of the local government's budget.

**Supplemental Information:**

The City of Hasting forwarded an additional e-mail from their actuary addressing their projected future ADC. Using the 2018 valuation and no plan changes, ADC will be \$830,414. The actuary stated the impact of the approved changes in the health care options for retirees would lower their ADC in 2019 to \$598,258. with Governmental Revenue of \$6,141,831 this show ARC/Governmental funds revenue would be 9.7% for 2019

**The Community Engagement and Finance Division (CEFD) contact:**

The city was requested to provide additional information showing their projected ADC in 2019.

**Treasury Recommendation  
Village of Union City  
OPEB Corrective Action Plan (CAP)  
Primary Unit 123030**

<b>Name of Systems</b>	<b>Type of System</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Funded Ratio</b>	<b>ADC</b>	<b>Revenues</b>	<b>ADC/Revenue</b>	<b>CAP required?</b>
Healthcare	OPEB	\$0	\$1,657,315	0.0%	\$256,687	\$735,072	34.9%	YES

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by the village of Union City, which was received by the Municipal Stability Board (the Board) on December 19, 2018. 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 village closed healthcare system January 1, 2016 to new hires (provided verification, CBA August 2015). In August 2018, the village successfully negotiated all three non-union employees off the retirement healthcare system (provided verification, August 13, 2018 council minutes). The village also negotiated all union employees off the plan, except for one (provided verification, August 13, 2018 council minutes). The village is still negotiating with that one retiree. Consequently, four employees remain on the plan, down from nine (9) as of January 1, 2018.
- Plan Funding:
  - The village created an OPEB CD with a balance \$210,274.77 and an OPEB investment account with a balance of \$121,229.33 for a total of \$331,504.10 to fund the retiree health insurance. In addition, the village passed a FY 2019 budget with \$40,000 additional in yearly contributions to retiree health insurance, as compared to FY 2018. These OPEB accounts will be moved to a recognized account to count toward funding in 2019.
- Other Considerations:
  - The village estimates with a reduction of 55% of the employees in the healthcare retirement system since the last actuarial and moving OPEB accounts to a recognized and qualified account the village will achieve over 40% funded status.

**Prospective Changes:**

- Modern Plan Design:
  - The village is continuing in its efforts to negotiate with the three remaining employees to remove them from the system.
  - The village planning to conduct a new actuarial and will engage in early 2019.

**Treasury Recommendation**  
**Village of Union City**  
**OPEB Corrective Action Plan (CAP)**  
**Primary Unit 123030**

- Plan Funding:
  - The village will move the \$331,504 in the OPEB accounts to an approved and qualified account to count toward funded status. It will evaluate the latest actuarial to determine its position after removing all but 4 employees off the plan (from 9 employees at the last actuarial), but it is anticipated that the village has already achieved at least 40% funded status. (provided memo-analysis).
  
- Other Considerations:
  - None noted.

**Plan size: 16 members**

- Inactive employees or beneficiaries currently receiving benefits: 4
- Inactive employees entitled to but not yet receiving benefits: N/A
- Active employees: 12

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

- Underfunded Status:
  - The local government has demonstrated through supporting documentation that it has already reached the PA 202 established funding level of 40% funded.
  
- 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:
  - 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 34.9%. This reflects a significant portion of the local government's budget.

**Treasury Recommendation  
Village of Union City  
OPEB Corrective Action Plan (CAP)  
Primary Unit 123030**

**Supplemental Information:**

Through design change and additional funding the village has closed the retiree benefit system to new hires, has progressed in negotiating employees off the plan and continues efforts in this area, is planning to invest \$331,500 in a trust fund, and changed its health insurance to a deductible insurance (to take effect December 2018). (The village is awaiting its newest actuarial which will demonstrate that the OPEB system exceeds 40% funded.) Meanwhile, the village calculated its new OPEB liability \$729,000 (44% of \$1,657,315) and ARC \$112,942 (44% of \$256,687). These figures are estimates based on the reduction of four of nine employees off the OPEB system and one other employee the village has a verbal commitment from to leave the OPEB system. Using the to-be-invested \$331,500 over the new OPEB liability (\$729,000) gets the village's OPEB system to an estimated 45%.

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation**  
**City of Davison**  
**City of Davison MERS Pension Corrective Action Plan (CAP)**  
**Primary Unit 252020**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
City of Davison MERS	Pension	\$6,064,952	\$12,163,907	49.9%	\$472,201	\$3,334,509	16.1%	Yes
City of Davison Non-Union MERS Pension Plan	Pension	\$1,100,496	\$1,248,286	88.2%	\$64,484			No
City of Davison	OPEB	\$425,475	\$19,654,305	2.2%	\$1,452,012		43.5%	Yes
<b>Total</b>		<b>\$7,590,923</b>	<b>\$33,066,498</b>		<b>\$1,988,697</b>	<b>\$3,334,509</b>	<b>59.6%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the City of Davison MERS pension corrective action plan submitted by the City of Davison, which was received by the Municipal Stability Board (the Board) on December 19, 2018. 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:**
  - Through collective bargaining with the DPW Union, AFSCME, the Defined Benefit DPW division with a 2.5x multiplier closed to new hires as of 7-1-12. A new linked division formed with a lower defined benefit multiplier of 1.5x from the previous 2.5x. Benefits are calculated on base wages only. New hires do not have COLA of 2.5% that the closed division offers. This division has a higher employee contribution rate of 5%. Early retirement age was increased from age 50 with 25 years of service to age 55 with 25 years of service. New hires also have no D-2 benefit.
- **Plan Funding:**
  - The City Council has approved lump sum payments in addition to the actuarially determined contributions (ADC) of the system for the past 3 fiscal years. The City contributed \$41,750 in FY 16 and FY 17, and 47,500 in FY 18
- **Other Considerations:**
  - The City has 32% of retirement liabilities attributable to employees within the enterprise divisions as shown in the attached analysis, yet enterprise revenue it is not allowed to be included as part of our governmental funds. The City includes the cost of employee wages and fringe benefits into the water/sewer rates that our customers pay. This is the revenue source to fund this portion of the benefits, not the general fund. The analysis

**Treasury Recommendation**  
**City of Davison**  
**City of Davison MERS Pension Corrective Action Plan (CAP)**  
**Primary Unit 252020**

within the CAP shows that our revenue ratio (ADC/Total Governmental Funds) would only be 8.9% when including enterprise funds within the calculation.

- MERS had made several assumption changes, like shorter amortization, periods that will help our plan reach the 60% funding level faster. All the assumption changes that have made are shown in the attached statement from MERS.
- Effective plan administration is done with an experience study done every 5 year by the actuary and asset smoothing is used to reduce the impact of significant investment losses on the contribution amounts.

**Prospective Changes:**

- **Modern Plan Design:**
  - Through collective bargaining with the Police Union, POLC, Defined Benefit Division, Police Patrol closed to all new hires as of 7-1-18. The retirement age as of 7-1-18 rose from 25 years of service and out to age 50 with 25 years of service. This division's multiplier will also bridge down from 3.0x to 2.5x with a frozen FAC starting on July 1, 2019.
  - A new linked division was formed with a lower defined benefit multiplier of 1.5x from the previous 3.0x. This division will have a 5% employee contribution. Retirement age is 55 with 25 years of service, with no option of early retirement. New hires have no D-2 benefits or a 2.5% COLA like the closed division has.
  - Through collective bargaining with the DPW union, AFSCME, the Defined Benefit Division 01, DPW that closed as of 7-1-12, increased employee contributions from 2% to 5% over the next three years of the contract.
- **Plan Funding:**
  - The City Council has approved a lump sum payment of \$47,500 in addition to the actuarially determined contributions (ADC) of the system for the current 2018-2019 fiscal year.
- **Other Considerations:**
  - None Listed.

**Plan size: 38 members**

- Inactive employees or beneficiaries currently receiving benefits: 19
- Inactive employees entitled to but not yet receiving benefits: 3
- Active employees: 16

**Treasury Recommendation**  
**City of Davison**  
**City of Davison MERS Pension Corrective Action Plan (CAP)**  
**Primary Unit 252020**

**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 actuarial projection 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, our review indicates all of the local unit's annual required contribution as a percentage of general fund operating revenues is 59.6%. This reflects a significant portion of the local government's budget.

**Supplemental Information:**

City of Davison included an actuarial projection from MERS demonstrating the impact of scheduled benefit changes to the system's funded ratio and employer contributions. This projection shows that the system would be scheduled to reach 60% funded by approximately 2025. The actuarial projection also shows that, from 2019 to 2039, the projected annual employer contribution increases by approximately \$556,000, or 93%.



**Treasury Recommendation**  
**City of Davison**  
**City of Davison MERS Pension Corrective Action Plan (CAP)**  
**Primary Unit 252020**

**City of Davison (2516) - All Divisions**  
**Estimated Projected Employer Contributions and Funded Ratios**



Baseline - Current Benefits and Participants as of the Valuation Date  
Scenario 1 - (For Division 02) For Current Actives: Bridge to 2.5% Multiplier Effective 7/1/19, Replace 25 and Out with F50/25, Decrease Member Rate to 5.00%; For New Hires: 1.50% Multiplier, FAC-3, V-6, F50/25, Entrant Age 32, 5.00% Member Rate, and 5.00% Employer DC Contribution Rate

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
City of Davison  
OPEB Corrective Action Plan (CAP)  
Primary Unit 252020**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
City of Davison MERS	Pension	\$6,064,952	\$12,163,907	49.9%	\$472,201	\$3,334,509	16.1%	Yes
City of Davison Non-Union MERS Pension Plan	Pension	\$1,100,496	\$1,248,286	88.2%	\$64,484			No
City of Davison	OPEB	\$425,475	\$19,654,305	2.2%	\$1,452,012		43.5%	Yes
<b>Total</b>		<b>\$7,590,923</b>	<b>\$33,066,498</b>		<b>\$1,988,697</b>	<b>\$3,334,509</b>	<b>59.6%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by the City of Davison, which was received by the Municipal Stability Board (the Board) on December 19, 2018. 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:**
  - On July 1, 2011, the local unit entered into a new collective bargaining agreement with the Police Officer's Union, (POLC) that changed retiree healthcare to cover only the retiree and increased their co-payments to 20% of their healthcare premium costs.
  - On July 1, 2012, the same agreement began with the DPW and Office Staff Unions, (AFSCME). All union agreements include that healthcare plans integrate with Medicare.
  - On July 1, 2018 the local unit entered into new collective bargaining agreements with the Police (POLC), DPW (AFSCME) and the Office Staff (AFSCME) that closes the defined benefit retiree health care plan to all new employees hired after July 1, 2018. This same agreement rose the service years of active employees from 10 years to 15 years to be eligible for retiree health care. All new hires after July 1, 2018 for the local unit will be enrolled into a to a defined contribution retiree health care plan. There will be a 5-year vesting rule on contributions.
  
- **Plan Funding:**
  - The local unit created a MERS RHFV trust in June of 2010 to receive, invest and accumulate assets for retirement healthcare. Additionally, during the last three fiscal years the local unit has committed to contributing an amount equal to 5% of employees

**Treasury Recommendation  
City of Davison  
OPEB Corrective Action Plan (CAP)  
Primary Unit 252020**

wages annually to the trust.

- Other Considerations:
  - The City has 32% of retirement liabilities attributable to employees within the enterprise divisions as shown in the attached analysis, yet enterprise revenue it is not allowed to be included as part of our governmental funds. The City includes the cost of employee wages and fringe benefits into the water/sewer rates that our customers pay. This is the revenue source to fund this portion of the benefits, not the general fund. The attached analysis shows that our revenue ratio (ARC/Total Governmental Funds) would be much less when including enterprise funds within the calculation.
  - The information provided on the Form 5572 from the audit used an alternate method of calculating the ARC from data from 2015. The updated actuarial valuation shows our funded ratio has improved and along with showing our 2017 liability has decreased significantly.

**Prospective Changes:**

- Modern Plan Design:
  - None noted.
- Plan Funding:
  - In June of 2018 another annual contribution was made to the MERS RHFV of \$55,400. This is keeping with the commitment to invest and accumulate assets for the retirement healthcare. The asset balance of the RHFV as of 9-30-18 is \$702,000.
  - The fiscal year budget for 2018-2019 has a \$56,000 contribution committed to be set aside in the MERS RHFV.
- Other Considerations:
  - On July 1, 2018 the local unit entered into new collective bargaining agreements with the Police (POLC), DPW (AFSCME) and the Office Staff (AFSCME) that agreement was made that all parties would continue to explore options for current employees to opt out of the defined benefit retirement health care to help lower the local unit's unfunded liabilities.
  - To keep retiree benefit levels aligned with active employees, options for opt outs of the defined benefit health care has been agreed by management to look at in the near future.

**Plan size: 40 members**

- Inactive employees or beneficiaries currently receiving benefits: 20
- Active employees: 20

**Treasury Recommendation  
City of Davison  
OPEB Corrective Action Plan (CAP)  
Primary Unit 252020**

**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 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 (2042).
  
- 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, our review indicates all of the local unit's annual required contribution as a percentage of general fund operating revenues is 59.6%. This reflects a significant portion of the local government's budget

**Supplemental Information:**

As noted by the City, an updated actuarial report submitted by Retirement Horizons, Inc. shows a significantly reduced OPEB liability compared to the fiscal year 2017 audited statement. The liability was reduced from \$19.7 million in the audited statement to a total OPEB liability of \$7.8 million in the actuarial valuation. In part, this appears to be due to a discount rate assumption that is equal to the 7.75% long-term rate of return assumption. The City of Davison included an internal analysis demonstrating their funded ratio projection. Using this analysis, the City shows that with the assets currently in the retirement healthcare trust, and 5% of employee wages as an annual additional contribution to the trust, they would reach the 40% funded ratio threshold in 2042. Treasury is unable to validate the liability projections included in the City's internal analysis. Additionally, the names of Davison OPEB plan retirants were removed from the linked CAP in Appendix A.

**Treasury Recommendation  
City of Davison  
OPEB Corrective Action Plan (CAP)  
Primary Unit 252020**

**City of Davison**

OPEB Funded Status Projection

<b>Date</b>	<b>Funded Status</b>	<b>Trust Assets</b>	<b>Total OPEB Liability</b>
6/30/2018	8.2%	\$ 640,299	\$ 7,797,615
6/30/2019	9.0%	\$ 739,679	\$ 8,261,782
6/30/2020	9.7%	\$ 844,782	\$ 8,724,776
6/30/2021	10.4%	\$ 956,080	\$ 9,205,058
6/30/2022	11.1%	\$ 1,069,649	\$ 9,666,931
6/30/2023	11.8%	\$ 1,185,621	\$ 10,087,090
6/30/2024	12.5%	\$ 1,308,746	\$ 10,500,962
6/30/2025	13.2%	\$ 1,438,740	\$ 10,884,793
6/30/2026	14.0%	\$ 1,577,177	\$ 11,241,499
6/30/2027	14.9%	\$ 1,724,079	\$ 11,576,201
6/30/2028	15.8%	\$ 1,881,043	\$ 11,902,765
6/30/2029	16.8%	\$ 2,048,635	\$ 12,225,261
6/30/2030	17.8%	\$ 2,226,072	\$ 12,518,767
6/30/2031	18.9%	\$ 2,414,142	\$ 12,787,283
6/30/2032	20.1%	\$ 2,613,932	\$ 13,019,832
6/30/2033	21.4%	\$ 2,827,984	\$ 13,218,602
6/30/2034	22.8%	\$ 3,058,708	\$ 13,401,458
6/30/2035	24.4%	\$ 3,307,437	\$ 13,573,535
6/30/2036	26.0%	\$ 3,575,585	\$ 13,736,465
6/30/2037	27.8%	\$ 3,864,678	\$ 13,890,590
6/30/2038	29.8%	\$ 4,173,785	\$ 14,001,440
6/30/2039	32.0%	\$ 4,503,270	\$ 14,055,315
6/30/2040	34.5%	\$ 4,855,852	\$ 14,084,167
6/30/2041	37.1%	\$ 5,234,422	\$ 14,096,151
6/30/2042	40.0%	\$ 5,642,340	\$ 14,108,332
6/30/2043	43.1%	\$ 6,081,434	\$ 14,125,415
6/30/2044	46.3%	\$ 6,554,118	\$ 14,145,083
6/30/2045	49.9%	\$ 7,063,451	\$ 14,159,718
6/30/2046	53.8%	\$ 7,612,283	\$ 14,153,724

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
Interurban Transit Partnership  
Interurban Transit Partnership and Amalgamated Trust Union Pension Corrective Action Plan (CAP)  
Non-Primary Unit 417530**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Interurban Transit Partnership Pension Plan	Pension	\$4,232,184	\$5,046,728	83.9%	\$74,018	\$45,807,030	1.9%	Yes
Interurban Transit Partnership and Amalgamated Trust	Pension	\$9,127,439	\$12,908,537	70.7%	\$77,5392			Yes
<b>Total</b>		<b>\$13,359,623</b>	<b>\$17,955,265</b>		<b>\$849,410</b>	<b>\$45,807,030</b>	<b>1.9%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the Interurban Transit Partnership and Amalgamated Trust pension corrective action plan submitted by the Interurban Transit Partnership, which was received by the Municipal Stability Board (the Board) on December 19, 2018. 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:
  - None noted.
- Other Considerations:
  - The Interurban Transit Partnership unintentionally missed the deadline for submitting their Form 5572. They attached their fiscal year 2017 Retirement System Annual Report (Form 5572), showing that they have a funded status of 70.7%

**Prospective Changes:**

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

**Treasury Recommendation  
Interurban Transit Partnership  
Interurban Transit Partnership and Amalgamated Trust Union Pension Corrective Action Plan (CAP)  
Non-Primary Unit 417530**

**Plan size: 507 members**

- Inactive employees or beneficiaries currently receiving benefits: 106
- Inactive employees entitled to but not yet receiving benefits: 122
- Active employees: 279

**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 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 Interurban Transit Partnership included their Form 5572, documenting that they are 70.7% funded in fiscal year 2017 for their Interurban Transit Partnership and Amalgamated Trust pension plan.

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
Interurban Transit Partnership  
Interurban Transit Partnership Pension Plan Pension Corrective Action Plan (CAP)  
Non-Primary Unit 417530**

<b>Name of Systems</b>	<b>Type of System</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Funded Ratio</b>	<b>ADC</b>	<b>Revenues</b>	<b>ADC/Revenue</b>	<b>CAP required?</b>
Interurban Transit Partnership Pension Plan	Pension	\$4,232,184	\$5,046,728	83.9%	\$74,018	\$45,807,030	1.9%	Yes
Interurban Transit Partnership and Amalgamated Trust	Pension	\$9,127,439	\$12,908,537	70.7%	\$77,5392			Yes
<b>Total</b>		<b>\$13,359,623</b>	<b>\$17,955,265</b>		<b>\$849,410</b>	<b>\$45,807,030</b>	<b>1.9%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the Interurban Transit Partnership Pension Plan corrective action plan submitted by the Interurban Transit Partnership, which was received by the Municipal Stability Board (the Board) on December 19, 2018. 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:
  - None noted.
- Other Considerations:
  - The Interurban Transit Partnership unintentionally missed the deadline for submitting their Form 5572. They attached their fiscal year 2017 Retirement System Annual Report (Form 5572), stating that they have a funded status of 88.8%. Treasury reviewed the Interurban Transit Partnership's audited financial statement and found a funding ratio of 83.9%.

**Prospective Changes:**

- Modern Plan Design:
  - None noted.
- Plan Funding:
  - None noted.



**Treasury Recommendation  
Interurban Transit Partnership  
Interurban Transit Partnership Pension Plan Pension Corrective Action Plan (CAP)  
Non-Primary Unit 417530**

- Other Considerations:
  - None noted

**Plan size: 38 members**

- Inactive employees or beneficiaries currently receiving benefits: 14
- Inactive employees entitled to but not yet receiving benefits: 17
- Active employees: 7

**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 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 Interurban Transit Partnership attached their fiscal year 2017 Retirement System Annual Report (Form 5572), stating that they have a funded status of 88.8%. Treasury reviewed the Interurban Transit Partnership's audited financial statement and found a funding ratio of 83.9%.

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
Luce County Road Commission  
Pension Corrective Action Plan (CAP)  
Non-Primary Unit 480100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$4,219,963	\$10,700,635	39.4%	\$493,248	\$3,483,769	14.2%	Yes
Healthcare	OPEB	\$0	\$3,132,987	0.0%	\$247,755		7.1%	Yes
<b>Total</b>		<b>\$4,219,963</b>	<b>\$13,833,622</b>		<b>\$741,003</b>	<b>\$3,483,769</b>	<b>21.3%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the pension corrective action plan submitted by Luce County Road Commission, which was received by the Municipal Stability Board (the Board) on December 19, 2018. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - In July 2012, the multiplier for general employees was changed from 2.5 times to 1.3 times.
  - In August 2018, the multiplier for management employees was changed from 2.5 times to 1.3 times.
- Plan Funding:
  - In January 2017, additional payments of \$20,000 per month started.
- Other Considerations:
  - None Noted.

**Prospective Changes:**

- Modern Plan Design:
  - None Noted.
- Plan Funding:
  - Additional payments OF \$20,000 per month will continue until MERS is considered 60% funded. The 60% funded status should be reached by 2027.
- Other Considerations:
  - None Noted.

**Plan size: 50 members**

- Inactive employees or beneficiaries currently receiving benefits: 33
- Inactive employees entitled to but not yet receiving benefits: 2
- Active employees: 15

**Corrective Action Plan Criteria:**

**Treasury Recommendation  
Luce County Road Commission  
Pension Corrective Action Plan (CAP)  
Non-Primary Unit 480100**

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 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 (2027).
  
- 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 Luce County Road Commission included Actuarial Accrued Liabilities and Valuation Assets as of December 31, 2017. The Road Commission has provided a mathematical explanation taking the total actuarial accrued liabilities for municipality multiplied by 60% and then subtracting the amount from valuation assets. This amount is divided by the additional payments of \$20,000 to reach 114 months or 9.5 years. The local unit did not provide any calculation on the expected increase in liabilities.

**Treasury Recommendation  
Luce County Road Commission  
Pension Corrective Action Plan (CAP)  
Non-Primary Unit 480100**

**Table 6 (continued)**

Division	Actuarial Accrued Liability	Valuation Assets <sup>1</sup>	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
<b>Total Municipality</b>				
Active Employees	\$ 1,530,783	\$ 1,097,707	71.7%	\$ 433,076
Vested Former Employees	509,778	0	0.0%	509,778
Retirees and Beneficiaries	8,871,726	3,170,030	35.7%	5,701,696
Pending Refunds	0	0	0.0%	0
<b>Total</b>	<b>\$ 10,912,287</b>	<b>\$ 4,267,737</b>	<b>39.1%</b>	<b>\$ 6,644,550</b>
The following results show the combined accrued liabilities and assets for each set of linked divisions. These results are already included in the table above.				
<b>Linked Divisions 13, 01, 12</b>				
Active Employees	\$ 870,212	\$ 671,331	77.1%	\$ 198,881
Vested Former Employees	509,778	0	0.0%	509,778
Retirees and Beneficiaries	6,820,476	2,372,131	34.8%	4,448,345
Pending Refunds	0	0	0.0%	0
<b>Total</b>	<b>\$ 8,200,466</b>	<b>\$ 3,043,462</b>	<b>37.1%</b>	<b>\$ 5,157,004</b>
<b>Linked Divisions 14, 11</b>				
Active Employees	\$ 271,536	\$ 4,189	1.5%	\$ 267,347
Vested Former Employees	0	0	0.0%	0
Retirees and Beneficiaries	2,051,250	797,899	38.9%	1,253,351
Pending Refunds	0	0	0.0%	0
<b>Total</b>	<b>\$ 2,322,786</b>	<b>\$ 802,088</b>	<b>34.5%</b>	<b>\$ 1,520,698</b>

<sup>1</sup> Includes both employer and employee assets.

Please see the Comments on Asset Smoothing in the Executive Summary of this report.

$$\begin{array}{r}
 10912287 \\
 \times 60\% \\
 \hline
 6547372 \\
 - 4267737 \\
 \hline
 2279635
 \end{array}$$

$$\begin{array}{r}
 2279635 \\
 \div 20,000 \\
 \hline
 113.98 \text{ months} \\
 \\
 114 \text{ months equal } 9.5 \text{ years}
 \end{array}$$

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
Luce County Road Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 480100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$4,219,963	\$10,700,635	39.4%	\$493,248	\$3,483,769	14.2%	Yes
Healthcare	OPEB	\$0	\$3,132,987	0.0%	\$247,755		7.1%	Yes
<b>Total</b>		<b>\$4,219,963</b>	<b>\$13,833,622</b>		<b>\$741,003</b>	<b>\$3,483,769</b>	<b>21.3%</b>	

Source: Retirement Report 2017, Audited Financial Statements

**Staff Recommendation:**

Approval of the OPEB corrective action plan submitted by Luce County Road Commission, which was received by the Municipal Stability Board (the Board) on December 19, 2018. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - In 1998, the unit changed their retiree health care program to no longer offer health care to retirees when they reach the age of 65.
  - In May 2018, the local unit started into a trust fund to cover our unfunded future health care liability. Monthly deposits of \$20,000 are made monthly.
- Plan Funding:
  - The unit has committed \$20,000 per month to the health care trust fund. This should allow the plan to be 40% funded in 2023 and 100% funded by 2030.
- Other Considerations:
  - None Noted.

**Prospective Changes:**

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

**Plan size: N/A**

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

- Underfunded Status:

**Treasury Recommendation  
Luce County Road Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 480100**

- The corrective action plan demonstrates it will reach the PA 202 established funding level of 40% funded as demonstrated by the internal analysis 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:**

The Luce County Road Commission included the present value of future benefits, present value of future normal costs, actuarial accrued liability, actuarial value of assets, unfunded actuarial accrued liability and funded ratio. The math provided: (actuarial accrued liability divided by \$20,000), divided by 12, shows the number of years it will take to get the plan 100% funded. Math is also provided to see when the plan will be 40% funded. The plan is not closed, and the local unit did not provide any calculation on the expected increase in liabilities.

**Treasury Recommendation  
Luce County Road Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 480100**

**Luce County Road Commission Retiree Health Care Plan  
Results as of December 31, 2017**

A. Present Value of Future Benefits	
i) Retirees and Beneficiaries	\$2,913,546
ii) Vested Terminated Members	0
iii) Active Members	<u>318,959</u>
Total Present Value of Future Benefits	\$3,232,505
B. Present Value of Future Normal Costs	99,518
C. Actuarial Accrued Liability (A.-B.)	3,132,987
D. Actuarial Value of Assets	0
E. Unfunded Actuarial Accrued Liability (C.-D.)	\$3,132,987
F. Funded Ratio (D./C.)	0.0%
<b>G. Fiscal Year Ending December 31, 2017</b>	
i) Employer Normal Cost	\$ 14,121
ii) Amortization of UAAL (20 years)*	<u>233,634</u>
Annual Required Contribution (ARC)	<b>\$ 247,755</b>

*\*Unfunded Actuarial Accrued Liability*

*\* The Unfunded Actuarial Accrued Liabilities (UAAL) were amortized as a level dollar amount over a closed period of 20 years for the fiscal year ending December 31, 2017 and decreasing by one each year thereafter.*

The long term rate of investment return used in the valuation was 5.00%.

$\begin{array}{r} 3132987 \\ \div 20,000 \\ \hline 156.65 \\ \div 12 \\ \hline 13 \text{ years} \\ 100\% \text{ funded} \end{array}$	$\begin{array}{r} 3132987 \\ \times .40 \\ \hline 1253195 \\ \div 20,000 \\ \hline 62.66 \\ \div 12 \\ \hline 5.25 \text{ years} \\ 40\% \text{ funded} \end{array}$
--	--



**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
Mackinac County Road Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 490100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$4,764,224	\$9,068,635	52.5%	\$494,148	\$5,318,905	9.29%	NO
Healthcare	OPEB	\$0	\$1,630,239	0%	\$283,379		5.33%	YES
<b>Total</b>		<b>\$4,764,224</b>	<b>\$10,698,874</b>		<b>\$777,527</b>	<b>\$5,318,905</b>	<b>14.62%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by the Mackinac County Road Commission, which was received by the Municipal Stability Board (the Board) on December 19, 2018. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - In 1999 the system changed retiree healthcare benefits from lifetime coverage to 2 years after retirement. The plan remains open.
- Plan Funding:
  - On October 17, 2018 the board of commissioners authorized a lump sum payment of \$200,000 into a section 115 trust.
- Other Considerations:
  - No noted

**Prospective Changes:**

- Modern Plan Design:
  - None noted
- Plan Funding:
  - The road commission will contribute \$40,000 annually to the section 115 trust. The road commission plans 40% funding by 2025.
- Other Considerations:
  - The road commission is using a 6% rate of return compounded on a quarterly basis for the investments. The board will continue pay-go premiums during that time frame.

**Plan size: N/A**



**Treasury Recommendation  
Mackinac County Road Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 490100**

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
  - The local unit did not provide clear documentation that demonstrates the retirement system 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 2025; 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.
  
- Legal and Feasible:
  - The local unit did not confirm in section 7 of the corrective action plan template that its corrective action plan was legal and feasible; however, it was approved by the governing body and appears to be legal and feasible.
  
- 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, there is no documentation showing normal cost calculations for any new hires after June 30, 2018. Based on the road commission's lump sum payment of \$200,000 in October of 2018, as well as their commitment to fund \$40,000 annually to the Section 115 Trust, Treasury estimates that normal cost payments may be met for all employees first hired after June 30, 2018. The Act requires local governments to pay normal costs for employees first hired after June 30, 2018. The local unit will need to be monitored for compliance with this requirement.

**Supplemental Information:**

The Road Commission stated it would lower its ARC to less than 12% in the CAP submitted to the department. This is not an option to nonprimary local units of government for the CAP process. The road commission provided documentation showing plan funding of 40%, but did not indicate that was its intention. It was assumed the road commission intended to submit a plan showing 40% funding based on the evidence provided.

**Treasury Recommendation  
Mackinac County Road Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 490100**

The projected funded ratio appears to be based on the actuarial accrued liability (AAL) from the 2017 actuarial valuation. This internal analysis does not consider changes in health care inflation, investment returns, mortality, or changes in the AAL as a result of new hires entering the system, among other factors. The road commission projects to be at 40% funded within seven years, whereas the Board's approval criteria is thirty years for severely underfunded systems. Although the plan is still open it only offers two years' worth of retiree health care benefits, which should limit the amount of the retiree health care liability.

**MACKINAC COUNTY ROAD COMMISSION  
Attachment 2a**

**Section 115 Trust Projected Earnings**

Starting Amount:	200,000.00
Years:	10 years.
Additional contributions:	\$10,000.00 per quarter
Rate of return:	6% compounded quarterly
Total amount of contributions:	600,000.00
Total interest:	313,622.76
Total at end of investment:	913,622.76

**SAVINGS BALANCE**

Year	Additions	Interest	Balance
12/31/2018	200,000.00		200,000.00
2019	40,000.00	13,795.38	253,795.38
2020	40,000.00	17,096.45	310,891.83
2021	40,000.00	20,600.10	371,491.93
2022	40,000.00	24,318.73	435,810.66
2023	40,000.00	28,318.73	504,076.22
2024	40,000.00	32,454.57	576,530.79
2025	40,000.00	36,900.64	653,431.43
2026	40,000.00	41,619.53	735,050.96
2027	40,000.00	46,628.00	821,678.96
2028	40,000.00	51,943.80	913,622.76

**Reach 40% funded by 2025**

Affordability						
Year	Liability	ARC	Addition	Revenues	12% trigger	
2017	1,630,239.00	283,379.00	-	5,318,905.00	5.33	
2018	1,630,239.00	297,547.95	200,000.00	7,590,500.00	6.55	
2019	1,630,000.00	312,425.35	40,000.00	5,500,000.00	6.41	

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
City of New Baltimore  
OPEB Corrective Action Plan (CAP)  
Primary Unit 502060**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
City of New Baltimore Retiree Health Care Fund	OPEB	\$2,863,861	\$13,691,560	20.9%	\$1,071,082	\$8,462,542	12.7%	Yes
MERS	Pension	\$13,094,239	\$16,201,705	80.8%	\$302,807		3.6%	No
<b>Total</b>		<b>\$15,958,100</b>	<b>\$29,893,265</b>		<b>\$1,373,889</b>	<b>\$8,462,542</b>	<b>16.3%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by the City of New Baltimore, which was received by the Municipal Stability Board (the Board) on December 19, 2018. 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:
  - On February 25, 2013, the City adopted a resolution that any employee hired after August 1, 2005 would not be eligible for retiree health care and would be placed into the MERS health savings program, thus effectively closing the plan. Additionally, the City switched to a high deductible health plan in 2009 to reduce employer costs.
- Plan Funding:
  - None listed.
- Other Considerations:
  - None Listed.

**Prospective Changes:**

- Modern Plan Design:
  - The City is in the process of changing the medical benefit provider for Medicare-eligible retirees, which is an allowable action within the retiree health contracts. This is expected to be implemented in Spring of 2019 and based on the actuarial analysis indicates that the system will be 41.3% funded by 6/30/2019 based on 6/30/2018 figures. Please see Attachments 1 and 2 in the Supplemental Information section.
- Plan Funding:
  - None noted.

**Treasury Recommendation  
City of New Baltimore  
OPEB Corrective Action Plan (CAP)  
Primary Unit 502060**

- Other Considerations:
  - None noted.

**Plan size: 51 members**

- Inactive employees or beneficiaries currently receiving benefits: 19
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 32

**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 and actuarial projection found in the corrective action plan.
- Reasonable Timeframe:
  - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 40% within a reasonable timeframe (2019).
- 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 New Baltimore provided a table from Milliman showing the impact on OPEB liability by changing to the new provider in Attachment 1. They also provided an internal analysis in Attachment 2 showing the local unit reaching 41.3% funded, using 2018 figures, by 2019 once the provider change occurs.

**Treasury Recommendation  
City of New Baltimore  
OPEB Corrective Action Plan (CAP)  
Primary Unit 502060**

**Attachment 1:**

Participant Group	Pre-Medicare Implicit Subsidy	Pre-Medicare Explicit Subsidy	Post-Medicare Explicit Subsidy	Total
<b>Iteration 1</b>				
Actives	\$479,838	\$1,003,913	\$3,067,008	\$4,550,759
Current Retirees	205,811	426,568	1,895,030	2,527,409
Total	\$685,649	\$1,430,481	\$4,962,038	\$7,078,168
<b>Current Plan Provisions</b>				
Actives	\$479,838	\$1,003,913	\$7,137,864	\$8,621,614
Current Retirees	205,811	426,568	4,227,910	4,860,289
Total	\$685,649	\$1,430,481	\$11,365,773	\$13,481,903*
<b>Liability Change Due to Iteration 1</b>				
Actives	\$0	\$0	\$(4,070,855)	\$(4,070,855)
Current Retirees	0	0	(2,332,880)	(2,332,880)
Total	\$0	\$0	\$(6,403,735)	\$(6,403,735)

**Attachment 2:**

<b>City of New Baltimore</b>	
<b>Funding Ratio Calculation</b>	
<b>6/30/2018</b>	
<b>Pension Assets at 6/30/2018</b>	
	Raymond James Account: \$ 2,926,684.72
<b>Pension Liability at 6/30/18</b>	
w/ Medicare-eligible retirees provider change:	\$ 7,078,168.00
<b>Funded ratio once plan is implemented:</b>	<b>41.3%</b>

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted

**Treasury Recommendation**  
**City of Warren – Michigan City Employees’ Retirement Health, Life**  
**OPEB Corrective Action Plan (CAP)**  
**Primary Unit 502120**

<b>Name of Systems</b>	<b>Type of System</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Funded Ratio</b>	<b>ADC</b>	<b>Revenues</b>	<b>ADC/Revenue</b>	<b>CAP required?</b>
Employees Retirement System	Pension	\$117,981,347	\$186,209,023	63.4%	\$9,075,977	\$157,213,369	12.4%	No
Policemen and Firemen Retirement System	Pension	\$280,400,662	\$456,883,017	61.4%	\$10,357,456			No
Michigan City Employees’ Retirement Health, Life	OPEB	\$32,751,358	\$155,719,046	21.0%	\$11,800,171		16.2%	Yes
Police and Fire Retirement Health Benefits Plan and Trust	OPEB	\$22,439,078	\$170,182,661	13.2%	\$13,621,425			Yes
<b>Total</b>		<b>\$453,572,445</b>	<b>\$968,993,747</b>		<b>\$44,855,029</b>	<b>\$157,213,369</b>	<b>28.6%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the Michigan City Employees’ Retirement Health, Life OPEB corrective action plan submitted by City of Warren, which was received by the Municipal Stability Board (the Board) on December 19, 2018. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - In 2006 collective bargaining agreements closed the plan to new employees and replaced it with a Health Savings Account plan.
  - As of June 1, 2016, the City implemented Medicare Advantage Insurance for eligible employees, reducing healthcare costs.
  - The City’s contribution changed from percentage of active payroll to an actuarially recommended dollar amount.
  
- Plan Funding:
  - On December 12, 2017, the City Council voted to contribute an additional \$4,500,000 to the plan.

**Treasury Recommendation**  
**City of Warren – Michigan City Employees’ Retirement Health, Life**  
**OPEB Corrective Action Plan (CAP)**  
**Primary Unit 502120**

Other Considerations:

- Updated actuarial valuation information shows that the funded ratio has increased to 38%, according to the city.
- If allowed to include revenues from enterprise divisions and component units, the revenue ratio would only be 10.3%

**Prospective Changes:**

- Modern Plan Design:
  - None Listed
  
- Plan Funding:
  - The City is committed to paying the ongoing expenses of the plan, and to contribute additional funds in the future, provided favorable operating results.
  - According to the plan, “the City will contribute sufficient funds to make the retiree healthcare premium payments, as well as all other normal costs, now and into the future without changes to this corrective action plan.”
  
- Other Considerations:
  - None Listed

**Plan size: 846 members**

- Inactive employees or beneficiaries currently receiving benefits: 583
- Inactive employees entitled to but not yet receiving benefits: 37
- Active employees: 226

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
  - The corrective action plan demonstrates it will reach the PA 202 established funding level of 40% funded through an internal analysis; however, the analysis does not account for healthcare inflation or other economic and demographic changes in its calculation. As a result, actuarial accrued liabilities (AAL) remain stagnant within the

**Treasury Recommendation**  
**City of Warren – Michigan City Employees’ Retirement Health, Life**  
**OPEB Corrective Action Plan (CAP)**  
**Primary Unit 502120**

analysis. 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.

- Reasonable Timeframe:
  - The administrative officer indicates the plan will achieve a funded ratio of 40% by 2019; however, the local unit’s analysis did not account for changing liabilities in its calculation. 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.
  
- 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 according to the long-term budget forecast. However, our review indicates all of the local unit’s annual required contribution as a percentage of general fund operating revenues was 28.6% as of the fiscal year 2017 audited financial statements. This reflects a significant portion of the local government’s budget.

**Supplemental Information:**

The City of Warren’s internal analysis demonstrates asset accumulation using an investment return assumption of 7.00%. The analysis shows the system reaching 40% funded in 2019; however, the analysis does not account for changing liabilities over time. The City of Warren intends to guard against increasing liabilities by fully funding the annual ARC payment. Furthermore, the city’s analysis shows increased assets and decreased liabilities as a result of an updated valuation, according to the city. Assets have increased by approximately \$25 million and liabilities have decreased by approximately \$6 million when compared to the numbers reported in the city’s fiscal year 2017 audited financial statements. The city did not provide actuarial documentation validating these updated values.



**Treasury Recommendation  
City of Warren – Michigan City Employees’ Retirement Health, Life  
OPEB Corrective Action Plan (CAP)  
Primary Unit 502120**

		City Employees			
		AAL	Assets	UAAL	% FUNDED
December 31, 2016 Values		\$ 149,853,102.00	\$ 42,526,174.00	\$ 107,326,928.00	28.38%
			\$ 14,494,100.00		
			\$ 57,020,274.00		38.05%
			\$ 3,991,419.18		
		7.00%			
2018 extra contribution			\$ -		
12/31/2018			\$ 61,011,693.18		40.71%
			\$ 4,270,818.52		
			\$ -		
12/31/2019			\$ 65,282,511.70		43.56%
			\$ 4,569,775.82		
			\$ -		
12/31/2020			\$ 69,852,287.52		46.61%
			\$ 4,889,660.13		
			\$ -		
12/31/2021			\$ 74,741,947.65		49.88%
			\$ 5,231,936.34		
			\$ -		
12/31/2022			\$ 79,973,883.98		53.37%
			\$ 5,598,171.88		
			\$ -		
12/31/2023			\$ 85,572,055.86		57.10%
			\$ 5,990,043.91		
			\$ -		
12/31/2024			\$ 91,562,099.77		61.10%

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted

**Treasury Recommendation**  
**City of Warren – Police and Fire Retirement Health Benefits and Trust**  
**OPEB Corrective Action Plan (CAP)**  
**Primary Unit 502120**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Employees Retirement System	Pension	\$117,981,347	\$186,209,023	63.4%	\$9,075,977	\$157,213,369	12.4%	No
Policemen and Firemen Retirement System	Pension	\$280,400,662	\$456,883,017	61.4%	\$10,357,456			No
Michigan City Employees' Retirement Health, Life	OPEB	\$32,751,358	\$155,719,046	21.0%	\$11,800,171		16.2%	Yes
Police and Fire Retirement Health Benefits Plan and Trust	OPEB	\$22,439,078	\$170,182,661	13.2%	\$13,621,425			Yes
<b>Total</b>		<b>\$453,572,445</b>	<b>\$968,993,747</b>		<b>\$44,855,029</b>	<b>\$157,213,369</b>	<b>28.6%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the Police and Fire Retirement Health Benefits Trust and Plan OPEB corrective action plan submitted by City of Warren, which was received by the Municipal Stability Board (the Board) on December 19, 2018. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- **Modern Plan Design:**
  - In 2006 collective bargaining agreements closed the plan to new employees and replaced it with a Health Savings Account plan.
  - As of June 1, 2016, the City implemented Medicare Advantage Insurance for eligible employees, reducing healthcare costs.
  
- **Plan Funding:**
  - On December 12, 2017, the City Council voted to contribute an additional \$7,500,000 to the plan.

**Treasury Recommendation**  
**City of Warren – Police and Fire Retirement Health Benefits and Trust**  
**OPEB Corrective Action Plan (CAP)**  
**Primary Unit 502120**

- On April 10, 2018, City Council approved a resolution which included a commitment to achieve 40% funded by fiscal year ending 2024.
- Other Considerations:
  - Updated actuarial valuation information shows that the funded ratio has increased to 25%
  - If allowed to include revenues from enterprise divisions and component units, the revenue ratio would only be 10.3%

**Prospective Changes:**

- Modern Plan Design:
  - None Listed
- Plan Funding:
  - The City is committed to paying the ongoing expenses of the plan, and to contribute additional funds in the future, provided favorable operating results.
  - According to the plan, “the City will protect the fund balance by contributing sufficient funds to make the healthcare premium payments, as well as all other normal costs, now and in the future without changes to this corrective action plan.”
  - The City Council passed a resolution that includes “a commitment to paying all of the annual expenditures of the Plan, plus an additional \$500,000 per year starting in 2019, until the plan reaches the 40% funding level.”
- Other Considerations:
  - None Listed

**Plan size: 726 members**

- Inactive employees or beneficiaries currently receiving benefits: 560
- Inactive employees entitled to but not yet receiving benefits: 5
- Active employees: 163

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria are partially met:

- Underfunded Status:

**Treasury Recommendation**  
**City of Warren – Police and Fire Retirement Health Benefits and Trust**  
**OPEB Corrective Action Plan (CAP)**  
**Primary Unit 502120**

- The corrective action plan demonstrates it will reach the PA 202 established funding level of 40% funded through an internal analysis; however, the analysis does not account for healthcare inflation or other economic and demographic changes in its calculation. As a result, actuarial accrued liabilities (AAL) remain stagnant within the analysis. 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.
- Reasonable Timeframe:
  - The administrative officer indicates the plan will achieve a funded ratio of 40% by 2024; however, the local unit's analysis did not account for changing liabilities in its calculation. 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.
- 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 according to the long-term budget forecast. However, our review indicates all of the local unit's annual required contribution as a percentage of general fund operating revenues was 28.6% as of the fiscal year 2017 audited financial statements. This reflects a significant portion of the local government's budget.

**Supplemental Information:**

The City of Warren's internal analysis demonstrates asset accumulation using an investment return assumption of 7.00%. The analysis shows the system reaching 40% funded in 2024; however, the analysis does not account for changing liabilities over time. The City of Warren intends to guard against increasing liabilities by fully funding the annual ARC payment. Furthermore, the city's analysis shows increased assets and liabilities, based in part on an updated valuation from Rodwan Consulting Group as of December 31, 2016. The city's analysis then includes updates for 2017 and 2018, but the city does not provide actuarial documentation validating the updated asset figure. According to the city's analysis, assets have increased by approximately \$16.2 million, to \$44 million, when compared to the most recent valuation figure of \$27.8 million.

**Treasury Recommendation**  
**City of Warren – Police and Fire Retirement Health Benefits and Trust**  
**OPEB Corrective Action Plan (CAP)**  
**Primary Unit 502120**

		Police & Fire			
		AAL	Assets	UAAL	% FUNDED
		\$ 182,854,913.00	\$ 27,825,641.00	\$ 155,029,272.00	15.22%
			\$ 16,185,853.42		
			\$ 44,011,494.42		24.07%
Projected Interest Rate	7.00%		\$ 3,080,804.61		
2018 extra contribution			\$ -		
12/31/2018			\$ 47,092,299.03		25.75%
			\$ 3,296,460.93		
		Additional Contribution	\$ 500,000.00		
12/31/2019			\$ 50,888,759.96		27.83%
			\$ 3,562,213.20		
		Additional Contribution	\$ 500,000.00		
12/31/2020			\$ 54,950,973.16		30.05%
			\$ 3,846,568.12		
		Additional Contribution	\$ 500,000.00		
12/31/2021			\$ 59,297,541.28		32.43%
			\$ 4,150,827.89		
		Additional Contribution	\$ 500,000.00		
12/31/2022			\$ 63,948,369.17		34.97%
			\$ 4,476,385.84		
		Additional Contribution	\$ 500,000.00		
12/31/2023			\$ 68,924,755.01		37.69%
			\$ 4,824,732.85		
		Additional Contribution	\$ 500,000.00		
12/31/2024			\$ 74,249,487.86		40.61%

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
Newaygo County Road Commission  
OPEB Corrective Action Plan (CAP)  
Primary Unit 620100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS Retirement Pension	Pension	\$7,998,957	\$10,439,861	76.6%	\$257,188	\$11,624,609	2.2%	No
MERS Retirement OPEB	OPEB	\$37,223	\$4,588,035	0.8%	\$857,540		7.4%	Yes
<b>Total</b>		<b>\$8,036,180</b>	<b>\$15,027,896</b>		<b>\$1,114,728</b>	<b>\$11,624,609</b>	<b>9.6%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Newaygo County Road Commission, which was received by the Municipal Stability Board (the Board) on November 14, 2018. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - In 2010
    - Moved new employees were moved to a lower tier of retirement benefits
    - Stopped providing new employees with retiree health insurance benefits for spouses
    - Stopped paying any percentage of the Medicare Supplement once the retiree reaches age 65
  - Established an Act 149 Trust through MERS in 2012; board contributes \$12,000 a year to the trust
- Plan Funding:
  - In 2017, the Board committed to additional contributions of \$120,000 a year into the PA 149 trust; in 2018, this was increased to \$300,000 a year
- Other Considerations:
  - Unit had an actuarial evaluation done as of 9/30/17 by Watkins Ross for their OPEB liabilities and will continue to evaluate each year with an actuarial evaluation

**Prospective Changes:**

- Modern Plan Design:
  - Union negotiations will take place in 2019 and will evaluate contract during negotiations and make necessary changes to reduce OPEB liability.

**Treasury Recommendation  
Newaygo County Road Commission  
OPEB Corrective Action Plan (CAP)  
Primary Unit 620100**

- Plan Funding:
  - The Board will consider a lump sum contribution each year into the PA 149 trust after reviewing the year-end budget to accelerate the funding status to reach 40% funded by 2026
  
- Other Considerations:
  - None noted

**Plan size: 54 members**

- Inactive employees or beneficiaries currently receiving benefits: 11
- Inactive employees entitled to but not yet receiving benefits: none noted
- Active employees: 43

**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 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 (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 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:**

Newaygo County Road Commission included a schedule of OPEB contributions projecting to reach 40% funded by 2026:

**Treasury Recommendation  
Newaygo County Road Commission  
OPEB Corrective Action Plan (CAP)  
Primary Unit 620100**

Year ending	Contribution			Projected assets	Percent Funded	Contribution			Projected assets	Percent Funded
	To OPEB trust	benefit pmts	Total			To OPEB trust	benefit pmts	Total		
2017		174,299	174,299		0%		174,299	174,299	0	0%
2018	310,190	202,610	512,800	310,190	6%	242,105	202,610	444,715	242,105	5%
2019	310,190	233,424	543,614	629,686	12%	242,105	233,424	475,529	491,474	9%
2020	310,190	279,061	589,251	958,767	17%	242,105	279,061	521,166	748,323	13%
2021	310,190	272,610	582,800	1,297,720	23%	242,105	272,610	514,715	1,012,878	18%
2022	310,190	287,955	598,145	1,646,841	29%	242,105	287,955	530,061	1,285,370	22%
2023	310,190	284,582	594,772	2,006,437	34%	242,105	284,582	526,687	1,566,036	27%
2024	310,190	254,041	564,231	2,376,820	40%	242,105	254,041	496,147	1,855,123	31%
2025		262,864	262,864	2,448,125	40%	242,105	262,864	504,970	2,152,882	36%
2026		300,126	300,126	2,521,568	41%	242,105	300,126	542,231	2,459,574	40%
2027		306,931	306,931	2,597,215	42%		306,931	306,931	2,533,361	41%
2028		330,655	330,655	2,675,132	43%		330,655	330,655	2,609,362	42%
2029		336,120	336,120	2,755,386	44%		336,120	336,120	2,687,642	43%

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.



**Treasury Recommendation  
City of Oak Park  
Employees Retirement System Pension Corrective Action Plan (CAP)  
Primary Unit 632140**

<b>Name of Systems</b>	<b>Type of System</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Funded Ratio</b>	<b>ADC</b>	<b>Revenues</b>	<b>ADC/Revenue</b>	<b>CAP required?</b>
Employees Retirement System	Pension	\$19,305,654	\$40,735,745	47.4%	\$1,256,953	\$30,019,441	11.9%	Yes
Public Safety Employees Retirement System	Pension	\$40,470,218	\$71,651,880	56.5%	\$2,314,911			Yes
General Employees Postemployment Benefits	OPEB	\$1,118,254	\$27,943,556	4.0%	\$1,620,940		12.7%	Yes
Public Safety Employees Postemployment Benefits	OPEB	\$1,868,361	\$29,840,965	6.3%	\$1,901,699			Yes
District Court Postemployment Benefits	OPEB	\$0	\$4,737,968	0.0%	\$304,296			Yes
<b>Total</b>		<b>\$62,762,487</b>	<b>\$174,910,114</b>		<b>\$6,340,841</b>	<b>\$30,019,441</b>	<b>24.6%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the Employees Retirement System pension corrective action plan submitted by the City of Oak Park, which was received by the Municipal Stability Board (the Board) on December 19, 2018. 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 General Employees' Retirement System closed the plan to all non-union new hires effective 08/01/2004, to all TPOAM bargaining unit new hires effective 07/01/2006 and to all TPOAM Dispatch bargaining unit new hires effective 07/01/2007. As of 07/01/2014 any new hires in the TPOAM and TPOAM Dispatch bargaining units shall no longer be eligible to purchase previous municipal service time.
  
- **Plan Funding:**
  - The City has made additional contributions above the ARC in FY 2014: \$155,174, FY 2016: \$18,188 and FY 2017: \$81,307. The City has made extra contributions over the past several years not only in this system but also the Employees DB pension system and the Public Safety and General OPEB plans, using any and all available surplus annually.

**Treasury Recommendation  
City of Oak Park  
Employees Retirement System Pension Corrective Action Plan (CAP)  
Primary Unit 632140**

- Other Considerations:
  - 14.1% of the city's actuarial determined contribution is attributable to employees within the Water and Sewer Enterprise division, yet we could not include Enterprise revenue as part of our Governmental Funds. The analysis included with the CAP shows that our revenue ratio (ADC/Total Governmental Funds) would only be 10.2% when excluding Enterprise Fund from the calculation.

**Prospective Changes:**

- Modern Plan Design:
  - None Listed.
- Plan Funding:
  - The City is committed to making additional contributions to the plan from annual surplus like it has in 3 of the past 4 years, but is severely limited with the Employees system being underfunded, as well as the Public Safety DB plan and the 3 OPEB plans. As noted in the "Other Considerations" section below, the City is changing the amortization period from the current 26 years to 20 year in order to get to the 60% funding level by 2032. The change in the amortization period results in an increase in funding in FY 2019 of \$294,087 (21.2%). The City is also committed to continuing the extra contribution of \$50-100,000 annually over the ARC'
- Other Considerations:
  - The City went to their actuaries to develop a plan to get the funding level to the 60% minimum as quickly as possible without significantly reducing services to our customers. The actuaries recommended changing the rate of return from 8% to 7% and reducing the amortization period from the current 26 years to 20 years. This will result in an increase in the ARC of \$294,087 for FY 2019 and allow the retirement system to reach a funded status of 60.1 % by 2032

**Plan size: 194 members**

- Inactive employees or beneficiaries currently receiving benefits: 150
- Inactive employees entitled to but not yet receiving benefits: 17
- Active employees: 27

**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 actuarial projection found in the corrective action plan.

**Treasury Recommendation  
City of Oak Park  
Employees Retirement System Pension Corrective Action Plan (CAP)  
Primary Unit 632140**

- Reasonable Timeframe:
  - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 60% within a reasonable timeframe (2032).
  
- 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, our review indicates all of the local unit's annual required contribution as a percentage of general fund operating revenues is 24.6%. This reflects a significant portion of the local government's budget.

**Supplemental Information:**

The City of Oak Park included an actuarial projection showing the effect of changes listed in their corrective action plan. This projection shows them reaching 60% funded in 2021. This projection also shows the impact on their annual employer contribution, demonstrating that from 2019 to 2037, the annual payment increases by approximately \$680,000, or 41%. This does not take into account the increase of ADC from FY18 to FY19 of approximately \$300,000

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
City of Oak Park  
Public Safety Employees Retirement System Pension Corrective Action Plan (CAP)  
Primary Unit 632140**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Employees Retirement System	Pension	\$19,305,654	\$40,735,745	47.4%	\$1,256,953	\$30,019,441	11.9%	Yes
Public Safety Employees Retirement System	Pension	\$40,470,218	\$71,651,880	56.5%	\$2,314,911			Yes
General Employees Postemployment Benefits	OPEB	\$1,118,254	\$27,943,556	4.0%	\$1,620,940		12.7%	Yes
Public Safety Employees Postemployment Benefits	OPEB	\$1,868,361	\$29,840,965	6.3%	\$1,901,699			Yes
District Court Postemployment Benefits	OPEB	\$0	\$4,737,968	0.0%	\$304,296			Yes
<b>Total</b>		<b>\$62,762,487</b>	<b>\$174,910,114</b>		<b>\$6,340,841</b>	<b>\$30,019,441</b>	<b>24.6%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the Public Safety Employees Retirement System pension corrective action plan submitted by the City of Oak Park, which was received by the Municipal Stability Board (the Board) on December 19, 2018. 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:**
  - As of 07/01/2011 any new hires final average compensation is calculated based on their effective base wage rate only. The system's multiplier was lowered from 2.8 to 2.5 for the Public Safety Retirement System for the POAM bargaining unit.
  - As of 04/01/2015 any new hires in the POAM bargaining unit shall no longer be eligible to purchase previous municipal service time.
  - Effective 07/01/2018 the active employees' contribution increased from 7.5% to 9.5% of pay.
- **Plan Funding:**
  - The City has made additional contributions over the ARC in FY 2014: \$763,797 FY 2015: \$278,886 FY 2016: \$195,336 and FY 2017: \$72,359. The City has made extra contributions over the past several years not only in this system but also the Employees

**Treasury Recommendation  
City of Oak Park  
Public Safety Employees Retirement System Pension Corrective Action Plan (CAP)  
Primary Unit 632140**

DB pension system and the Public Safety and General OPEB plans as well with any and all available surplus annually.

- Act 345 millage of 7 mills was approved by voters in August for another ten years.
- Other Considerations:
  - None Listed

**Prospective Changes:**

- Modern Plan Design:
  - None Listed
- Plan Funding:
  - The City is committed to making additional contributions to the plan from annual surplus like it has in each of the past 4 years, but is severely limited due to not only the Public Safety system being underfunded, but the Employees DB plan and the 3 OPEB plans all require new additional funding. As noted below. the City is changing the amortization period from the current 26 years to 20 year in order to get to the 60% funding level by 2021. The change in the amortization period results in an increase in funding in FY 2019 of \$549,508 (21.5%). The City is also committed to continuing the extra contribution of \$50,000 - \$100,000 annually over the ADC.
- Other Considerations:
  - The City went to their actuaries to develop a plan get the funding level to the 60% minimum as quickly as possible without significantly reducing services to our customers. The actuaries recommended changing the rate of return from 8% to 7% and reducing the amortization period from the current 26 years to 20 years. This will result in an increase in the ADC of \$549,508 for FY 2019 and allow the retirement system to reach a funded status of 60.8% by 2021 as shown in the Attachment 2a.

**Plan size: 155 members**

- Inactive employees or beneficiaries currently receiving benefits: 98
- Inactive employees entitled to but not yet receiving benefits: 5
- Active employees: 52

**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 actuarial projection found in the corrective action plan.

**Treasury Recommendation**  
**City of Oak Park**  
**Public Safety Employees Retirement System Pension Corrective Action Plan (CAP)**  
**Primary Unit 632140**

- Reasonable Timeframe:
  - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 60% within a reasonable timeframe (2021).
  
- 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, our review indicates all of the local unit's annual required contribution as a percentage of general fund operating revenues is 24.6%. This reflects a significant portion of the local government's budget.

**Supplemental Information:**

The City of Oak Park included an actuarial projection showing the effect of changes listed in their corrective action plan. This projection shows them reaching 60% funded in 2021. This projection also shows the impact on their annual employer contribution, demonstrating that from 2019 to 2037, the annual payment increases by approximately \$1,000,000, or 33%. This does not take into account the increase of ADC from FY18 to FY19 of approximately \$550,000

**Treasury Recommendation  
City of Oak Park  
Public Safety Employees Retirement System Pension Corrective Action Plan (CAP)  
Primary Unit 632140**

City of Oak Park Public Safety Employees' Retirement System  
Projection of Estimated PA202 Funded Status

Funding Interest: 7.00%  
Amortization Scaling Factor: 2.50%  
GASB Expected Rate of Return: 7.00%  
GASB Effective Discount Rate: 7.00%

Funding Interest: 7.00%  
Amortization Scaling Factor: 2.50%  
GASB Expected Rate of Return: 7.00%  
GASB Effective Discount Rate: 7.00%

Year End June 30	20 Year Amortization Contribution					26 Year Amortization Contribution				
	City Contribution	Additional Contribution	7.00% Liability	Assets	PA202 Funded %	City Contribution	Additional Contribution	7.00% Liability	Assets	PA202 Funded %
2017			70,023,243	40,419,001	57.7%			70,023,243	40,419,001	57.7%
2018			74,570,357	42,686,358	57.2%			74,570,357	42,686,358	57.2%
2019	3,099,614		75,815,185	44,290,177	58.4%	2,734,696		75,815,185	43,925,259	57.9%
2020	3,155,358		76,767,300	45,696,151	59.5%	2,781,316		76,767,300	44,931,646	58.5%
2021	3,205,979		77,851,741	47,317,476	60.8%	2,822,586		77,851,741	46,116,064	59.2%
2022	3,229,433		78,734,415	48,848,117	62.0%	2,836,455		78,734,415	47,169,628	59.9%
2023	3,280,878		79,468,839	50,341,765	63.3%	2,878,076		79,468,839	48,142,979	60.6%
2024	3,310,747		79,953,931	51,711,843	64.7%	2,897,875		79,953,931	48,946,270	61.2%
2025	3,345,290		80,112,645	52,889,363	66.0%	2,922,096		80,112,645	49,507,007	61.8%
2026	3,359,500		79,838,356	53,779,982	67.4%	2,925,726		79,838,356	49,727,087	62.3%
2027	3,368,392		79,154,463	54,429,267	68.8%	2,923,774		79,154,463	49,648,051	62.7%
2028	3,410,169		78,245,020	55,026,447	70.3%	2,954,435		78,245,020	49,454,812	63.2%
2029	3,473,136		77,199,848	55,685,402	72.1%	3,006,009		77,199,848	49,256,625	63.8%
2030	3,549,822		76,042,588	56,422,966	74.2%	3,071,017		76,042,588	49,065,370	64.5%
2031	3,600,624		74,665,250	57,165,566	76.6%	3,109,849		74,665,250	48,802,163	65.4%
2032	3,670,377		73,167,434	58,028,355	79.3%	3,167,332		73,167,434	48,576,469	66.4%
2033	3,754,136		71,611,632	59,082,655	82.5%	3,238,515		71,611,632	48,453,515	67.7%
2034	3,837,184		69,999,191	60,354,818	86.2%	3,308,673		69,999,191	48,453,128	69.2%
2035	3,927,489		68,364,966	61,898,987	90.5%	3,385,765		68,364,966	48,622,455	71.1%
2036	4,022,419		66,722,108	63,755,670	95.6%	3,467,152		66,722,108	48,994,513	73.4%
2037	4,120,432		65,077,185	65,953,465	101.3%	3,551,284		65,077,185	49,589,879	76.2%
2038	142,432		63,435,876	64,439,238	101.6%	3,637,745		63,435,876	50,425,514	79.5%
2039	140,083		61,790,737	62,930,129	101.8%	3,722,780		61,790,737	51,518,142	83.4%
2040	138,979		60,142,778	61,424,832	102.1%	3,811,243		60,142,778	52,886,269	87.9%
2041	130,690		58,457,404	59,893,673	102.5%	3,894,761		58,457,404	54,521,482	93.3%
2042	120,659		56,722,307	58,321,661	102.8%	3,978,832		56,722,307	56,431,589	99.5%
2043	108,104		54,827,722	56,601,188	103.2%	4,062,730		54,827,722	58,533,437	106.8%
2044	64,955		52,725,408	54,664,817	103.7%	64,955		52,725,408	56,732,324	107.6%
2045	32,432		50,450,099	52,562,834	104.2%	32,432		50,450,099	54,775,067	108.6%
2046	12,040		48,074,215	50,373,133	104.8%	12,040		48,074,215	52,740,222	109.7%
2047	2,365		45,677,212	48,171,116	105.5%	2,365		45,677,212	50,703,901	111.0%

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
City of Oak Park  
General Employees Postemployment Benefits OPEB Corrective Action Plan (CAP)  
Primary Unit 632140**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Employees Retirement System	Pension	\$19,305,654	\$40,735,745	47.4%	\$1,256,953	\$30,019,441	11.9%	Yes
Public Safety Employees Retirement System	Pension	\$40,470,218	\$71,651,880	56.5%	\$2,314,911			Yes
General Employees Postemployment Benefits	OPEB	\$1,118,254	\$27,943,556	4.0%	\$1,620,940		12.7%	Yes
Public Safety Employees Postemployment Benefits	OPEB	\$1,868,361	\$29,840,965	6.3%	\$1,901,699			Yes
District Court Postemployment Benefits	OPEB	\$0	\$4,737,968	0.0%	\$304,296			Yes
<b>Total</b>		<b>\$62,762,487</b>	<b>\$174,910,114</b>		<b>\$6,340,841</b>	<b>\$30,019,441</b>	<b>24.6%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Disapproval of the General Employees Postemployment Benefits OPEB corrective action plan submitted by the City of Oak Park, which was received by the Municipal Stability Board (the Board) on December 19, 2018. If denied, the City of Oak Park, will receive a detailed letter from the Board listing the reasons for disapproval. The City of Oak Park 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:**
  - 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.
- **Plan Funding:**
  - The City had set aside approximately 600,000 in total between the General 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



**Treasury Recommendation**  
**City of Oak Park**  
**General Employees Postemployment Benefits OPEB Corrective Action Plan (CAP)**  
**Primary Unit 632140**

assets for retirement healthcare. The City began setting aside any operating surplus in the General fund annual to make additional RHC contributions above the premium. 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.

- Other Considerations:
  - 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.

**Prospective Changes:**

- Modern Plan Design:
  - The City noted that, as listed in the Prior Actions “Other Considerations”, attempted changes to the existing retiree’s healthcare were blocked by court action. The Plan is closed with all new hires being part of the HSA program, so they indicate that no additional changes can be made.
- Plan Funding:
  - 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. These savings are combined for the General Employee and Public Safety systems.
- Other Considerations:
  - The City 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, which the City states would be \$600K to \$1.2 million annually, but the supporting documentation only demonstrates savings of approximately \$350K when combining the BCBSM Admin and Stop-Gap savings, and BCBSM Cost Analysis savings. These savings are also combined between the General Employee and Public Safety systems.
  - The formal creation of a trust fund will also increase the overall investment return.

**Treasury Recommendation  
City of Oak Park  
General Employees Postemployment Benefits OPEB Corrective Action Plan (CAP)  
Primary Unit 632140**

**Plan size: 251 members**

- Inactive employees or beneficiaries receiving or entitled to benefits: 229
- Active employees: 22

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria are partially met:

- 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, our review indicates all of the local unit's annual required contribution as a percentage of general fund operating revenues is 24.6%. This reflects a significant portion of the local government's budget

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 2048; however, there is no supporting documentation to support this claim.

**Supplemental Information:**

The City of Oak Park included several cost analyses documenting the annual savings that would be gained from joining Medicare Advantage. The City's corrective action plan indicates that the annual savings from this switch would be contributed as assets to the system's retirement healthcare trust, however there is no supporting documentation provided that demonstrates the effect those annual savings contributions would have on the system's funded ratio.

**Treasury Recommendation  
City of Oak Park  
General Employees Postemployment Benefits OPEB Corrective Action Plan (CAP)  
Primary Unit 632140**

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted

**Treasury Recommendation  
City of Oak Park  
Public Safety Employees Postemployment Benefits OPEB Corrective Action Plan (CAP)  
Primary Unit 632140**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Employees Retirement System	Pension	\$19,305,654	\$40,735,745	47.4%	\$1,256,953	\$30,019,441	11.9%	Yes
Public Safety Employees Retirement System	Pension	\$40,470,218	\$71,651,880	56.5%	\$2,314,911			Yes
General Employees Postemployment Benefits	OPEB	\$1,118,254	\$27,943,556	4.0%	\$1,620,940		12.7%	Yes
Public Safety Employees Postemployment Benefits	OPEB	\$1,868,361	\$29,840,965	6.3%	\$1,901,699			Yes
District Court Postemployment Benefits	OPEB	\$0	\$4,737,968	0.0%	\$304,296			Yes
<b>Total</b>		<b>\$62,762,487</b>	<b>\$174,910,114</b>		<b>\$6,340,841</b>	<b>\$30,019,441</b>	<b>24.6%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Disapproval of the Public Safety Employees Postemployment Benefits OPEB corrective action plan submitted by the City of Oak Park, which was received by the Municipal Stability Board (the Board) on December 19, 2018. If denied, the City of Oak Park, will receive a detailed letter from the Board listing the reasons for disapproval. The City of Oak Park 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:
  - Effective July 1, 2011, the City eliminated the Retiree Health Care Benefit and transitioned to a Health Savings Account program for all new employees in the POAM and POLC bargaining units.
  - The City has changed the benefit levels received by employees in the system. Effective January 18, 1993, new employees in the POAM and POLC bargaining units no longer qualified for one hundred percent of their premium to be paid by the City. The percentage of retiree's premium to be paid by the City for retirees hired after July 18, 1993 and before July 1, 2011 are as follows:
    - Effective May 2, 2005 new hires in the POLC and POAM bargaining units are not eligible for retiree medical coverage until they have reached 25 years of service.

**Treasury Recommendation**  
**City of Oak Park**  
**Public Safety Employees Postemployment Benefits OPEB Corrective Action Plan (CAP)**  
**Primary Unit 632140**

- Effective July 1, 2014 retiree health care will reflect the health care of active employees, and any changes that occur. Prior to this date retirees' health care was maintained at the benefit level received on the date the employee retired. Since that date the City has increased copays by \$20 for office visits, \$20 for prescription drugs, and increased coinsurance for an individual to \$2,000 and \$3,000 for a family, ultimately decreasing the costs borne by the City.
  - Effective July 28, 2017 the City instituted a Deferred Retirement Option Program for all employees in the POAM and POLC bargaining units, as well as the Director and Deputy Director of Public Safety. When accepted into the DROP program employees continue contributions at the same percentage, with no additional pension benefit provided. Employees in the program are guaranteed a 2% interest rate paid to the employee pension amount in the DROP account, but any interest realized over and above the 2% will be absorbed by the Public Safety Retirement System.
- Plan Funding:
    - The City had set aside approximately \$600,000 in total between the General 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 above the premium. 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.
    - Act 345 millage of 7 mills was approved by voters in August for another ten years.
  - Other Considerations:
    - 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.

**Prospective Changes:**

- Modern Plan Design:
  - The City noted that, as listed in the Prior Actions “Other Considerations”, attempts to make changes to the existing retiree’s healthcare were blocked by court action. The Plan is closed with all new hires being part of the HSA program, so they indicate that no additional changes can be made.
- Plan Funding:
  - 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

**Treasury Recommendation  
City of Oak Park  
Public Safety Employees Postemployment Benefits OPEB Corrective Action Plan (CAP)  
Primary Unit 632140**

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. These savings are combined for the General Employee and Public Safety systems.

- Other Considerations:
  - The City 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, which the City states would be \$600K to \$1.2 million annually, but the supporting documentation only demonstrates savings of approximately \$350K when combining the BCBSM Admin and Stop-Gap savings, and BCBSM Cost Analysis savings. These savings are also combined between the General Employee and Public Safety systems.

**Plan size: 219 members**

- Inactive employees or beneficiaries currently receiving benefits: 94
- Covered Spouses/Dependents
- 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.

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, our review indicates all of the local unit's annual required contribution as a percentage of general fund operating revenues is 24.6%. This reflects a significant portion of the local government's budget

**Treasury Recommendation  
City of Oak Park  
Public Safety Employees Postemployment Benefits OPEB Corrective Action Plan (CAP)  
Primary Unit 632140**

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 2048; however, there is no supporting documentation to support this claim.

**Supplemental Information:**

The City of Oak Park included several cost analyses documenting the annual savings that would be gained from joining Medicare Advantage. The City's corrective action plan indicates that the annual savings from this switch would be contributed as assets to the system's retirement healthcare trust, however there is no supporting documentation provided that demonstrates the effect those annual savings contributions would have on the system's funded ratio.

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
City of Oak Park  
District Court Postemployment Benefits OPEB Corrective Action Plan (CAP)  
Primary Unit 632140**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Employees Retirement System	Pension	\$19,305,654	\$40,735,745	47.4%	\$1,256,953	\$30,019,441	11.9%	Yes
Public Safety Employees Retirement System	Pension	\$40,470,218	\$71,651,880	56.5%	\$2,314,911			Yes
General Employees Postemployment Benefits	OPEB	\$1,118,254	\$27,943,556	4.0%	\$1,620,940		12.7%	Yes
Public Safety Employees Postemployment Benefits	OPEB	\$1,868,361	\$29,840,965	6.3%	\$1,901,699			Yes
District Court Postemployment Benefits	OPEB	\$0	\$4,737,968	0.0%	\$304,296			Yes
<b>Total</b>		<b>\$62,762,487</b>	<b>\$174,910,114</b>		<b>\$6,340,841</b>	<b>\$30,019,441</b>	<b>24.6%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Disapproval of the OPEB corrective action plan submitted by City of Oak Park, which was received by the Municipal Stability Board (the Board) on December 19, 2018. If denied, City of Oak Park, will receive a detailed letter from the Board listing the reasons for disapproval. City of Oak Park 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:**
  - All non-union new hires effective 8/1/2004 are in a Health Savings Account (HSA) program. Benefit levels of the retired membership mirrors the active employees, and any changes that occur effective 7/1/2010. Prior to this date retirees' health care was maintained at the benefit level when retired.
- **Plan Funding:**
  - Beginning in 1995, the 45<sup>th</sup> District Court began levying a fee on certain tickets to fund the OPEB plan. Effective 7/1/2015, the fee increased from \$15 to \$20. The fees collected represent approximately 50% of the annual health care costs with the balance being paid from the court's operating budget annually.



**Treasury Recommendation  
City of Oak Park  
District Court Postemployment Benefits OPEB Corrective Action Plan (CAP)  
Primary Unit 632140**

- Other Considerations:
  - None Listed

**Prospective Changes:**

- Modern Plan Design:
  - Court imposed block on changes to retiree healthcare
  
- Plan Funding:
  - In September 2018, Court joined Medicare Advantage, saving a projected \$39,000 annually. This annual savings will be contributed to the Court's plan assets, along with any other annual surplus.
  - The 45<sup>th</sup> District Court is Shared with 2 other communities. All communities levy the \$20 RHC fee. The courts operating budget is breakeven, with no surplus to make contributions over pay-as-you-go. Any additional contributions would come from Oak Parks General Fund, which is already committed to more then \$1 million annual increase contributions for 2 pension and 2 other OPEB plans.
  
- Other Considerations:
  - None Listed

**Plan size: 44 members**

- Inactive employees or beneficiaries currently receiving benefits: 22
- Inactive employees entitled to but not yet receiving benefits: 14
- Active employees: 8

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria are partially met:

- 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 24.6%. This reflects a significant portion of the local government's budget.

**Treasury Recommendation  
City of Oak Park  
District Court Postemployment Benefits OPEB Corrective Action Plan (CAP)  
Primary Unit 632140**

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 2048; however, there is no supporting documentation to support this claim.

**Supplemental Information:**

The City of Oak Park failed to provide supporting documentation to show that this plan would be able to reach 40% funded by the year listed of 2048. The only listed additional funding source is provided through annual savings from joining Medicare Advantage, and there is not adequate documentation showing the impact this would have on the funded ratio.

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
St. Clair County Road Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 740100**

<b>Name of Systems</b>	<b>Type of System</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Funded Ratio</b>	<b>ADC</b>	<b>Revenues</b>	<b>ADC/Revenue</b>	<b>CAP required?</b>
St. Clair County Employees' Retirement System	Pension	\$35,868,468	\$42,355,452	84.7%	\$910,369	\$28,590,485	3.2%	No
St. Clair County OPEB	OPEB	\$1,360,548	\$27,244,192	5.0%	\$2,748,314		9.6%	Yes
<b>Total</b>		<b>\$37,229,016</b>	<b>\$69,579,644</b>		<b>\$3,658,683</b>	<b>\$28,590,485</b>	<b>12.8%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by St. Clair County Road Commission, which was received by the Municipal Stability Board (the Board) on December 19, 2018. 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 September 14, 2011, the defined benefit plan was closed to all new hires. All new employees hired after September 14, 2011 are not eligible to receive retiree healthcare benefits.
  - Effective 2018, the local unit has committed to pay the current PA 202 minimum contribution of \$1,052,000.
- Plan Funding:
  - Effective 2018, the local unit has committed to pay the PA 202 minimum contribution along with an additional \$300,000 for the next ten years. The additional contributions will increase the retiree healthcare system's funded ratio to 40% by 2027.
- Other Considerations:
  - None noted.

**Prospective Changes:**

- Modern Plan Design:
  - Effective 2019, co-pays and deductibles were increased for all retirees over 65.
- Plan Funding:
  - Effective 2018, the local unit will pay the PA 202 minimum contribution along with an additional \$300,000 for the next ten years.

**Treasury Recommendation  
St. Clair County Road Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 740100**

- Other Considerations:
  - The local unit has directed their efforts in funding the pension system. Now that the pension is funded at 91.5% funding retiree healthcare will be a priority along with continuing funding of the pension plan to maintain its fiscal health.
  - The local unit has agreed to pay an additional \$500,000 in lieu of the additional \$300,000 for 2019 and is looking into the possibility of applying an additional \$100,000 annually in funding derived from dock rental income to the retiree healthcare system.

**Plan size: N/A**

**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 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 (2027).
- 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:**

St. Clair County Road Commission included the projected funded status and actuarially determined contribution schedule demonstrating the local unit reaching a 40% funded status by January 1, 2027.

**Treasury Recommendation  
St. Clair County Road Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 740100**

**Projected Actuarially Determined Contribution (ADC)**

Min amort 1

FYE	Actuarial Accrued Liability (AAL)	FNP	Unfunded AAL	Funded %	Normal Cost	Amortizati on period	Amort UAAL	Actuarially Determined Contribution (ADC)	General Operating Revenue	ADC as % of General Operating Revenue
01/01/2018	\$14,352,616	\$1,708,820	\$12,643,796	11.9%	\$173,732	12	\$1,241,405	\$1,507,121	\$28,590,485	5.3%
01/01/2019	\$14,526,328	\$2,127,726	\$12,398,602	14.6%	\$163,581	11	\$1,308,864	\$1,568,154	\$29,162,295	5.4%
01/01/2020	\$14,899,060	\$2,573,429	\$12,325,631	17.3%	\$156,788	10	\$1,410,544	\$1,669,209	\$29,745,541	5.6%
01/01/2021	\$15,235,476	\$3,047,643	\$12,187,833	20.0%	\$143,170	9	\$1,527,180	\$1,778,923	\$30,340,451	5.9%
01/01/2022	\$15,540,268	\$3,552,191	\$11,988,077	22.9%	\$131,251	8	\$1,665,177	\$1,913,196	\$30,947,260	6.2%
01/01/2023	\$15,827,512	\$4,089,014	\$11,738,498	25.8%	\$118,026	7	\$1,836,012	\$2,081,050	\$31,566,206	6.6%
01/01/2024	\$16,049,234	\$4,660,177	\$11,389,057	29.0%	\$106,161	6	\$2,047,497	\$2,293,646	\$32,197,530	7.1%
01/01/2025	\$16,276,852	\$5,267,876	\$11,008,976	32.4%	\$94,861	5	\$2,339,673	\$2,592,779	\$32,841,480	7.9%
01/01/2026	\$16,440,186	\$5,914,448	\$10,525,738	36.0%	\$83,981	4	\$2,754,406	\$3,022,882	\$33,498,310	9.0%
01/01/2027	\$16,466,871	\$6,602,380	\$9,864,491	40.1%	\$72,151	3	\$3,390,091	\$3,687,288	\$34,168,276	10.8%
01/01/2028	\$16,407,961	\$7,334,317	\$9,073,644	44.7%	\$60,478	2	\$4,606,785	\$4,970,635	\$34,851,642	14.3%
01/01/2029	\$16,243,167	\$7,803,479	\$8,439,688	48.0%	\$50,507	1	\$8,439,688	\$9,042,058	\$35,548,675	25.4%
01/01/2030	\$15,985,892	\$8,302,652	\$7,683,240	51.9%	\$42,559	1	\$7,683,240	\$8,227,976	\$36,259,648	22.7%
01/01/2031	\$15,669,359	\$8,833,756	\$6,835,603	56.4%	\$34,511	1	\$6,835,603	\$7,316,671	\$36,984,841	19.8%
01/01/2032	\$15,360,400	\$9,398,834	\$5,961,566	61.2%	\$27,802	1	\$5,961,566	\$6,378,677	\$37,724,538	16.9%
01/01/2033	\$14,936,763	\$10,000,059	\$4,936,704	66.9%	\$23,457	1	\$4,936,704	\$5,282,572	\$38,479,029	13.7%
01/01/2034	\$14,451,972	\$10,639,743	\$3,812,229	73.6%	\$18,455	1	\$3,812,229	\$4,079,679	\$39,248,609	10.4%
01/01/2035	\$14,019,425	\$11,320,346	\$2,699,079	80.7%	\$14,379	1	\$2,699,079	\$2,889,833	\$40,033,581	7.2%
01/01/2036	\$13,527,598	\$12,044,486	\$1,483,112	89.0%	\$11,577	1	\$1,483,112	\$1,591,844	\$40,834,253	3.9%
01/01/2037	\$12,995,781	\$12,814,948	\$180,833	98.6%	\$9,271	1	\$180,833	\$202,461	\$41,650,938	0.5%
01/01/2038	\$12,549,290	\$13,634,694	(\$1,085,404)	100.0%	\$7,128	1	-\$1,085,404	\$0	\$42,483,957	0.0%
01/01/2039	\$12,114,460	\$14,506,879	(\$2,392,419)	100.0%	\$6,067	1	-\$2,392,419	\$0	\$43,333,636	0.0%
01/01/2040	\$11,663,497	\$15,434,855	(\$3,771,358)	100.0%	\$4,423	1	-\$3,771,358	\$0	\$44,200,309	0.0%
01/01/2041	\$11,280,483	\$16,422,192	(\$5,141,709)	100.0%	\$3,125	1	-\$5,141,709	\$0	\$45,084,315	0.0%
01/01/2042	\$10,897,916	\$17,472,687	(\$6,574,771)	100.0%	\$2,325	1	-\$6,574,771	\$0	\$45,986,001	0.0%
01/01/2043	\$10,516,888	\$18,590,380	(\$8,073,492)	100.0%	\$1,676	1	-\$8,073,492	\$0	\$46,905,721	0.0%
01/01/2044	\$10,169,088	\$19,779,569	(\$9,610,481)	100.0%	\$1,334	1	-\$9,610,481	\$0	\$47,843,835	0.0%
01/01/2045	\$9,784,935	\$21,044,829	(\$11,259,894)	100.0%	\$1,004	1	-\$11,259,894	\$0	\$48,800,712	0.0%
01/01/2046	\$9,412,100	\$22,391,025	(\$12,978,925)	100.0%	\$747	1	-\$12,978,925	\$0	\$49,776,726	0.0%
01/01/2047	\$9,041,052	\$23,823,334	(\$14,782,282)	100.0%	\$488	1	-\$14,782,282	\$0	\$50,772,261	0.0%

From 2018 to 2029, the local unit's annual payment increases by approximately 500% from \$1,507,121 to \$9,042,058. Additionally, when compared to the fiscal year 2017 audited financial statement, the internal analysis shows a reduction in the actuarial accrued liability (AAL) of \$12.9 million in 2018, or 89%. Treasury is unable to determine the factors contributing to this reduction in the AAL based on the documentation provided.

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
City of Milan  
Pension Corrective Action Plan (CAP)  
Primary Unit 812020**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$5,967,697	\$12,787,879	46.7%	\$633,787	\$5,878,097	10.8%	YES
Healthcare	OPEB	\$0	\$3,549,323	0.0%	\$453,227		7.7%	NO
<b>Total</b>		<b>\$5,967,697</b>	<b>\$16,337,202</b>		<b>\$1,087,014</b>	<b>\$5,878,097</b>	<b>18.5%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the pension corrective action plan submitted by City of Milan, which was received by the Municipal Stability Board (the Board) on December 19, 2018. 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 closed defined benefit plans for newly hired employees. The City now offers defined contribution plans for newly hired employees (non-department heads) hired after July 1, 1997 and a hybrid pension plan for newly hired department heads hired after July 1, 2012. They have included the projection of funded levels from the original actuarial valuation submitted that shows the funded ratio is planned to reach 60% by calendar 2022.
- Other Considerations:
  - Since the time of the filing of Form 5572, they have received an updated actuarial valuation for the year 2017 that shows the funded ratio has improved to 50%. The actuarial valuation also shows the plan is still projected to reach 60% within 5 years (calendar year 2022), as shown on page 13 of attachment 2b.

**Plan size: 59 members**

- Inactive employees or beneficiaries currently receiving benefits: 41
- Inactive employees entitled to but not yet receiving benefits: 9
- Active employees: 9

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

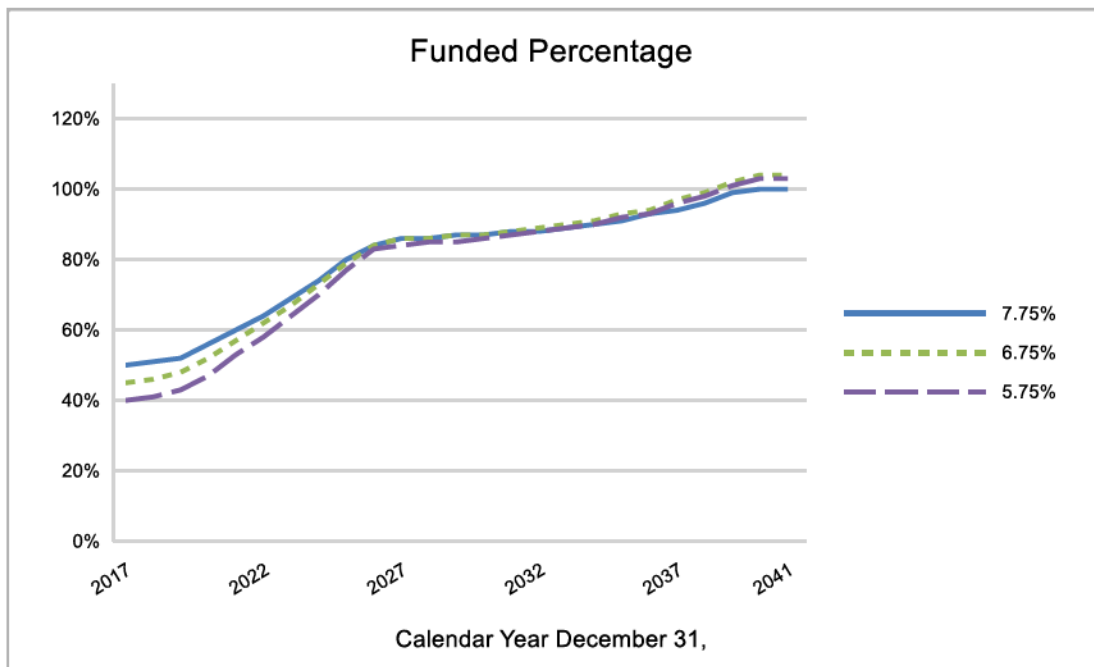
- Underfunded Status:
  - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the actuarial valuation found in the corrective action plan.
- Reasonable Timeframe:

**Treasury Recommendation**  
**City of Milan**  
**Pension Corrective Action Plan (CAP)**  
**Primary Unit 812020**

- The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 60% within a reasonable timeframe (2022).
  
- 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:**

City of Milan included two graphs showing the funded percentage and computed annual employer contribution. As demonstrated in the charts below, the pension plan would be over 60% funded in 2022 assuming a 7.75% rate of return.

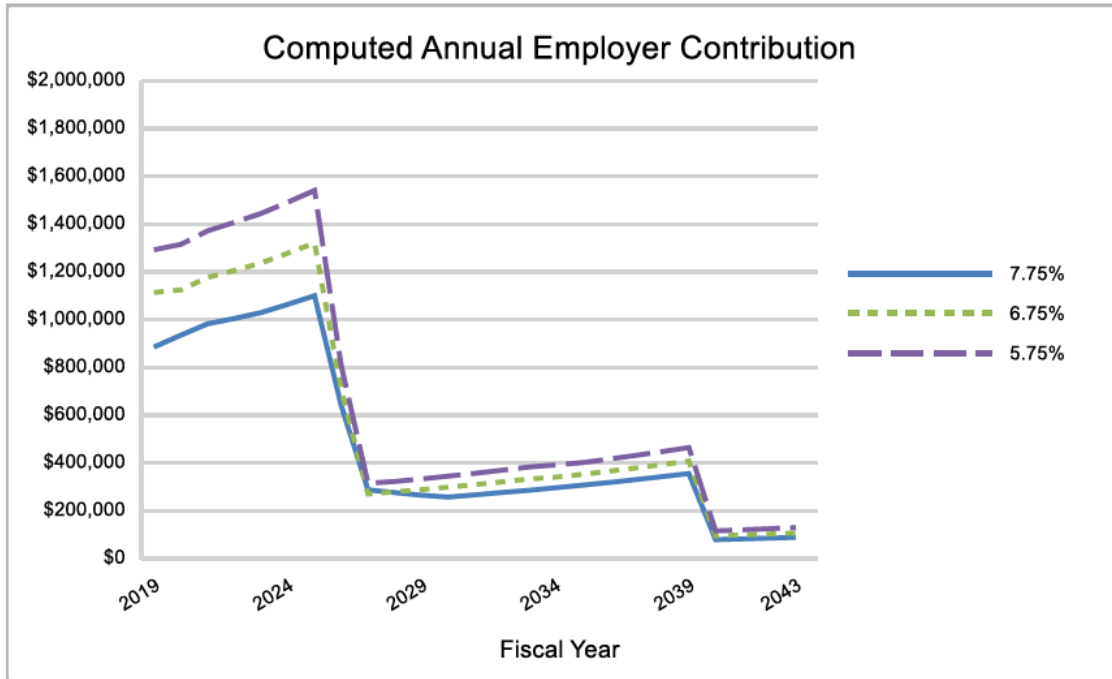


Notes:

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

**Treasury Recommendation  
City of Milan  
Pension Corrective Action Plan (CAP)  
Primary Unit 812020**

This chart shows the projected annual employer contribution payments declining dramatically in the future. It will decrease from its peak of up to about \$1.6 million in 2025 – assuming a 5.75% rate of return - to around \$100,000 in 2043. This is a 94% decline in the City of Milan’s annual employer contribution.



Notes:

All projected contributions are shown with no phase-in.

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.



**Treasury Recommendation  
Ypsilanti Community Utilities Authority  
Pension Corrective Action Plan (CAP)  
Non-Primary Unit 817514**

<b>Name of Systems</b>	<b>Type of System</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Funded Ratio</b>	<b>ADC</b>	<b>Revenues</b>	<b>ADC/ Revenue</b>	<b>CAP required?</b>
Ypsilanti Community Utilities Authority Employees Retirement System (8106) MERS	Pension	\$29,139,150	\$52,883,046	55.1%	\$1,929,047	\$42,916,770	4.5%	Yes
Ypsilanti Community Utilities Authority Retiree Health Care Plan	OPEB	\$14,714,923	\$28,820,484	51.1%	\$2,753,063	\$42,916,770	6.4%	No
<b>Total</b>		<b>\$43,854,073</b>	<b>\$81,703,530</b>		<b>\$4,682,110</b>	<b>\$85,833,540</b>	<b>10.9%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the pension corrective action plan submitted by Ypsilanti Community Utilities Authority (YCUA), which was received by the Municipal Stability Board (the Board) on December 19, 2018. 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 all AFSCME union employees hired after September 1, 2013 was reduced from 2.0% to 1.5%. As of April 6, 2018, 28 of 86 employees in this group are affected by this design change. The system's multiplier for all non-union employees hired after January 1, 2014 was reduced from 2.0% to 1.5%. As of April 6, 2018, 2 of 9 employees in this group are affected by this design change. In total, 31.5% of the employees in both groups reflect a lower multiplier.
  - The system's COLA was eliminated for all non-union employees hired after January 1, 2014.
  - Paid Time Off (PTO) maximum possible accumulation included in the Final Average Compensation (FAC) calculation for Non-Union employees hired after January 1, 2014 was reduced from 640 hours to 240 hours.
  - PTO maximum possible accumulation included in the FAC calculation for Teamster employees hired after September 1, 2013 was reduced from 640 hours to 480 hours.
  - Further, in 2013 the total hours of accumulated sick, vacation or PTO time included in the FAC at retirement was reduced from 100% to 75% or 50% to 0%, depending on the

**Treasury Recommendation  
Ypsilanti Community Utilities Authority  
Pension Corrective Action Plan (CAP)  
Non-Primary Unit 817514**

employee group and the original hire date. Accumulated sick leave paid out at retirement is no longer included in the FAC for AFSCME union employees hired after September 1, 2013.

- Vacation time maximum possible accumulation included in the FAC calculation for AFSCME Union employees hired after September 1, 2013 was reduced from 2.5 times to the annual accumulation to 2 times the annual accumulation.
- The plan is still open.
  
- Plan Funding:
  - YCUA made three payments beyond their annual required contribution:
    - August 31, 2017 - \$537,644
    - July 11, 2018 - \$500,000
    - September 21, 2018 - \$500,000
      - Treasury was able to verify the August 2017 and July 2018 deposits, but the MERS statements YCUA provided shows the September 2018 payment being made in June 2018.
  - YCUA has been contributing the MERS “no phase in” number, the higher ARC.
  - In addition, the YCUA Teamster’s Union members increased their contribution to the pension system from 4% to 5% effective November 1, 2018.
  
- Other Considerations:
  - YCUA stated that their fiscal year ending August 31, 2018 will show they are currently at a funded percentage of 59.758%. Total pension liability is \$53,912,136 (an increase from the prior year of just over \$1 million), the net position is \$3,216,841 (an increase of just over \$3 million) and the NPL is \$21,695,295 (for a decrease of about \$2 million).
    - Treasury was not able to confirm the any of the changes listed above unless specified.

**Prospective Changes:**

- Modern Plan Design:
  - None listed.
  
- Plan Funding:
  - YCUA will continue contributing an extra \$1,000,000 towards their pension liability. They will maintain making the contributions at the “no phase in” number for the foreseeable future. Attachment 3 in the Supplemental Information Section provides a table showing the approved 2019 budget with an additional \$1,000,000 going toward their pension.

**Treasury Recommendation  
Ypsilanti Community Utilities Authority  
Pension Corrective Action Plan (CAP)  
Non-Primary Unit 817514**

- Other Considerations
  - YCUA will continue making the annual employer contribution based on the MERS 5 year no phase-in approach, which increases the funded percentage more expediently than if they were to use the phase in method.
  - They also point out that their ADC/Governmental Fund Revenues is 4.7%, which is less than the 10% allowed for primary units.
  - They believe that they should be treated as a primary unit due to their size and financial resources.

**Plan size: 239 members**

- Inactive employees or beneficiaries currently receiving benefits: 116
- Inactive employees entitled to but not yet receiving benefits: 16
- Active employees: 107

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

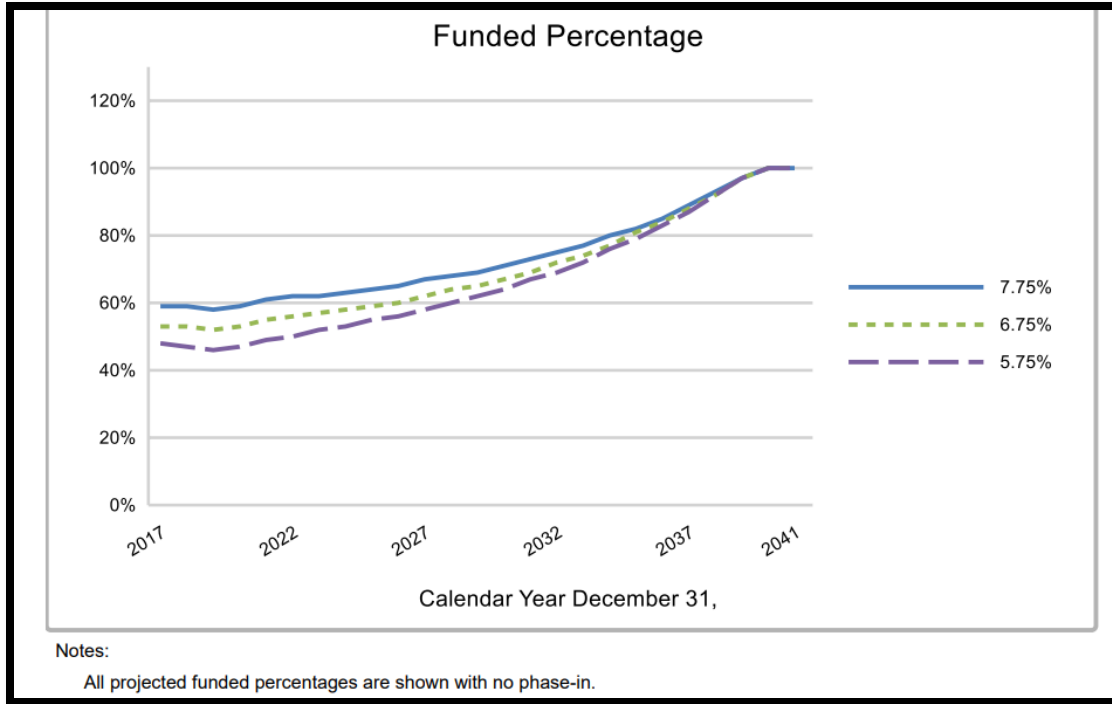
- Underfunded Status:
  - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the actuarial valuation found in the corrective action plan.
- Reasonable Timeframe:
  - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 60% within a reasonable timeframe (2021).
- 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:**

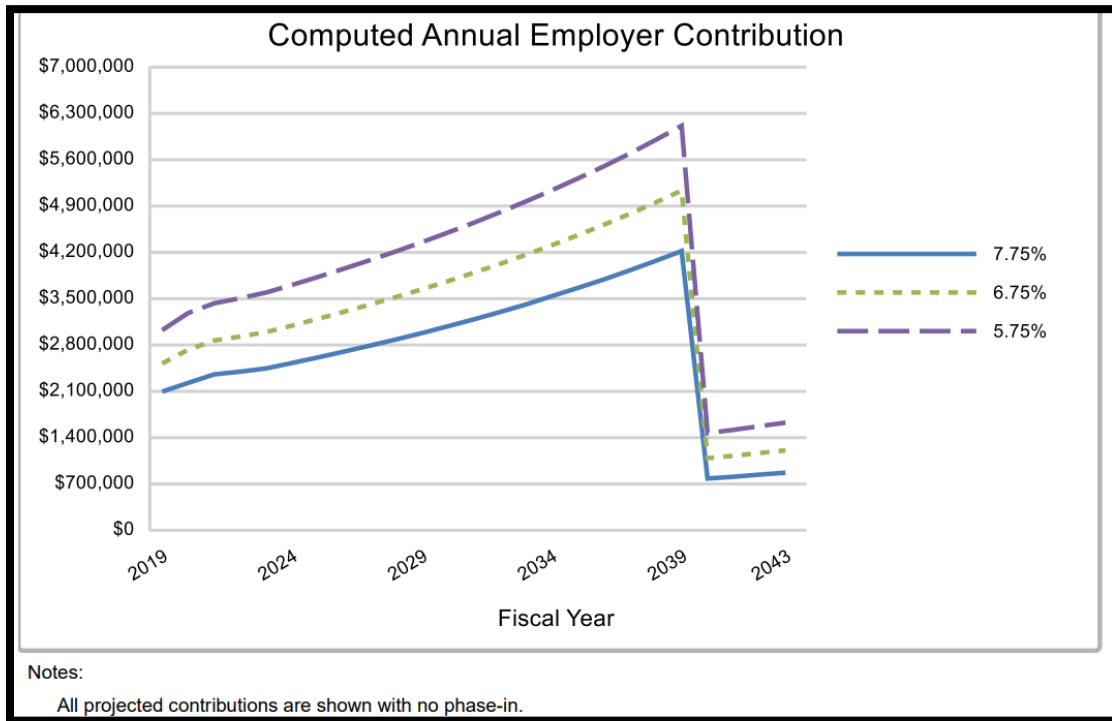
In Attachment 1, YCUA included a CBIZ graph showing the unit becoming 60% funded by 2021. Attachment 2 is a CBIZ projected annual payments chart. From 2018 to 2021, the local government's projected annual payment increases 4.8%. Attachment 3 provides a table showing the approved 2019 budget with an additional \$1,000,000 going toward their pension.

**Treasury Recommendation  
Ypsilanti Community Utilities Authority  
Pension Corrective Action Plan (CAP)  
Non-Primary Unit 817514**

**Attachment 1:**



**Attachment 2:**



**Treasury Recommendation  
Ypsilanti Community Utilities Authority  
Pension Corrective Action Plan (CAP)  
Non-Primary Unit 817514**

**Attachment 3:**

<b>APPROVED 2018/2019 YCUA BUDGET</b>									
<b>Payroll Taxes and Other Obligations - 591</b>									
	Actual 2017	Budget 2018	City 2018	Township 2018	Budget 2019	City 2019	Township 2019	Sewer 2019	Water 2019
Flexible admin fees	(\$645)	\$1,080	\$232	\$848	\$1,800	\$387	\$1,413	\$1,247	\$553
Health ins	\$1,531,931	\$2,201,123	\$473,241	\$1,727,881	\$2,000,000	\$430,127	\$1,569,873	\$1,385,974	\$614,026
Life ins	\$17,681	\$20,144	\$4,331	\$15,813	\$23,040	\$4,955	\$18,085	\$15,966	\$7,074
Disability ins	\$41,457	\$46,983	\$10,101	\$36,881	\$43,974	\$9,457	\$34,517	\$30,473	\$13,500
Social sec	\$517,368	\$506,636	\$108,927	\$397,709	\$534,960	\$115,050	\$419,910	\$370,720	\$164,240
<b>Pension</b>	<b>\$3,166,684</b>	<b>\$2,827,656</b>	<b>\$607,946</b>	<b>\$2,219,710</b>	<b>\$3,000,000</b>	<b>\$645,191</b>	<b>\$2,354,809</b>	<b>\$2,078,961</b>	<b>\$921,039</b>
Uniforms	\$16,812	\$21,800	\$4,687	\$17,113	\$23,750	\$5,108	\$18,642	\$16,458	\$7,292
Work comp	\$51,391	\$66,771	\$14,356	\$52,415	\$73,276	\$15,759	\$57,517	\$50,779	\$22,497
Unemployment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Health trust fund (ARC)	\$2,753,063	\$1,034,412	\$222,399	\$812,013	\$1,013,983	\$218,071	\$795,912	\$702,677	\$311,306
Health Care Savings	\$31,900	\$42,000	\$9,030	\$32,970	\$54,000	\$11,613	\$42,387	\$37,421	\$16,579
EAP	\$2,815	\$2,864	\$616	\$2,249	\$2,864	\$616	\$2,248	\$1,985	\$879
Allocations	(\$8,130,456)	(\$6,771,469)	(\$1,455,866)	(\$5,315,603)	(\$6,771,647)	(\$1,456,335)	(\$5,315,312)	(\$4,692,664)	(\$2,078,983)
<b>Total Department</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

21.50%	78.50% city/twp	21.50%	78.50%
	h20/ww	30.70%	69.30%

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
Redford Charter Township  
General Employees OPEB Corrective Action Plan (CAP)  
Primary Unit 821080**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS - General Employees	Pension	\$28,414,826	\$50,895,851	55.8%	\$1,609,912	\$38,453,626	15.4%	No
Police and Fire Pension Plan	Pension	\$63,281,796	\$11,1474,258	56.8%	\$4,320,943			No
OPEB - General Employees	OPEB	\$2,016,917	\$54,131,489	3.7%	\$2,792,937		18.9%	Yes
OPEB - Police and Fire	OPEB	\$4,134,869	\$88,060,417	4.7%	\$4,480,511			Yes
<b>Total</b>		<b>\$97,848,408</b>	<b>\$304,562,015</b>		<b>\$13,204,303</b>	<b>\$38,453,626</b>	<b>34.3%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Redford Charter Township, which was received by the Municipal Stability Board (the Board) on December 19, 2018. 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:
  - Over the past 18 months, retiree benefit plans were amended to mirror their active employees, by consolidating into either a Health Savings Account (HSA) or Health Reimbursement Account (HRA) Plan, reducing their health care premiums over \$1.3 million (33%). Treasury was unable to confirm this.
  - In August 2017, the township entered into a new collective bargaining agreement with MAPE and non-union hourly employees that requires all new hires to contribute 3% of their salary towards retiree health care funding. Treasury was unable to confirm this.
- Plan Funding:
  - None Noted.
- Other Considerations:
  - None Noted.

**Prospective Changes:**

- Modern Plan Design:
  - The township is working with various employee groups and unions to increase employee co-payments and deductible for health care to improve the funding ratio. If these

**Treasury Recommendation  
Redford Charter Township  
General Employees OPEB Corrective Action Plan (CAP)  
Primary Unit 821080**

increases are approved, the township will obtain a new actuarial study.

- Plan Funding:
  - Beginning with fiscal year 2020, the Township has committed to contribute at least an additional \$300,000 above its pay as you go requirements. This amount will increase by \$50,000 every five years to reach 40% funded by fiscal year 2048.
- Other Considerations:
  - None noted.

**Plan size: 222 members**

- Inactive employees or beneficiaries currently receiving benefits: 133
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 89

**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 found in the corrective action plan.
- Reasonable Timeframe:
  - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 40% within a reasonable timeframe (2048).
- Legal and Feasible:
  - 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, our review indicates all of the local unit's annual required contribution as a percentage of general fund operating revenues is 34.3%. This reflects a significant portion of the local government's budget

**Treasury Recommendation  
Redford Charter Township  
General Employees OPEB Corrective Action Plan (CAP)  
Primary Unit 821080**

**Supplemental Information:**

The Redford Charter Township included their internal evaluation that shows them reaching 40% funded in fiscal year 2048. The normal cost for the township also increases by approximately 135% between fiscal year 2019 and 2048.

**General Employees Retirement Health Benefit Systems**

PA 202	Fiscal		Additional	Total Yearly	0.03	PLAN ASSETS -	0.07	PLAN ASSETS -	Funded
Year	Year	NORMAL COST	Contribution	Contribution	Actuarial Accrued Liability**	Start of FY	Investment Earnings	End of FY	Ratio
<i>End of FY 2018 per GASB 74 Actuarial Report</i>									
1	2019	\$ 999,675	\$ 150,000	\$ 1,149,675	\$ 52,094,047	\$ 2,016,862	\$ 141,180	\$ 2,308,042	4.43%
2	2020	\$ 1,029,666	\$ 300,000	\$ 1,329,666	\$ 53,656,869	\$ 2,308,042	\$ 161,563	\$ 2,769,605	5.16%
3	2021	\$ 1,060,556	\$ 300,000	\$ 1,360,556	\$ 55,266,575	\$ 2,769,605	\$ 193,872	\$ 3,263,478	5.90%
4	2022	\$ 1,092,372	\$ 300,000	\$ 1,392,372	\$ 56,924,572	\$ 3,263,478	\$ 228,443	\$ 3,791,921	6.66%
5	2023	\$ 1,125,144	\$ 300,000	\$ 1,425,144	\$ 58,632,309	\$ 3,791,921	\$ 265,434	\$ 4,357,356	7.43%
6	2024	\$ 1,158,898	\$ 350,000	\$ 1,508,898	\$ 60,391,279	\$ 4,357,356	\$ 305,015	\$ 5,012,370	8.30%
7	2025	\$ 1,193,665	\$ 350,000	\$ 1,543,665	\$ 62,203,017	\$ 5,012,370	\$ 350,866	\$ 5,713,236	9.18%
8	2026	\$ 1,229,475	\$ 350,000	\$ 1,579,475	\$ 64,069,107	\$ 5,713,236	\$ 399,927	\$ 6,463,163	10.09%
9	2027	\$ 1,266,359	\$ 350,000	\$ 1,616,359	\$ 65,991,181	\$ 6,463,163	\$ 452,421	\$ 7,265,584	11.01%
10	2028	\$ 1,304,350	\$ 350,000	\$ 1,654,350	\$ 67,970,916	\$ 7,265,584	\$ 508,591	\$ 8,124,175	11.95%
11	2029	\$ 1,343,480	\$ 400,000	\$ 1,743,480	\$ 70,010,043	\$ 8,124,175	\$ 568,692	\$ 9,092,868	12.99%
12	2030	\$ 1,383,785	\$ 400,000	\$ 1,783,785	\$ 72,110,345	\$ 9,092,868	\$ 636,501	\$ 10,129,368	14.05%
13	2031	\$ 1,425,298	\$ 400,000	\$ 1,825,298	\$ 74,273,655	\$ 10,129,368	\$ 709,056	\$ 11,238,424	15.13%
14	2032	\$ 1,468,057	\$ 400,000	\$ 1,868,057	\$ 76,501,865	\$ 11,238,424	\$ 786,690	\$ 12,425,114	16.24%
15	2033	\$ 1,512,099	\$ 400,000	\$ 1,912,099	\$ 78,796,921	\$ 12,425,114	\$ 869,758	\$ 13,694,872	17.38%
16	2034	\$ 1,557,462	\$ 450,000	\$ 2,007,462	\$ 81,160,828	\$ 13,694,872	\$ 958,641	\$ 15,103,513	18.61%
17	2035	\$ 1,604,186	\$ 450,000	\$ 2,054,186	\$ 83,595,653	\$ 15,103,513	\$ 1,057,246	\$ 16,610,759	19.87%
18	2036	\$ 1,652,311	\$ 450,000	\$ 2,102,311	\$ 86,103,523	\$ 16,610,759	\$ 1,162,753	\$ 18,223,512	21.16%
19	2037	\$ 1,701,881	\$ 450,000	\$ 2,151,881	\$ 88,686,629	\$ 18,223,512	\$ 1,275,646	\$ 19,949,158	22.49%
20	2038	\$ 1,752,937	\$ 450,000	\$ 2,202,937	\$ 91,347,227	\$ 19,949,158	\$ 1,396,441	\$ 21,795,599	23.86%
21	2039	\$ 1,805,525	\$ 500,000	\$ 2,305,525	\$ 94,087,644	\$ 21,795,599	\$ 1,525,692	\$ 23,821,290	25.32%
22	2040	\$ 1,859,691	\$ 500,000	\$ 2,359,691	\$ 96,910,274	\$ 23,821,290	\$ 1,667,490	\$ 25,988,781	26.82%
23	2041	\$ 1,915,482	\$ 500,000	\$ 2,415,482	\$ 99,817,582	\$ 25,988,781	\$ 1,819,215	\$ 28,307,995	28.36%
24	2042	\$ 1,972,946	\$ 500,000	\$ 2,472,946	\$ 102,812,109	\$ 28,307,995	\$ 1,981,560	\$ 30,789,555	29.95%
25	2043	\$ 2,032,134	\$ 500,000	\$ 2,532,134	\$ 105,896,472	\$ 30,789,555	\$ 2,155,269	\$ 33,444,824	31.58%
26	2044	\$ 2,093,098	\$ 550,000	\$ 2,643,098	\$ 109,073,367	\$ 33,444,824	\$ 2,341,138	\$ 36,335,962	33.31%
27	2045	\$ 2,155,891	\$ 550,000	\$ 2,705,891	\$ 112,345,568	\$ 36,335,962	\$ 2,543,517	\$ 39,429,479	35.10%
28	2046	\$ 2,220,568	\$ 550,000	\$ 2,770,568	\$ 115,715,935	\$ 39,429,479	\$ 2,760,064	\$ 42,739,543	36.93%
29	2047	\$ 2,287,185	\$ 550,000	\$ 2,837,185	\$ 119,187,413	\$ 42,739,543	\$ 2,991,768	\$ 46,281,310	38.83%
30	2048	\$ 2,355,801	\$ 550,000	\$ 2,905,801	\$ 122,763,035	\$ 46,281,310	\$ 3,239,692	\$ 50,071,002	40.79%

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.



**Treasury Recommendation  
Redford Charter Township  
Police and Fire OPEB Corrective Action Plan (CAP)  
Primary Unit 821080**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS - General Employees	Pension	\$28,414,826	\$50,895,851	55.8%	\$1,609,912	\$38,453,626	15.4%	No
Police and Fire Pension Plan	Pension	\$63,281,796	\$11,147,258	56.8%	\$4,320,943			No
OPEB - General Employees	OPEB	\$2,016,917	\$54,131,489	3.7%	\$2,792,937		18.9%	Yes
OPEB - Police and Fire	OPEB	\$4,134,869	\$88,060,417	4.7%	\$4,480,511			Yes
<b>Total</b>		<b>\$97,848,408</b>	<b>\$304,562,015</b>		<b>\$13,204,303</b>	<b>\$38,453,626</b>	<b>34.3%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Redford Charter Township, which was received by the Municipal Stability Board (the Board) on December 19, 2018. 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:
  - Over the past 18 months, retiree benefit plans were amended to mirror their active employees, by consolidating into either a Health Savings Account (HSA) or Health Reimbursement Account (HRA) Plan, reducing their health care premiums over \$1.3 million (33%). Treasury was unable to confirm this.
  - In August 2016, the township entered into a new collective bargaining agreement with POAM and IAFF that requires all new hires to contribute 3% of their salary towards retiree health care funding. Treasury was unable to confirm this.
- Plan Funding:
  - None noted.
- Other Considerations:
  - None noted.

**Prospective Changes:**

- Modern Plan Design:
  - The township is working with various employee groups and unions to increase employee co-payments and deductible for health care to improve the funding ratio. If these

**Treasury Recommendation  
Redford Charter Township  
Police and Fire OPEB Corrective Action Plan (CAP)  
Primary Unit 821080**

increases are approved, the township will obtain a new actuarial study.

- Plan Funding:
  - Beginning with fiscal year 2019, the Township has committed to contribute at least an additional \$450,000 above its pay as you go requirements. This amount will increase by \$50,000 every five years to reach 40% funded by fiscal year 2048.
- Other Considerations:
  - None noted.

**Plan size: 243 members**

- Inactive employees or beneficiaries currently receiving benefits: 159
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 84

**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 found in the corrective action plan.
- Reasonable Timeframe:
  - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 40% within a reasonable timeframe (2048).
- Legal and Feasible:
  - 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, our review indicates all of the local unit's annual required contribution as a percentage of general fund operating revenues is 34.3%. This reflects a significant portion of the local government's budget.

**Treasury Recommendation  
Redford Charter Township  
Police and Fire OPEB Corrective Action Plan (CAP)  
Primary Unit 821080**

**Supplemental Information:**

Redford Charter Township included its internal analysis showing them reach 40% funded status in fiscal year 2048. The normal cost for the township also increases by approximately 135% between fiscal year 2019 and 2048.

**Police and Fire Retirement Health Benefit Systems**

PA 202	Fiscal		Additional	Total Yearly	0.03	PLAN ASSETS -	0.07	PLAN ASSETS -	Funded
Year	Year	NORMAL COST	Contribution	Contribution	Actuarial Accrued Liability**	Start of FY	Investment Earnings	End of FY	Ratio
<i>End of FY 2018 per GASB 74 Actuarial Report</i>					\$ 82,398,293.00	\$ 4,011,337.00		\$ 4,100,874.00	4.98%
1	2019	\$ 1,328,889	\$ 450,000	\$ 1,778,889	\$ 84,870,242	\$ 4,100,874	\$ 287,061	\$ 4,837,935	5.70%
2	2020	\$ 1,368,755	\$ 450,000	\$ 1,818,755	\$ 87,416,349	\$ 4,837,935	\$ 338,655	\$ 5,626,591	6.44%
3	2021	\$ 1,409,818	\$ 450,000	\$ 1,859,818	\$ 90,038,840	\$ 5,626,591	\$ 393,861	\$ 6,470,452	7.19%
4	2022	\$ 1,452,112	\$ 450,000	\$ 1,902,112	\$ 92,740,005	\$ 6,470,452	\$ 452,932	\$ 7,373,384	7.95%
5	2023	\$ 1,495,676	\$ 450,000	\$ 1,945,676	\$ 95,522,205	\$ 7,373,384	\$ 516,137	\$ 8,339,520	8.73%
6	2024	\$ 1,540,546	\$ 500,000	\$ 2,040,546	\$ 98,387,871	\$ 8,339,520	\$ 583,766	\$ 9,423,287	9.58%
7	2025	\$ 1,586,763	\$ 500,000	\$ 2,086,763	\$ 101,339,507	\$ 9,423,287	\$ 659,630	\$ 10,582,917	10.44%
8	2026	\$ 1,634,365	\$ 500,000	\$ 2,134,365	\$ 104,379,692	\$ 10,582,917	\$ 740,804	\$ 11,823,721	11.33%
9	2027	\$ 1,683,396	\$ 500,000	\$ 2,183,396	\$ 107,511,083	\$ 11,823,721	\$ 827,660	\$ 13,151,382	12.23%
10	2028	\$ 1,733,898	\$ 500,000	\$ 2,233,898	\$ 110,736,416	\$ 13,151,382	\$ 920,597	\$ 14,571,978	13.16%
11	2029	\$ 1,785,915	\$ 550,000	\$ 2,335,915	\$ 114,058,508	\$ 14,571,978	\$ 1,020,038	\$ 16,142,017	14.15%
12	2030	\$ 1,839,493	\$ 550,000	\$ 2,389,493	\$ 117,480,263	\$ 16,142,017	\$ 1,129,941	\$ 17,821,958	15.17%
13	2031	\$ 1,894,677	\$ 550,000	\$ 2,444,677	\$ 121,004,671	\$ 17,821,958	\$ 1,247,537	\$ 19,619,495	16.21%
14	2032	\$ 1,951,518	\$ 550,000	\$ 2,501,518	\$ 124,634,811	\$ 19,619,495	\$ 1,373,365	\$ 21,542,860	17.28%
15	2033	\$ 2,010,063	\$ 550,000	\$ 2,560,063	\$ 128,373,856	\$ 21,542,860	\$ 1,508,000	\$ 23,600,860	18.38%
16	2034	\$ 2,070,365	\$ 600,000	\$ 2,670,365	\$ 132,225,071	\$ 23,600,860	\$ 1,652,060	\$ 25,852,920	19.55%
17	2035	\$ 2,132,476	\$ 600,000	\$ 2,732,476	\$ 136,191,823	\$ 25,852,920	\$ 1,809,704	\$ 28,262,625	20.75%
18	2036	\$ 2,196,450	\$ 600,000	\$ 2,796,450	\$ 140,277,578	\$ 28,262,625	\$ 1,978,384	\$ 30,841,008	21.99%
19	2037	\$ 2,262,344	\$ 600,000	\$ 2,862,344	\$ 144,485,906	\$ 30,841,008	\$ 2,158,871	\$ 33,599,879	23.25%
20	2038	\$ 2,330,214	\$ 600,000	\$ 2,930,214	\$ 148,820,483	\$ 33,599,879	\$ 2,351,992	\$ 36,551,870	24.56%
21	2039	\$ 2,400,121	\$ 650,000	\$ 3,050,121	\$ 153,285,097	\$ 36,551,870	\$ 2,558,631	\$ 39,760,501	25.94%
22	2040	\$ 2,472,124	\$ 650,000	\$ 3,122,124	\$ 157,883,650	\$ 39,760,501	\$ 2,783,235	\$ 43,193,736	27.36%
23	2041	\$ 2,546,288	\$ 650,000	\$ 3,196,288	\$ 162,620,160	\$ 43,193,736	\$ 3,023,562	\$ 46,867,298	28.82%
24	2042	\$ 2,622,677	\$ 650,000	\$ 3,272,677	\$ 167,498,764	\$ 46,867,298	\$ 3,280,711	\$ 50,798,009	30.33%
25	2043	\$ 2,701,357	\$ 650,000	\$ 3,351,357	\$ 172,523,727	\$ 50,798,009	\$ 3,555,861	\$ 55,003,869	31.88%
26	2044	\$ 2,782,398	\$ 700,000	\$ 3,482,398	\$ 177,699,439	\$ 55,003,869	\$ 3,850,271	\$ 59,554,140	33.51%
27	2045	\$ 2,865,870	\$ 700,000	\$ 3,565,870	\$ 183,030,422	\$ 59,554,140	\$ 4,168,790	\$ 64,422,930	35.20%
28	2046	\$ 2,951,846	\$ 700,000	\$ 3,651,846	\$ 188,521,335	\$ 64,422,930	\$ 4,509,605	\$ 69,632,535	36.94%
29	2047	\$ 3,040,401	\$ 700,000	\$ 3,740,401	\$ 194,176,975	\$ 69,632,535	\$ 4,874,277	\$ 75,206,813	38.73%
30	2048	\$ 3,131,613	\$ 700,000	\$ 3,831,613	\$ 200,002,284	\$ 75,206,813	\$ 5,264,477	\$ 81,171,290	40.59%

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
City of Highland Park  
General Employees Pension Corrective Action Plan (CAP)  
Primary Unit 822160**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
General Employees	Pension	\$230,925	\$6,173,544	2.0%	\$872,000	\$16,874,119	32.6%	Yes
Public Safety	Pension	\$652,623	\$31,847,236	3.7%	\$4,032,000			Yes
Police and Firemen	Pension	\$295,487	\$4,052,265	7.3%	\$4,347,752			Yes
Retiree Medical	OPEB	\$0	\$24,087,834	0.0%	\$557,966		3.3%	No
<b>Total</b>		<b>\$1,179,035</b>	<b>\$66,160,879</b>		<b>\$9,809,718</b>	<b>\$16,874,119</b>	<b>35.9%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Disapproval of the General Employees pension corrective action plan submitted by the city of Highland Park which was received by the Municipal Stability Board (the Board) on December 19, 2018. If denied, Highland Park, will receive a detailed letter from the Board listing the reasons for disapproval. Highland Park 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:
  - The plan is closed to new hires.
- Plan Funding:
  - The plan is funded through a dedicated court-ordered millage levied annually. The levy is approximately \$600,000 a year.
- Other Considerations:
  - The plan is expected to expire in 2050. Treasury was unable to confirm this.

**Prospective Changes:**

- Modern Plan Design:
  - None noted.
- Plan Funding:
  - Beginning in fiscal year 2019, the general fund will contribute at least \$100,000 annually to the pension fund.
- Other Considerations:
  - None noted.

**Treasury Recommendation  
City of Highland Park  
General Employees Pension Corrective Action Plan (CAP)  
Primary Unit 822160**

**Plan size: 53 members**

- Inactive employees or beneficiaries currently receiving benefits: 53
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 0

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
  - The local unit did not provide clear documentation that demonstrates the retirement system will reach 60% 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 60% if the plan's assumptions remain accurate.
- Reasonable Timeframe:
  - The administrative officer indicates the plan will achieve a funded ratio of 60% by 2028; 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 60% funded ratio within this timeframe.

The following corrective action plan approval criteria were not met:

- Legal and Feasible:
  - The local unit indicated its corrective action plan was legal and feasible in Section 7 of the corrective action plan template; however, the local unit in section 5 of the corrective action plan template noted that they will not be able to pay their annual required contribution (ARC). Paying the ARC is required by the Michigan Constitution and PA 314 of 1965, as amended.
- 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. Additionally, our review indicates all of the local unit's annual required contribution as a percentage of general fund operating revenues is 35.9%. This reflects a significant portion of the local government's budget.

**Treasury Recommendation**  
**City of Highland Park**  
**General Employees Pension Corrective Action Plan (CAP)**  
**Primary Unit 822160**

**Supplemental Information:**

In section five of the City of Highland Park Corrective action plan they certified no that they can not make the minimum annual required contribution payments according to their long-term budget forecast. It was further noted that "A distressed community, Highland Park, does not have the capacity to make the annual required contribution prior to the near end term of the plan."

The City of Highland Park included an internal analysis of its funding percentage.

**Treasury Recommendation  
City of Highland Park  
General Employees Pension Corrective Action Plan (CAP)  
Primary Unit 822160**

City of Highland Park  
General Employees Retirement System

**Internal Analysis of Funding Percentage**

		Benefit Payments	Decrease	Liability	Prospective Actions: General Fund Contributions at \$100K per year assuming 0% interest income	Funding Percentage
Actuarial Report page 5				5,639,000	352,000	6%
Actuarial Report page 7	2018	594,214			352,000	
	2019	555,893	6%		452,000	
	2020	519,217	7%		552,000	
	2021	484,240	7%		652,000	
	2022	451,001	7%		752,000	
	2023	419,501	7%		852,000	
	2024	389,716	7%		952,000	
	2025	361,593	7%		1,052,000	
	2026	335,067	7%		1,152,000	
	2027	310,075	7%		1,252,000	
Internal Analysis using same percentage reduction as actuarial report	2028	286,947	7%	2,214,208	1,352,000	61%
	2029	265,544	7%		1,452,000	
	2030	245,738	7%		1,552,000	
	2031	227,409	7%		1,652,000	
	2032	210,447	7%		1,752,000	
	2033	194,750	7%		1,852,000	
	2034	180,224	7%		1,952,000	
	2035	166,781	7%		2,052,000	
	2036	154,341	7%		2,152,000	
	2037	142,829	7%		2,252,000	
	2038	132,176	7%		2,352,000	
	2039	122,317	7%		2,452,000	
	2040	113,194	7%		2,552,000	
	2041	104,751	7%		2,652,000	
	2042	96,938	7%		2,752,000	
	2043	89,708	7%		2,852,000	
	2044	83,017	7%		2,952,000	
	2045	76,825	7%		3,052,000	
	2046	71,095	7%		3,152,000	
	2047	65,792	7%		3,252,000	
	2048	60,885	7%		3,352,000	
	2049	56,344	7%		3,452,000	
	2050	52,141	7%		3,552,000	

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
City of Highland Park  
Police and Firemen Pension Corrective Action Plan (CAP)  
Primary Unit 822160**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
General Employees	Pension	\$230,925	\$6,173,544	2.0%	\$872,000	\$16,874,119	32.6%	Yes
Public Safety	Pension	\$652,623	\$31,847,236	3.7%	\$4,032,000			Yes
Police and Firemen	Pension	\$295,487	\$4,052,265	7.3%	\$4,347,752			Yes
Retiree Medical	OPEB	\$0	\$24,087,834	0.0%	\$557,966		3.3%	No
<b>Total</b>		<b>\$1,179,035</b>	<b>\$66,160,879</b>		<b>\$9,809,718</b>	<b>\$16,874,119</b>	<b>35.9%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Disapproval of the Police and Firemen pension corrective action plan submitted by the city of Highland Park which was received by the Municipal Stability Board (the Board) on December 19, 2018. If denied, Highland Park, will receive a detailed letter from the Board listing the reasons for disapproval. Highland Park 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:
  - The plan is closed to new hires.
- Plan Funding:
  - The plan is funded through a dedicated court-ordered millage levied annually. The levy is approximately \$500,000 a year.
- Other Considerations:
  - The plan is expected to expire in 2045. Treasury was unable to confirm this.

**Prospective Changes:**

- Modern Plan Design:
  - None noted.
- Plan Funding:
  - Beginning in fiscal year 2019, the general fund will contribute \$100,000 annually to the pension fund.
- Other Considerations:
  - None noted.



**Treasury Recommendation  
City of Highland Park  
Police and Firemen Pension Corrective Action Plan (CAP)  
Primary Unit 822160**

**Plan size: 45 members**

- Inactive employees or beneficiaries currently receiving benefits: 45
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 0

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
  - The local unit did not provide clear documentation that demonstrates the retirement system will reach 60% 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 60% if the plan's assumptions remain accurate.
- Reasonable Timeframe:
  - The administrative officer indicates the plan will achieve a funded ratio of 60% by 2028; 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 60% funded ratio within this timeframe.

The following corrective action plan approval criteria were not met:

- Legal and Feasible:
  - The local unit indicated its corrective action plan was legal and feasible in Section 7 of the corrective action plan template; however, the local unit in section 5 of the corrective action plan template noted that they will not be able to pay their annual required contribution (ARC). Paying the ARC is required by the Michigan Constitution and PA 314 of 1965, as amended.
- 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. Additionally, our review indicates all of the local unit's annual required contribution as a percentage of general fund operating revenues is 35.9%. This reflects a significant portion of the local government's budget.

**Treasury Recommendation  
City of Highland Park  
Police and Firemen Pension Corrective Action Plan (CAP)  
Primary Unit 822160**

**Supplemental Information:**

In section five of the City of Highland Park Corrective action plan they certified no that they can not make the minimum annual required contribution payments according to their long-term budget forecast. It was further noted that "A distressed community, Highland Park, does not have the capacity to make the annual required contribution prior to the near end term of the plan."

The City of Highland Park included an internal analysis of its funding percentage.

**City of Highland Park  
Policemen and Firemen Retirement System  
Internal Analysis of Funding Percentage**

	Benefit Payments	Decrease	Liability	Prospective Actions: General Fund Contributions at \$100K per year assuming 0% interest income	Funding Percentage
Actuarial Report page 5			3,915,000	340,000	9%
Actuarial Report page 7	2018	529,358		340,000	
	2019	491,643	7%	440,000	
	2020	452,916	8%	540,000	
	2021	414,223	9%	640,000	
	2022	376,292	9%	740,000	
	2023	339,634	10%	840,000	
	2024	304,605	10%	940,000	
	2025	271,450	11%	1,040,000	
	2026	240,338	11%	1,140,000	
	2027	211,383	12%	1,240,000	
Internal Analysis using same percentage reduction as actuarial report	2028	185,916	12%	1,340,000	59%
	2029	163,518	12%	1,440,000	
	2030	143,818	12%	1,540,000	
	2031	126,491	12%	1,640,000	
	2032	111,252	12%	1,740,000	
	2033	97,849	12%	1,840,000	
	2034	86,061	12%	1,940,000	
	2035	75,693	12%	2,040,000	
	2036	66,574	12%	2,140,000	
	2037	58,553	12%	2,240,000	
	2038	51,499	12%	2,340,000	
	2039	45,295	12%	2,440,000	
	2040	39,838	12%	2,540,000	
	2041	35,038	12%	2,640,000	
2042	30,817	12%	2,740,000		
2043	27,104	12%	2,840,000		
2044	23,839	12%	2,940,000		
2045	20,967	12%	3,040,000		
2046	18,441	12%	3,140,000		
2047	16,219	12%	3,240,000		
2048	14,265	12%	3,340,000		
2049	12,546	12%	3,440,000		
2050	11,035	12%	3,540,000		

**Treasury Recommendation  
City of Highland Park  
Police and Firemen Pension Corrective Action Plan (CAP)  
Primary Unit 822160**

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
City of Highland Park  
Public Safety Employees Pension Corrective Action Plan (CAP)  
Primary Unit 822160**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
General Employees	Pension	\$230,925	\$6,173,544	2.0%	\$872,000	\$16,874,119	32.6%	Yes
Public Safety	Pension	\$652,623	\$31,847,236	3.7%	\$4,032,000			Yes
Police and Firemen	Pension	\$295,487	\$4,052,265	7.3%	\$4,347,752			Yes
Retiree Medical	OPEB	\$0	\$24,087,834	0.0%	\$557,966		3.3%	No
<b>Total</b>		<b>\$1,179,035</b>	<b>\$66,160,879</b>		<b>\$9,809,718</b>	<b>\$16,874,119</b>	<b>35.9%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Disapproval of the Public Safety pension corrective action plan submitted by the city of Highland Park which was received by the Municipal Stability Board (the Board) on December 19, 2018. If denied, Highland Park, will receive a detailed letter from the Board listing the reasons for disapproval. Highland Park 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:
  - The plan is closed to new hires.
- Plan Funding:
  - The plan is funded through a dedicated court-ordered millage levied annually. The levy is approximately \$2,000,000 a year.
- Other Considerations:
  - The plan is expected to expire in 2050. Treasury was unable to confirm this.

**Prospective Changes:**

- Modern Plan Design:
  - None noted.
- Plan Funding:
  - Beginning in fiscal year 2019, the general fund will contribute at least \$300,000 annually to the pension fund.
- Other Considerations:
  - None noted.

**Treasury Recommendation  
City of Highland Park  
Public Safety Employees Pension Corrective Action Plan (CAP)  
Primary Unit 822160**

**Plan size: 69 members**

- Inactive employees or beneficiaries currently receiving benefits: 61
- Inactive employees entitled to but not yet receiving benefits: 4
- Active employees: 4

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
  - The local unit did not provide clear documentation that demonstrates the retirement system will reach 60% 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 60% if the plan's assumptions remain accurate.
- Reasonable Timeframe:
  - The corrective action plan indicates the plan will achieve a funded ratio of 60% by 2040; however, the local unit did not provide clear documentation that demonstrates this. Additionally, the local unit of government does not do so within 20 years for a severely underfunded plan.

The following corrective action plan approval criteria were not met:

- Legal and Feasible:
  - The local unit indicated its corrective action plan was legal and feasible in Section 7 of the corrective action plan template; however, the local unit in section 5 of the corrective action plan template noted that they will not be able to pay their annual required contribution (ARC). Paying the ARC is required by the Michigan Constitution and PA 314 of 1965, as amended.
- 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. Additionally, our review indicates all of the local unit's annual required contribution as a percentage of general fund operating revenues is 29.4%. This reflects a significant portion of the local government's budget.

**Treasury Recommendation  
City of Highland Park  
Public Safety Employees Pension Corrective Action Plan (CAP)  
Primary Unit 822160**

**Supplemental Information:**

In section five of the City of Highland Park Corrective action plan they certified no that they can not make the minimum annual required contribution payments according to their long-term budget forecast. It was further noted that "A distressed community, Highland Park, does not have the capacity to make the annual required contribution prior to the near end term of the plan."

The City of Highland Park included an internal analysis of its funding percentage.

**Treasury Recommendation  
City of Highland Park  
Public Safety Employees Pension Corrective Action Plan (CAP)  
Primary Unit 822160**

City of Highland Park  
Public Safety Retirement Plan

Internal Analysis of Funding Percentage

	Benefit Payments	Decrease	Liability	Prospective Actions: General Fund Contributions at \$300K per year assuming 0% interest income	Funding Percentage
Actuarial Report page 5			31,680,000	524,000	2%
Actuarial Report page 7	2018	2,000,335		524,000	
	2019	1,977,442		824,000	
	2020	1,963,085	1%	1,124,000	
	2021	1,944,337	1%	1,424,000	
	2022	1,921,724	1%	1,724,000	
	2023	1,896,423	1%	2,024,000	
	2024	1,875,592	1%	2,324,000	
	2025	1,848,474	1%	2,624,000	
	2026	1,817,531	2%	2,924,000	
	2027	1,783,099	2%	3,224,000	
Internal Analysis using same percentage reduction as actuarial report	2028	1,749,319	2%	3,524,000	
	2029	1,716,179	2%	3,824,000	
	2030	1,683,667	2%	4,124,000	
	2031	1,651,771	2%	4,424,000	
	2032	1,620,479	2%	4,724,000	
	2033	1,589,780	2%	5,024,000	
	2034	1,559,663	2%	5,324,000	
	2035	1,530,116	2%	5,624,000	
	2036	1,501,129	2%	5,924,000	
	2037	1,472,691	2%	6,224,000	
	2038	1,444,792	2%	6,524,000	
	2039	1,417,421	2%	6,824,000	
	2040	1,390,569	2%	7,124,000	76%
	2041	1,364,226	2%	7,424,000	
	2042	1,338,382	2%	7,724,000	
	2043	1,313,027	2%	8,024,000	
	2044	1,288,153	2%	8,324,000	
	2045	1,263,750	2%	8,624,000	
	2046	1,239,809	2%	8,924,000	
	2047	1,216,322	2%	9,224,000	
2048	1,193,280	2%	9,524,000		
2049	1,170,674	2%	9,824,000		
2050	1,148,496	2%	10,124,000		

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
City of Lincoln Park – MERS  
Pension Corrective Action Plan (CAP)  
Primary Unit 822180**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
LP Police & Fire Retirement System	Pension	\$21,591,583	\$80,257,718	26.9%	\$6,030,575	\$29,372,372	32.5%	Yes
MERS	Pension	\$7,418,158	\$41,054,720	18.1%	\$3,527,338			Yes
LP Police & Fire	OPEB	\$0	\$57,736,481	0.0%	\$3,466,031		24.0%	Yes – Note: subsequent City action has resulted in these plans being combined.
LP Municipal	OPEB	\$0	\$53,192,760	0.0%	\$3,589,713			
<b>Total</b>		<b>\$29,009,741</b>	<b>\$232,241,679</b>		<b>\$16,613,657</b>	<b>\$29,372,372</b>	<b>56.5%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the MERS pension corrective action plan submitted by the City of Lincoln Park, which was received by the Municipal Stability Board (the Board) on December 19<sup>th</sup>, 2018. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - In 2004, the City closed the defined benefit plan to new employees, while moving new to a defined contribution plan.
  - The City notes that in 2012 a hybrid style defined benefit plan administered with MERS was opened. All new employees are enrolled into the MERS Hybrid plan. Employees in the defined contribution plan were given the option of moving to the hybrid plan.
  - Effective July 1, 2017, the Defined Benefit Plan annuity withdrawals were capped at 20 years.
  - In 2014, the City notes, COLAs were eliminated.
  - The City notes employee contributions were increased from 8.41 to 9.41 (effective 7/1/2017) and then again from 9.41 to 10.41 (effective 7/1/2018).
  
- Plan Funding:
  - None Noted.



**Treasury Recommendation  
City of Lincoln Park – MERS  
Pension Corrective Action Plan (CAP)  
Primary Unit 822180**

- Other Considerations:
  - The latest actuarial report conducted by MERS does not reflect any of the changes to plan design undertaken by the City. The City notes MERS has been reluctant to implement these system design changes due to software limitations, as well as, the legal right of the Emergency Manager to negotiate these changes with the affected employee collective bargaining units.

**Prospective Changes:**

- Modern Plan Design:
  - None Noted.
- Plan Funding:
  - The Emergency Manager developed a plan that would provide for level funding in the amount of \$3.4 million per year for twenty years. Under this plan the City would reach a funding status of 60% by FY 2035. Based on MERS contribution data submitted as part of the corrective action plan, this policy would produce contributions in excess of the ARC until FY 2023 – FY 2024. However, a \$3.4 million City contribution would not be enough funding to satisfy the ARC requirements in all of the “out-years”. Please see the supplemental information section.
  - The ARC payment for MERS increased from \$2.0 million in 2015 to \$3.1 million in 2016, then to \$3.7 million in FY 2017, and \$3.6 million in 2018. In 2019, the scheduled ARC payment is \$2.6 million, but the City will make a payment of \$3.4 million.
- Other Considerations:
  - None Noted.

**Plan size: 207 members**

- Inactive employees or beneficiaries currently receiving benefits: 144
- Inactive employees entitled to but not yet receiving benefits: 12
- Active employees: 51

**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 actuarial projection 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 (2035). We do note however, that the actuarial projection assumes a different contribution stream than the current

**Treasury Recommendation  
City of Lincoln Park – MERS  
Pension Corrective Action Plan (CAP)  
Primary Unit 822180**

funding plan. This could result in a different timeframe; however, we believe the City has materially met this criterion.

- Legal and Feasible:
  - The local unit indicated its corrective action plan was legal and feasible in Section 7 of the corrective action plan template; however, the City’s current funding policy of a level contribution of \$3.4 million over 20 years does not project to cover the annual required contribution amount required in the “out-years”. Based on a follow-up phone call with the City though, they indicated that their intention would be to pay at least the full ADC in all years.

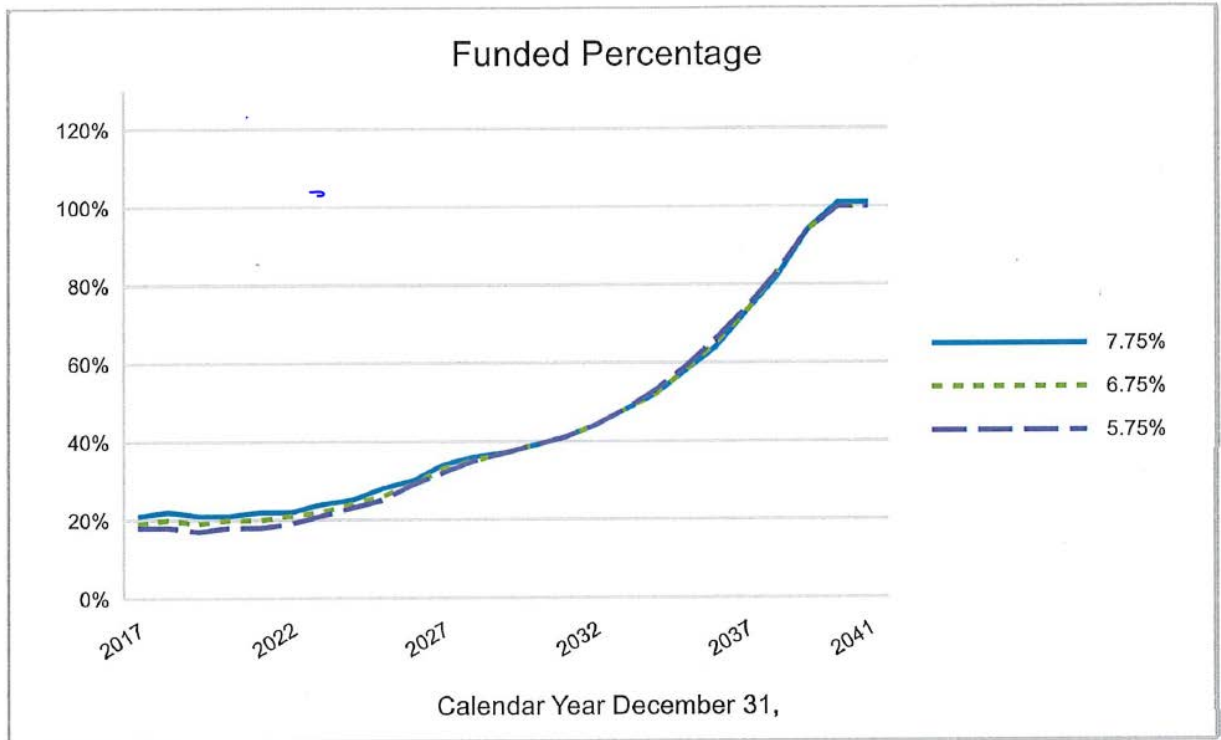
The following corrective action plan approval criteria are partially met:

- 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, our review indicates both pension plan’s annual required contribution as a percentage of general fund operating revenues is 32.5%. This reflects a significant portion of the local government’s budget.

**Supplemental Information:**

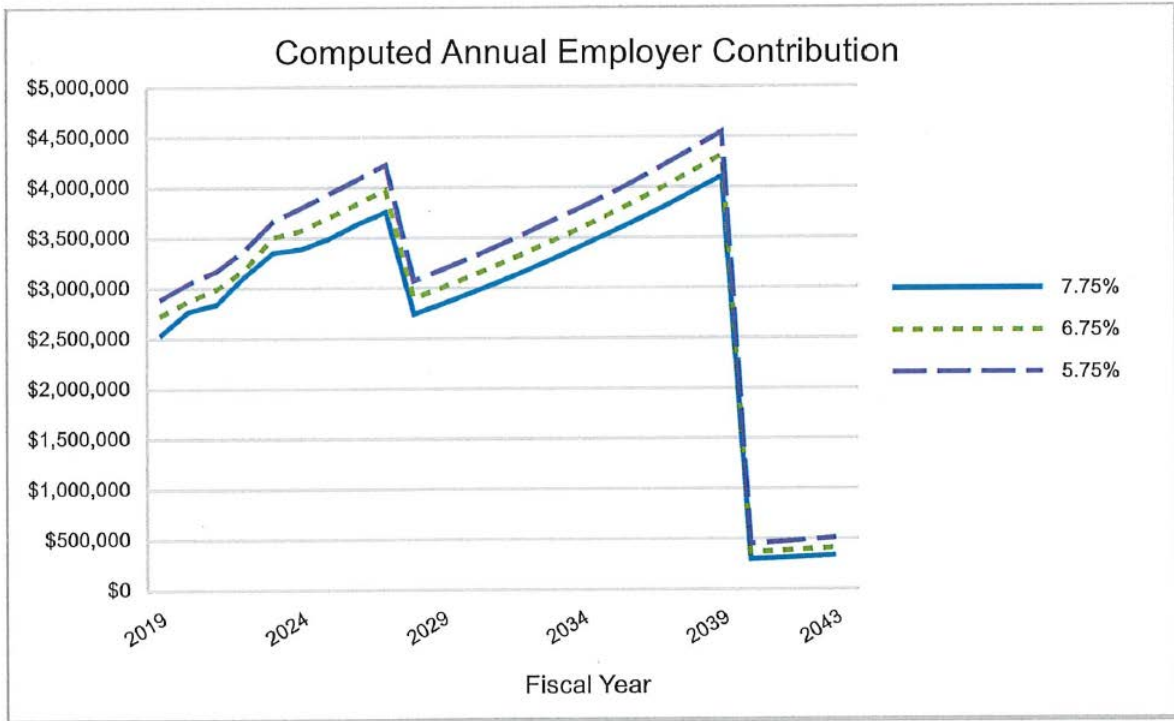
The City of Lincoln Park provided the following chart demonstrating it will reach a funding status of 60% by FY 2035. We note this table is calculated using a discount rate of 7.75% whereas, the City has recently used 8.0% assumed rate of investment return for financial statement reporting purposes.

**Treasury Recommendation  
City of Lincoln Park – MERS  
Pension Corrective Action Plan (CAP)  
Primary Unit 822180**



The City also provided the following MERS projection showing the annual computed employer contribution. As mentioned above, the Emergency Manager has set a funding policy to contribute \$3.4 million over the next 20 years, however; as stated during a follow-up phone call, the City indicated that they would pay at least the required ADC in all years.

**Treasury Recommendation  
City of Lincoln Park – MERS  
Pension Corrective Action Plan (CAP)  
Primary Unit 822180**



**The Community Engagement and Finance Division (CEFD) contact:**

- Treasury called City Manager and Finance Director on 1/9/2019 regarding a discrepancy that was noticed regarding the scheduled annual payment as set by the Emergency Manager, and the annual required payment. The City confirmed that they would be paying at least the annual required payment in the event that the scheduled payment as set by the Emergency Manager was less than the ARC in a given year.

**Treasury Recommendation  
City of Lincoln Park – LP Police & Fire Retirement System  
Pension Corrective Action Plan (CAP)  
Primary Unit 822180**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
LP Police & Fire Retirement System	Pension	\$21,591,583	\$80,257,718	26.9%	\$6,030,575	\$29,372,372	32.5%	Yes
MERS	Pension	\$7,418,158	\$41,054,720	18.1%	\$3,527,338		Yes	
LP Police & Fire	OPEB	\$0	\$57,736,481	0.0%	\$3,466,031		24.0%	Yes – Note: subsequent City action has resulted in these plans being combined.
LP Municipal	OPEB	\$0	\$53,192,760	0.0%	\$3,589,713			
<b>Total</b>		<b>\$29,009,741</b>	<b>\$232,241,679</b>		<b>\$16,613,657</b>	<b>\$29,372,372</b>	<b>56.5%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the LP Police and Fire Retirement System pension corrective action plan submitted by City of Lincoln Park, which was received by the Municipal Stability Board (the Board) on December 19, 2018. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - In 2014, the ability to purchase up to three (3) years of additional service credit was eliminated.
  - In 2015 Annuity rate of return was changed to make the rate paid to match the rate of return of the system capped at 4%.
  - Police Annuity Changes in 2017
    - Hired before 2005 annuity withdraws capped at twenty (20) years
    - Hired after 2005 annuity withdraws capped at fifteen (15) years
    - Hired after 1/1/2014 annuity withdraws eliminated
  - Fire Annuity Changes in 2017
    - Hired before 2007 annuity withdraws capped at twenty (20) years
    - Hired after 2014 annuity withdraws capped at ten (10) years
    - Hired after 2017 annuity withdraws eliminated
  - Multipliers reduced to 2.00% for all employees after 10/1/2015
  - Cost of living adjustments eliminated in 2014
  - Employee contributions were increased on 7/1/2017 from 8.18% to 10.68% for Patrol Union, 8.18% to 9.18% for Command Union, and from 8.18% to 9.18% for IAFF. IAFF from further increased on 7/1/2018 from 9.18% to 10.18% and command union increased from 9.18% to 10.18%

**Treasury Recommendation**  
**City of Lincoln Park – LP Police & Fire Retirement System**  
**Pension Corrective Action Plan (CAP)**  
**Primary Unit 822180**

- Plan Funding:
  - None Listed
  
- Other Considerations:
  - In 2017, the City began making two payments rather than quarterly payments to maximize the interest gained on investible assets
  - UAAL was amortized as a level dollar amount over a closed period of 20 years, changing from an open period
  - Investment rate of return assumptions changed from 8% to 6.5%
  - Wage inflation changed from 4% to 3%
  - Price inflation changed from 3.5% to 2.75%
  - Mortality Tables updated to MP-2014

**Prospective Changes:**

- Modern Plan Design:
  - None Listed
  
- Plan Funding:
  - Analysis performed showing the impact of contributions above the ARC of \$1,000,000 and \$2,000,000. This additional funding would get the system to 60% in less time. The City will be discussing the possibility of a ballot initiative to obtain these levels of funding for 2019.
  - The Emergency Manager developed a plan that would provide for level funding in the amount of \$5.4 million per year for twenty years. Based on the internal analysis of this plan, the City would reach a funding status of 60% by FY 2026. However, a \$5.4 million City contribution would not be enough funding to satisfy the ARC requirements in all years. Please see the supplemental information section.
  
- Other Considerations:
  - None Listed

**Plan size: 211 members**

- Inactive employees or beneficiaries currently receiving benefits: 146
- Inactive employees entitled to but not yet receiving benefits: 5
- Active employees: 60

**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 actuarial projection found in the corrective action plan.

**Treasury Recommendation**  
**City of Lincoln Park – LP Police & Fire Retirement System**  
**Pension Corrective Action Plan (CAP)**  
**Primary Unit 822180**

- 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:
  - The local unit indicated its corrective action plan was legal and feasible in Section 7 of the corrective action plan template; however, the City's current funding policy of a level contribution of \$5.4 million over 20 years does not project to cover the annual required contribution amount required in all years. Based on a follow-up phone call with the City though, they indicated that their intention would be to pay at least the full ADC in all years.

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, our review indicates both pension plan's annual required contribution as a percentage of general fund operating revenues is 32.5%, and all systems combined (pension and OPEB) is 56.5%. This reflects a significant portion of the local government's budget.

**Supplemental Information:**

City of Lincoln Park included an actuarial projection from Watkins Ross showing the funding progress from 2018 to 2036. This projection demonstrates the City reaching 61% in 2026. This is based on the current investment rate of return of 6.5% and an annual UAAL contribution of \$5,365,000. The City did confirm in section 5, and during a subsequent phone call, that they were committed to making the full ADC payment. They indicated that they would pay the full ADC in years in which the scheduled annual payment as directed by the Emergency Manager was less than the full ADC.

**Treasury Recommendation  
City of Lincoln Park – LP Police & Fire Retirement System  
Pension Corrective Action Plan (CAP)  
Primary Unit 822180**

**Level Dollar Amortization:  
17-Year Closed Amortization  
Beginning with Fiscal Year 2019**

Fiscal Year Beginning	Active Employee Payroll	Unfunded Actuarial Accrued Liability	Annual UAAL Contributions		UAAL as % of Payroll	Funded Status
			Dollars*	% of Payroll		
(\$ in Thousands)						
2018	\$ 3,898	\$57,801	\$ 5,390	138.28 %	1,482.9 %	28 %
2019	4,015	55,995	5,365	133.64	1,394.7	32
2020	4,135	54,097	5,365	129.75	1,308.2	36
2021	4,259	52,075	5,365	125.97	1,222.6	40
2022	4,387	49,922	5,365	122.30	1,137.9	44
2023	4,519	47,629	5,365	118.74	1,054.0	49
2024	4,654	45,187	5,365	115.28	970.9	53
2025	4,794	42,586	5,365	111.92	888.3	57
2026	4,938	39,816	5,365	108.66	806.4	61
2027	5,086	36,866	5,365	105.50	724.9	65
2028	5,238	33,725	5,365	102.42	643.8	69
2029	5,396	30,379	5,365	99.44	563.0	73
2030	5,557	26,816	5,365	96.54	482.5	76
2031	5,724	23,021	5,365	93.73	402.2	80
2032	5,896	18,979	5,365	91.00	321.9	84
2033	6,073	14,675	5,365	88.35	241.7	88
2034	6,255	10,091	5,365	85.78	161.3	92
2035	6,443	5,209	5,365	83.28	80.9	96
2036	6,636	0	0	0.00	0.0	100

\* This schedule reflects a 1-year delay between the valuation date and the first year in which the employer rate is to be determined. Contributions for Fiscal Year 2018 are the estimated dollars that were actually contributed towards the UAAL during the year.

**The Community Engagement and Finance Division (CEFD) contact:**

- Treasury called City Manager and Finance Director on 1/9/2019 regarding a discrepancy that was noticed regarding the scheduled annual payment as set by the Emergency Manager, and the required annual required payment. The City confirmed that they would be paying at least the annual required payment in the event that the Emergency Manager scheduled payment was less than the ARC in a given year.



**Treasury Recommendation**  
**City of Lincoln Park –Police & Fire and Municipal Plan**  
**OPEB Corrective Action Plan (CAP)**  
**Primary Unit 822180**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
LP Police & Fire Retirement System	Pension	\$21,591,583	\$80,257,718	26.9%	\$6,030,575	\$29,372,372	32.5%	Yes
MERS	Pension	\$7,418,158	\$41,054,720	18.1%	\$3,527,338			Yes
LP Police & Fire	OPEB	\$0	\$57,736,481	0.0%	\$3,466,031		24.0%	Yes – Note: subsequent City action has resulted in these plans being combined.
LP Municipal	OPEB	\$0	\$53,192,760	0.0%	\$3,589,713			
<b>Total</b>		<b>\$29,009,741</b>	<b>\$232,241,679</b>		<b>\$16,613,657</b>	<b>\$29,372,372</b>	<b>56.5%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by City of Lincoln Park, which was received by the Municipal Stability Board (the Board) on December 19, 2018. 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 Emergency Manager made the below changes:
    - Eliminated healthcare benefits as they were previously offered effective 7/1/2015, and all retirees began receiving a monthly payment to be used toward purchasing health insurance or as a supplement to income. They could enroll and purchase the City’s group coverage or purchase on their own.
    - Non-Medicare Eligible Retirees receive between \$150 and \$425 per month.
    - Retirees can also purchase through a Medicare Advantage Plan offered by the city , but the retiree is responsible for the premium, minus a subsidy provided by the city.
    - The cost of the monthly payments and subsidies are not to exceed \$800,000 in any given year.
  
- Plan Funding:
  - None Listed
  
- Other Considerations:
  - None Listed

**Treasury Recommendation  
City of Lincoln Park –Police & Fire and Municipal Plan  
OPEB Corrective Action Plan (CAP)  
Primary Unit 822180**

**Prospective Changes:**

- Modern Plan Design:
  - None Listed
  
- Plan Funding:
  - The City will be making payments into the OPEB Fund for the next twelve (12) years payments in the amount of \$528,000 per year. Included documentation shows that this allows the system to be 40% funded by 2028
  
- Other Considerations:
  - The City will begin amortizing the unfunded portion of the healthcare liability using a level-dollar amortization method over a closed period of 30 years.

**Plan size: 194 members**

- Inactive employees or beneficiaries currently receiving benefits: 194
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 0

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
  - The corrective action plan demonstrates it will reach the PA 202 established funding level of 40% funded as demonstrated by the internal analysis found in the corrective action plan, however, section 8 of the plan certifies that the plan will address underfunded status through the ARC/Revenue trigger. There was insufficient supporting documentation provided to show the City addressing their underfunded status through this method.
  
- Reasonable Timeframe:
  - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 40% within a reasonable timeframe (2028), however, section 8 of the plan certifies that they will address the ARC/Revenue trigger of 12% by 2018. There was insufficient supporting documentation provided to show the City addressing their

**Treasury Recommendation  
City of Lincoln Park –Police & Fire and Municipal Plan  
OPEB Corrective Action Plan (CAP)  
Primary Unit 822180**

underfunded status through this method.

- 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, our review indicates all of the local unit’s annual required contribution as a percentage of general fund operating revenues is 56.5%. This reflects a significant portion of the local government’s budget

**Supplemental Information:**

City of Lincoln Park included updated actuarial valuation information that projects a significantly reduced OPEB liability, reduced from over \$110,000,000, as was reporting in their 2017 audit, to slightly over \$4,000,000. Using this liability, the internal analysis shows that they reach the 40% funding threshold in 2028 if contributing \$528,000 annually. The City also certified in section 8 of the corrective action plan, that they would be addressing their underfunded status by reducing their annual required contribution to less than 12% of their annual governmental fund revenues by 2018. If you use the actuarially determined contribution listed below and use their prior year’s governmental revenues, they do achieve this, however, there is nothing additional provided in the plan that addresses this statement.

<b>As of June 30, 2018</b>	<b>Stipends for Members who Elect to Participate in City Health Care Program and Benefit from City Supplied Subsidy</b>	<b>Stipends for Members who Opt-Out of City HC Program</b>
Present Value of Future Benefits	\$4,074,570	\$2,282,442
30-Year Amortization Factor*	<u>÷18.4446</u>	<u>÷18.4446</u>
Level-Dollar Actuarially Determined Contribution	\$220,909	\$ 123,746

*\* 3.62% continuous interest and a 30-year level-dollar amortization period was used for determining this amortization factor.*

**Treasury Recommendation  
City of Lincoln Park –Police & Fire and Municipal Plan  
OPEB Corrective Action Plan (CAP)  
Primary Unit 822180**

**Projected Funding Level for OPEB Fund**

Based upon GRS Actuarial Report 11/5/2018

Fiscal Year	Beginning Liability	Required Annual Payments	Actual Annual Payments	Benefit Payment		OPEB Fund Assests	% Funded
2019	\$4,074,570	\$220,909	\$528,000	\$528,000	\$0	\$0	
2020	\$3,870,842	\$220,909	\$528,000	\$501,600	\$26,400	\$26,400	0.7%
2021	\$3,649,933	\$220,909	\$528,000	\$475,200	\$52,800	\$79,200	2.2%
2022	\$3,429,024	\$220,909	\$528,000	\$448,800	\$79,200	\$158,400	4.6%
2023	\$3,208,115	\$220,909	\$528,000	\$422,400	\$105,600	\$264,000	8.2%
2024	\$2,987,206	\$220,909	\$528,000	\$396,000	\$132,000	\$396,000	13.3%
2025	\$2,766,297	\$220,909	\$528,000	\$369,600	\$158,400	\$554,400	20.0%
2026	\$2,545,388	\$220,909	\$528,000	\$343,200	\$184,800	\$739,200	29.0%
2027	\$2,418,118	\$220,909	\$528,000	\$316,800	\$211,200	\$950,400	39.3%
2028	\$2,297,212	\$220,909	\$528,000	\$290,400	\$237,600	\$1,188,000	51.7%
2029	\$2,182,352	\$220,909	\$528,000	\$264,000	\$264,000	\$1,452,000	66.5%
2030	\$2,073,234	\$220,909	\$528,000	\$237,600	\$290,400	\$1,742,400	84.0%
2031	\$1,969,572	\$220,909	\$528,000	\$211,200	\$316,800	\$2,059,200	104.6%
2032	\$1,871,094	\$220,909	\$220,909	\$77,318	\$143,591	\$2,059,200	110.1%
2033	\$1,777,539	\$220,909	\$220,909	\$66,273	\$154,636	\$2,059,200	115.8%
2034	\$1,688,662	\$220,909	\$220,909	\$55,227	\$165,682	\$2,059,200	121.9%
2035	\$1,604,229	\$220,909	\$220,909	\$44,182	\$176,727	\$2,059,200	128.4%
2036	\$1,524,018	\$220,909	\$220,909	\$33,136	\$187,773	\$2,059,200	135.1%
2037	\$1,447,817	\$220,909	\$220,909	\$22,091	\$198,818	\$2,059,200	142.2%
2038	\$1,375,426	\$220,909	\$220,909	\$11,045	\$209,864	\$2,059,200	149.7%
2039	\$1,306,655	\$220,909	\$220,909	\$0	\$220,909	\$2,059,200	157.6%

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
City of Wayne  
Pension Corrective Action Plan (CAP)  
Primary Unit 822300**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$63,791,363	\$111,745,606	57.1%	\$3,331,359	\$19,406,110	17.2%	YES
Healthcare	OPEB	\$2,295,381	\$87,842,665	2.6%	\$6,219,301		32.0%	YES
<b>Total</b>		<b>\$66,086,744</b>	<b>\$199,588,271</b>		<b>\$9,550,660</b>	<b>\$19,406,110</b>	<b>49.2%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the pension corrective action plan submitted by city of Wayne, which was received by the Municipal Stability Board (the Board) on December 19, 2018. 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:
  - New contracts were negotiated in June 2016. Lower multipliers were agreed to, such as moving from 2.8 to 2.5 and opening new divisions for new hires with lower multipliers. Also, most new contracts (that now expire June 30, 2019) moved from 7% employee contribution to 10% employee contribution.
- Plan Funding:
  - None listed.
- Other Considerations:
  - MERS shows the city of Wayne as 60% funded for the December 31, 2017 Actuarial Valuation Report.

**Prospective Changes:**

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

**Plan size: 288 members**

- Inactive employees or beneficiaries currently receiving benefits: 205
- Inactive employees entitled to but not yet receiving benefits: 20
- Active employees: 63

**Treasury Recommendation  
City of Wayne  
Pension Corrective Action Plan (CAP)  
Primary Unit 822300**

**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 through supporting documentation that it has already reached the PA 202 established funding level of 60%.
  
- Legal and Feasible:
  - The local unit utilized an older version of the corrective action plan form that did not include an explicit confirmation of legality and feasibility. However, based on information provided, the plan appears to meet this criteria as 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:**

City of Wayne included a chart showing the changes made to negotiated contracts, lower multipliers and higher cost-sharing contributions. Also, the city included an annual actuarial valuation report from December 31, 2017 indicating Wayne's pension system at 60% funded. Additionally, if all assumptions are met including a 7.75% investment return, the valuation shows the minimum employer contribution increasing 23% by 2021, from \$5.5 million to \$6.8 million.

Treasury has classified the Affordable criteria for the city's pension CAP as "met", notwithstanding the total ADC/revenue equaling 49.2% as of the fiscal year 2017 audited statements. Treasury recommends consideration of the dramatic design change the city of Wayne implemented for its OPEB liability. The city implemented a stipend for all retirees receiving healthcare benefits. That change reduced the OPEB liability from \$87 million to \$7 million, which also reduced the ADC/revenue for its OPEB system from 32% to below 12%.

**Treasury Recommendation  
City of Wayne  
Pension Corrective Action Plan (CAP)  
Primary Unit 822300**

## **CITY OF WAYNE Pension System Changes**

All contracts had expired 06/30/2016 and new contracts were negotiated. Contracts have been negotiated and lower multipliers have been agreed upon as well as most new contracts moving employees from a 7% contribution to a 10% contribution.

<b>LABOR CONTRACT</b>	<b>RECENT CHANGES</b>
Police Officers Association Contract	2.25 multiplier (from 2.5)
Command Officers Association Contract	2.5 wage reduction / 2.8 multiplier unchanged, New hires (after 05/05/08) 2.5 multiplier (promotions are not considered new hires).
General Employees Contract	2.25 multiplier (from 2.8)
Wayne Fire Association Contract	2.25 multiplier (from 2.7)
Department Heads	2.25 multiplier (from 2.8), New hires 1.5 multiplier
T-POAM Contract	2.25 multiplier (from 2.8)
Court Employees Contract	2.25 multiplier (from 2.5)
Supervisor's Contract	2.25 multiplier (from 2.8)

**Your Funded Ratio:**

	<b>12/31/2017 *</b>	<b>12/31/2016</b>
<b>Funded Ratio</b>	60%	60%

\* Reflects assets from Surplus divisions, if any.

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
City of Wayne  
OPEB Corrective Action Plan (CAP)  
Primary Unit 822300**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$63,791,363	\$111,745,606	57.1%	\$3,331,359	\$19,406,110	17.2%	YES
Healthcare	OPEB	\$2,295,381	\$87,842,665	2.6%	\$6,219,301		32.0%	YES
<b>Total</b>		<b>\$66,086,744</b>	<b>\$199,588,271</b>		<b>\$9,550,660</b>	<b>\$19,406,110</b>	<b>49.2%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:**

Approval of the OPEB corrective action plan submitted by the city of Wayne, which was received by the Municipal Stability Board (the Board) on December 19, 2018. 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:
  - On June 21, 2016, the city council approved a resolution whereby the city only paid up to 70% of the cost of retiree healthcare. On April 18, 2017, the city council approved a resolution to stop paying healthcare premiums for retirees and begin paying a monthly stipend. A group of retirees brought legal action against the city related to this decision and was able to block, temporarily, the city from switching to the stipend.
  - Wayne closed the retiree healthcare system (which is now the stipend) to all
- Plan Funding:
  - None listed.
- Other Considerations:
  - City included a June 30, 2017 actuarial valuation. Based on the new stipend, the system's Actuarial Accrued Liability reduced from \$87,842,665 to \$7,537,123. The city's annual employer contribution will now be approximately \$485,000, which is less than 12% of the city's annual governmental fund revenue.

**Prospective Changes:**

- Modern Plan Design:
  - The city is moving the retirees to a monthly stipend on January 1, 2019. The stipend amounts for pre-65: HRA of \$120.75/single/month; \$254/two person/month; \$347.75/family/month. And post-65: HRA of \$64.25/single/month.
- Plan Funding:
  - The city has setup a retiree health funding vehicle (qualified trust) with MERS. The city plans to contribute a portion of its cost-savings due to the stipend implementation. For



**Treasury Recommendation  
City of Wayne  
OPEB Corrective Action Plan (CAP)  
Primary Unit 822300**

fiscal year ending June 30, 2018, the city budgeted to contribute \$50,000 to the trust.

- Other Considerations:
  - None listed.

**Plan size: 243 members**

- Inactive employees or beneficiaries currently receiving benefits: 177
- Inactive employees entitled to but not yet receiving benefits: 20
- Active employees: 46

**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.
- 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 Wayne included a June 30, 2017 actuarial valuation report for its retiree healthcare system. Due to the stipends being implemented, the system's unfunded actuarial accrued liability dramatically decreased to \$7,537,123, from approximately \$87 million. Further, the ADC in 2018 is \$485,813 and in 2019 \$484,058.

Treasury Recommendation  
City of Wayne  
OPEB Corrective Action Plan (CAP)  
Primary Unit 822300

## City of Wayne Retiree Health Care Plan – Results as of June 30, 2017

A. Present Value of Future Benefits	
i) Retirees and Beneficiaries*	\$6,588,258
ii) Vested Terminated Members	106,621
iii) Active Members	<u>1,255,359</u>
Total Present Value of Future Benefits	\$7,950,238
B. Present Value of Future Normal Costs	413,115
C. Actuarial Accrued Liability (A.-B.)*	7,537,123
D. Actuarial Value of Assets	0
E. Unfunded Actuarial Accrued Liability (C.-D.)	\$7,537,123
F. Funded Ratio (D./C.)	0.0%
<b>G. Fiscal Year Ending June 30, 2018</b>	
i) Employer Normal Cost	\$ 47,206
ii) Amortization of UAAL <sup>^</sup>	<u>438,607</u>
Actuarially Computed Employer Contribution	<b>\$ 485,813</b>
<b>H. Fiscal Year Ending June 30, 2019</b>	
Actuarially Computed Employer Contribution	<b>\$ 484,058</b>

\* Includes liabilities associated with Retiree Medical/Rx benefits made or expected to be made prior to January 1, 2019 after which date retirees will receive an HRA stipend in place of medical/Rx benefits.

<sup>^</sup> The Unfunded Actuarial Accrued Liabilities (UAAL) were amortized as a level dollar amount over a closed period of 26 years for the fiscal year ending June 30, 2018 and decreasing by 1 each year thereafter.

**Treasury Recommendation  
City of Wayne  
OPEB Corrective Action Plan (CAP)  
Primary Unit 822300**

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
City of Woodhaven  
OPEB Corrective Action Plan (CAP)  
Primary Unit 822320**

<b>Name of Systems</b>	<b>Type of System</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Funded Ratio</b>	<b>ADC</b>	<b>Revenues</b>	<b>ADC/Revenue</b>	<b>CAP required?</b>
Retirement plan	Pension	\$21,994,166	\$27,871,621	78.9%	\$897,613	\$15,662,620	5.7%	No
Healthcare	OPEB	\$0	\$26,764,283	0.0%	\$2,181,584		13.9%	YES
<b>Total</b>		<b>\$21,994,166</b>	<b>\$54,635,904</b>		<b>\$3,079,197</b>	<b>\$15,662,620</b>	<b>19.7%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by the City of Woodhaven, which was received by the Municipal Stability Board (the Board) on December 19, 2018. 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:
  - On July 1, 2012, the City stopped offering retiree healthcare to all new employees hired after that date. All new employees hired after July 1, 2012 are enrolled in a Health Care Savings Account.
- Plan Funding:
  - The City assigned \$1.2M of fund balance for the purpose of retiree obligations. These funds will be placed into a qualified trust in order to receive, invest, and accumulate additional assets for future obligations.
- Other Considerations:
  - None noted.

**Prospective Changes:**

- Modern Plan Design:
  - The most recent change in healthcare coverage took place in October of 2016 with another likely to occur during contract negotiations in 2020. The City also defaulted to the hard-cap per PA 152 at that time.
- Plan Funding:
  - The City will have a qualified trust established by 2019. Contributions are estimated to be around \$100,000 per year. All contributions will be in addition to paying the full retiree health care premiums. Since the plan is closed, it is projected that the City will reach the 40% funded level on or before 2044.
- Other Considerations:
  - None noted.

**Treasury Recommendation  
City of Woodhaven  
OPEB Corrective Action Plan (CAP)  
Primary Unit 822320**

**Plan size: 101 members**

- Inactive employees or beneficiaries currently receiving benefits: 55
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 46

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
  - The corrective action plan demonstrates it will reach the PA 202 established funding level of 40% funded through an internal analysis; however, the analysis does not account for healthcare inflation or other economic and demographic changes in its calculation. As a result, actuarial accrued liabilities (AAL) remain stagnant within the analysis. Over a thirty-year period, the City projects the liability to remain equal to their most recent valuation issued by GRS Consulting, which was as of June 30, 2017. The City also assumes a 7.00% investment return on their trust assets to meet the 40% funded ratio. 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.
- Reasonable Timeframe:
  - The administrative officer indicates the plan will achieve a funded ratio of 40% by 2044; however, the local unit's analysis did not account for changing liabilities in its calculation. 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.
- 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 according to the long-term budget forecast. However, the city's internal analysis does not account for changing liabilities in its calculation. As a result, the city's contribution amount may be greater than \$100,000 in addition to retiree premiums to achieve the minimum funding ratio requirement. This may become a greater portion of the local government's budget than currently projected.

**Treasury Recommendation  
City of Woodhaven  
OPEB Corrective Action Plan (CAP)  
Primary Unit 822320**

**Supplemental Information:**

The City of Woodhaven's internal analysis demonstrates asset accumulation using an investment return assumption of 7.00%. The analysis shows the system reaching 40% funded in 2044; however, the analysis does not account for changing liabilities over time. The City of Woodhaven intends to guard against increasing liabilities by having a closed plan to new employees, as of 2012. Furthermore, the city's analysis shows increased liabilities compared to their fiscal year 2017 audited financial statements, based on an updated valuation from GRS Retirement Consulting Group. The city does not provide actuarial documentation validating the updated asset or liability figures used in the internal analysis. According to the city's analysis, assets will increase to \$13.4 million by 2044 while liabilities will remain at the actuarially determined amount of \$31.4 million (as of June 30, 2017).

**Treasury Recommendation  
City of Woodhaven  
OPEB Corrective Action Plan (CAP)  
Primary Unit 822320**

City of Woodhaven  
Contribution Schedule

Trust Contribution	ROI 7%	Balance	Year	Funded %
1,000,000.00	70,000.00	1,070,000.00	2019	3.41%
250,000.00	92,400.00	1,412,400.00	2020	4.50%
100,000.00	105,868.00	1,618,268.00	2021	5.16%
100,000.00	120,278.76	1,838,546.76	2022	5.86%
100,000.00	135,698.27	2,074,245.03	2023	6.61%
100,000.00	152,197.15	2,326,442.19	2024	7.42%
100,000.00	169,850.95	2,596,293.14	2025	8.28%
100,000.00	188,740.52	2,885,033.66	2026	9.20%
100,000.00	208,952.36	3,193,986.01	2027	10.18%
100,000.00	230,579.02	3,524,565.04	2028	11.24%
100,000.00	253,719.55	3,878,284.59	2029	12.37%
100,000.00	278,479.92	4,256,764.51	2030	13.57%
100,000.00	304,973.52	4,661,738.02	2031	14.86%
100,000.00	333,321.66	5,095,059.69	2032	16.25%
100,000.00	363,654.18	5,558,713.86	2033	17.72%
100,000.00	396,109.97	6,054,823.83	2034	19.31%
100,000.00	430,837.67	6,585,661.50	2035	21.00%
100,000.00	467,996.31	7,153,657.81	2036	22.81%
100,000.00	507,756.05	7,761,413.86	2037	24.75%
100,000.00	550,298.97	8,411,712.82	2038	26.82%
100,000.00	595,819.90	9,107,532.72	2039	29.04%
100,000.00	644,527.29	9,852,060.01	2040	31.41%
100,000.00	696,644.20	10,648,704.21	2041	33.95%
100,000.00	752,409.29	11,501,113.51	2042	36.67%
100,000.00	812,077.95	12,413,191.45	2043	39.58%
100,000.00	875,923.40	13,389,114.86	2044	42.69%

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
City of Wyandotte  
OPEB Corrective Action Plan (CAP)  
Primary Unit 822330**

<b>Name of Systems</b>	<b>Type of System</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Funded Ratio</b>	<b>ADC</b>	<b>Revenues</b>	<b>ADC/Revenue</b>	<b>CAP required?</b>
MERS	Pension	\$65,156,206	\$94,331,393	69.1%	\$4,224,526	\$25,864,003	16.3%	No
Healthcare	OPEB	\$2,138,550	\$129,130,793	1.7%	\$10,440,580		40.4%	Yes
<b>Total</b>		<b>\$67,294,756</b>	<b>\$233,462,086</b>	<b>28.8%</b>	<b>14,665,106</b>		<b>56.7%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by the City of Wyandotte which was received by the Municipal Stability Board (the Board) on January 16, 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:
  - Between 2008-13, the City collectively bargained the elimination of retiree healthcare benefits for new employees. Treasury was unable to verify.
  - Terms of coverage changed resulting in lower premium costs, new programs have resulted in lower costs and retiree co-pays have increased. Treasury was unable to verify.
- Plan Funding:
  - Since 2006, the City has transferred money from the City's General fund to the Retiree Health Care Trust. The balance is \$2.375 million. Treasury was unable to verify.
- Other Considerations:
  - None listed.

**Prospective Changes:**

- Modern Plan Design:
  - The City will be negotiating with three labor unions that have collective bargaining agreements that expire 12/31/18. Treasury was unable to verify.
- Plan Funding:
  - The City will begin contributing an additional \$38,020 to the Retiree Health Care Trust fund.
- Other Considerations:
  - None listed.



**Treasury Recommendation  
City of Wyandotte  
OPEB Corrective Action Plan (CAP)  
Primary Unit 822330**

**Plan size: 420 members**

- Inactive employees or beneficiaries currently receiving benefits: 268
- Inactive employees entitled to but not yet receiving benefits: 11
- Active employees: 141

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
  - The local 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 2048; 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.
- 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 40.4%. This reflects a significant portion of the local government's budget.

**Supplemental Information:**

The City of Wyandotte included a scenario from GRS in which the City would achieve the 40% funded ratio through a combination of their regular payments and an additional annual contribution. As stated in the November 9, 2018 letter from James D. Anderson of GRS, the projections in this scenario use the same assumptions as the September 30, 2015 valuation. The assumed rate of return is 7.00%. If the

**Treasury Recommendation  
City of Wyandotte  
OPEB Corrective Action Plan (CAP)  
Primary Unit 822330**

rate of return remains 7.00% throughout and, all other assumptions remain, the Trust would have a funded ratio of exactly 40.0% on September 30, 2048. Based on data provided benefits payments expected to increase by 52% between 2019 and 2036 (an average of 3% a year).

The Community Engagement and Finance Division (CEFD) contact:

**City of Wyandotte Retiree Health Care Plan Projection Schedule  
Scenario 2 – Additional Employer Contributions Sufficient  
to Attain 40% Funded Status by September 30, 2048**

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 EOY	Employee Contribution	Pay-Go Employer Contribution	Additional Employer Contribution	Benefit Payments	Administrative Expenses	7.00% Interest	Asset Value EOY <sup>(1)</sup>			
10/1/2017 - 9/30/2018				(a)							(b)	(c) = (a) - (b)	(d) = (b) / (a)	
10/1/2018 - 9/30/2019	\$928,751	\$5,671,990	\$6,490,726	\$95,056,167	50	\$5,671,990	\$38,020	\$5,671,990	50	\$183,807	\$2,607,130	\$92,449,037	2.74%	
10/1/2019 - 9/30/2020	912,416	5,911,703	6,604,240	98,408,607	0	5,911,703	38,020	5,911,703	0	199,335	3,066,311	93,974,697	2.92%	
10/1/2020 - 9/30/2021	861,226	6,176,803	6,705,704	99,798,734	0	6,176,803	38,020	6,176,803	0	215,950	3,320,281	95,342,296	3.12%	
10/1/2021 - 9/30/2022	822,802	6,506,258	6,790,335	100,905,633	0	6,506,258	38,020	6,506,258	0	233,728	3,592,028	97,313,604	3.36%	
10/1/2022 - 9/30/2023	790,612	6,781,706	6,857,252	101,771,798	0	6,781,706	38,020	6,781,706	0	252,750	3,882,798	97,888,993	3.82%	
10/1/2023 - 9/30/2024	741,317	7,025,748	6,907,790	102,395,150	0	7,025,748	38,020	7,025,748	0	273,104	4,193,922	98,201,228	4.30%	
10/1/2024 - 9/30/2025	706,560	7,212,729	6,943,796	102,832,777	0	7,212,729	38,020	7,212,729	0	294,883	4,526,824	98,305,953	4.40%	
10/1/2025 - 9/30/2026	663,224	7,303,369	6,969,820	103,162,452	0	7,303,369	38,020	7,303,369	0	318,186	4,883,030	98,279,422	4.73%	
10/1/2026 - 9/30/2027	615,640	7,457,370	6,985,961	103,306,683	0	7,457,370	38,020	7,457,370	0	343,120	5,264,169	98,042,513	5.10%	
10/1/2027 - 9/30/2028	564,622	7,644,787	6,987,853	103,214,371	0	7,644,787	38,020	7,644,787	0	369,800	5,671,989	97,542,382	5.50%	
10/1/2028 - 9/30/2029	507,919	7,776,827	6,974,897	102,920,360	0	7,776,827	38,020	7,776,827	0	398,347	6,108,356	96,812,004	5.94%	
10/1/2029 - 9/30/2030	464,307	7,952,211	6,946,781	102,379,237	0	7,952,211	38,020	7,952,211	0	428,893	6,575,268	95,803,969	6.42%	
10/1/2030 - 9/30/2031	416,201	8,121,211	6,901,432	101,575,659	0	8,121,211	38,020	8,121,211	0	461,577	7,074,865	94,500,794	6.97%	
10/1/2031 - 9/30/2032	364,906	8,278,518	6,888,004	100,500,051	0	8,278,518	38,020	8,278,518	0	496,549	7,609,433	92,890,617	7.57%	
10/1/2032 - 9/30/2033	311,998	8,494,417	6,753,463	99,071,095	0	8,494,417	38,020	8,494,417	0	533,969	8,181,422	90,889,673	8.26%	
10/1/2033 - 9/30/2034	263,461	8,586,748	6,648,589	97,39,6397	0	8,586,748	38,020	8,586,748	0	574,008	8,793,450	88,602,947	9.03%	
10/1/2034 - 9/30/2035	225,359	8,633,838	6,528,428	95,516,346	0	8,633,838	38,020	8,633,838	0	616,850	9,448,319	86,068,027	9.89%	
10/1/2035 - 9/30/2036	184,366	8,664,383	6,394,363	93,430,682	0	8,664,383	38,020	8,664,383	0	662,691	10,140,080	83,281,652	10.86%	
10/1/2036 - 9/30/2037	145,234	8,654,957	6,247,345	91,168,304	0	8,654,957	38,020	8,654,957	0	711,740	10,898,789	80,269,514	11.95%	
10/1/2037 - 9/30/2038	119,337	8,656,971	6,088,018	88,718,688	0	8,656,971	38,020	8,656,971	0	764,223	11,701,032	77,017,656	13.19%	
10/1/2038 - 9/30/2039	94,107	8,601,314	5,917,592	86,129,073	0	8,601,314	38,020	8,601,314	0	820,980	12,559,432	73,569,641	14.58%	
10/1/2039 - 9/30/2040	78,043	8,548,971	5,737,567	83,395,712	0	8,548,971	38,020	8,548,971	0	880,468	13,477,919	69,917,793	16.16%	
10/1/2040 - 9/30/2041	59,657	8,480,892	5,547,942	80,522,419	0	8,480,892	38,020	8,480,892	0	944,763	14,460,702	66,061,717	17.96%	
10/1/2041 - 9/30/2042	39,935	8,350,822	5,350,608	77,562,140	0	8,350,822	38,020	8,350,822	0	1,013,557	15,512,278	62,049,861	20.00%	
10/1/2042 - 9/30/2043	26,287	8,223,842	5,147,288	74,511,873	0	8,223,842	38,020	8,223,842	0	1,087,168	16,637,466	57,874,407	22.33%	
10/1/2043 - 9/30/2044	17,593	8,058,818	4,939,148	71,409,796	0	8,058,818	38,020	8,058,818	0	1,165,931	17,841,417	53,568,379	24.98%	
10/1/2044 - 9/30/2045	12,156	7,889,603	4,727,638	68,259,987	0	7,889,603	38,020	7,889,603	0	1,250,207	19,129,643	49,130,344	28.02%	
10/1/2045 - 9/30/2046	8,760	7,658,300	4,514,993	65,125,440	0	7,658,300	38,020	7,658,300	0	1,340,383	20,508,046	44,617,394	31.49%	
10/1/2046 - 9/30/2047	6,701	7,416,881	4,303,811	62,019,071	0	7,416,881	38,020	7,416,881	0	1,436,871	21,982,936	40,036,135	35.45%	
10/1/2047 - 9/30/2048	4,879	7,214,580	4,099,263	58,902,633	0	7,214,580	38,020	7,214,580	0	1,540,214	23,561,070	35,341,563	40.00%	
10/1/2048 - 9/30/2049	3,795	6,980,594	3,883,126	55,808,960	0	6,980,594	0	6,980,594	0	1,649,275	25,210,345	30,598,615	45.17%	
10/1/2049 - 9/30/2050	2,179	6,721,795	3,675,418	52,764,762	0	6,721,795	0	6,721,795	0	1,764,724	26,975,069	25,789,693	51.12%	

<sup>(2)</sup> Projected values with the exception of the September 30, 2018 value.

Assuming all assumptions are met (including but not limited to the following), the Plan is projected to obtain a 40% funded level on a market value basis by the fiscal year ending September 30, 2048.

- The discount rate and the assumed rate of investment return on assets are 7.00%;
- Contributions, normal cost accruals, benefit payments, and administrative expenses occur halfway though the year;
- Additional contributions of \$38,020 are made each year; and
- The postemployment medical liability associated with the Health Savings Account (HSA) for future hires has not been reflected in this report.

- None noted.

**Treasury Recommendation  
Grosse Pointes Clinton Refuse Disposal Authority  
Pension Corrective Action Plan (CAP)  
Non-Primary Unit 827502**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$2,726,029	\$2,142,052	127.3%	\$0	\$511,398	0.0%	Yes

**Source: Retirement Report 2017, Audited Financial Statements**

**Previous Recommendation:** In December 2018, Treasury recommended a disapproval of the corrective action plan for the Grosse Pointes Clinton Refuse Disposal Authority and the Municipal Stability Board concurred. The disapproval recommendation was issued because, upon initial review, the corrective action plan did not appear to include governing body approval as required. However, Treasury is now in receipt of governing body approval for the plan. As a result, Treasury is now asking the Board to reconsider the plan for Grosse Pointes Clinton Refuse Disposal Authority.

**Staff Recommendation:** Approval of the pension corrective action plan submitted by Grosse Pointes Clinton Refuse Disposal Authority, which was received by the Municipal Stability Board (the Board) on November 14, 2018. 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 Authority closed the system and MERS requires the Authority to maintain a funding ratio of at least 120%.
- Plan Funding:
  - The Authority was not required to contribute in 2017 as the closed system met the threshold level of funding.
- Other Considerations:
  - None listed.

**Prospective Changes:**

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

**Treasury Recommendation  
Grosse Pointes Clinton Refuse Disposal Authority  
Pension Corrective Action Plan (CAP)  
Non-Primary Unit 827502**

**Plan size: 16 members**

- Inactive employees or beneficiaries currently receiving benefits: 16
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 0

**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 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.

**Treasury Recommendation  
Grosse Pointes Clinton Refuse Disposal Authority  
Pension Corrective Action Plan (CAP)  
Non-Primary Unit 827502**

**Supplemental Information:**

Grosse Pointes Clinton Refuse Disposal did not submit their annual report (form 5572) within six months of their yearend as required by P.A. 202 of 2017. Per the documentation provided in their CAP submission they would not have triggered if they filled the report as they are 127% funded.

Grosse Pointes Clinton Refuse Disposal Authority included:

**Grosse Pointe-Clinton Ref (5004)  
December 31, 2017 Actuarial Valuation Results**

<b>Participant Census</b>	<b>Members</b>	<b>Annual Benefits</b>	<b>Average Age</b>
Vested Former Members	0	0	0
Retirees	9	167,970	71.1
Beneficiaries	4	33,220	76.7
Disabled Retirees	3	15,605	67.7
<b>Totals:</b>	<b>16</b>	<b>216,796</b>	<b>71.9</b>

**December 31 Valuation Date Summary**

<b>Participant Type</b>	<b>Actuarial Accrued Liability (1)</b>	<b>Market Value of Assets (2)</b>	<b>Unfunded (Overfunded) Actuarial Accrued Liabilities (1)-(2)</b>	<b>Funded Percent On Valuation Date (2)/(1)</b>
Vested Former Members	41,565			
Retirees	1,683,511			
Beneficiaries	261,572			
Disabled retirees	155,404			
<b>Totals:</b>	<b>2,142,052</b>	<b>2,726,029</b>	<b>(583,977)</b>	<b>127%</b>

**Application of MERS Funding Policy**

As stated in the attached Restated Policy of the Municipal Employees' Retirement System Board (March 9, 2010), each closed municipality must maintain on deposit with MERS sufficient assets whose market value is in excess of actuarial accrued liabilities. For this valuation, the plan's funded percent is stated above. Thus, the funded level for your closed MERS plan is:

**At the required level (between 120% and 130%). No action needed.**

**The Community Engagement and Finance Division (CEFD) contact:**

- The CEFD reached out to Grosse Pointes Clinton Refuse Disposal Authority: They provided a signed, board-approved CAP as well as minutes from the governing board.

**Treasury Recommendation  
Cadillac City Housing Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 837511**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$563,098	\$666,059	84.5%	\$20,330	\$972,808	2.1%	No
Healthcare	OPEB	\$0	\$37,618	0.0%	\$5,310		0.5%	Yes
<b>Total</b>		<b>\$563,098</b>	<b>\$703,677</b>		<b>\$25,640</b>	<b>\$972,808</b>	<b>2.6%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Disapproval of the OPEB corrective action plan submitted by Cadillac City Housing Commission, which was received by the Municipal Stability Board (the Board) on December 19, 2018. If denied, the Cadillac City Housing Commission will receive a detailed letter from the Board listing the reasons for disapproval. Cadillac City 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:
  - As of December 2008, the policy no longer covers retiree health insurance benefits. There is only one employee remaining who is eligible for this benefit. Treasury was unable to confirm this.
- Plan Funding:
  - None noted.
- Other Considerations:
  - None noted.

**Prospective Changes:**

- Modern Plan Design:
  - The local unit created a new Retiree Health Care Vehicle account with MERS, adopted on November 19, 2018.
- Plan Funding:
  - The local unit says they will fund the cost of their one remaining eligible employee at 100%.
- Other Considerations:
  - None noted.

**Treasury Recommendation  
Cadillac City Housing Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 837511**

**Plan size: 8 members**

- Inactive employees or beneficiaries currently receiving benefits: 3
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 5

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are 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.

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 2019; 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.

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.

**Supplemental Information:**

Cadillac City Housing Commission included a note to Treasury that they intend on funding their MERS Retiree Health Care Vehicle at 100%. They have one employee, which is an estimated cost of \$37,000. Despite providing documentation of several "reserve" accounts, the commission failed to provide a document demonstrating that the MERS Retiree Health Funding Vehicle is funded at 100%.

**Treasury Recommendation  
Cadillac City Housing Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 837511**

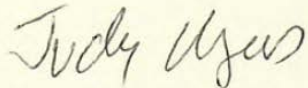
December 11, 2018

Michigan Department of Treasury

The Cadillac Housing Commission intends of funding our MERS Retiree Health Care Vehicle for our ONE ELIGIBLE EMPLOYEE, at 100%.

The cost of covering this ONE employee is estimated to be approximately \$37,000. CHC has well over \$300,000 in Reserves.

Attached are just a few of the reserve accounts that we have.



Judy Myers, Executive Director

Cadillac Housing Commission

**The Community Engagement and Finance Division (CEFD) contact:**

- The CEFD reached out to the Cadillac City Housing Commission to discuss their CAP multiple times. Voicemails were left on December 18, 2018 and December 27, 2018.



**MUNICIPAL STABILITY BOARD  
RESOLUTION 2019-3**

**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  
January 16, 2019



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

Resolution 2019-3 Exhibit A

**DATE:** January 19, 2018  
**TO:** The Municipal Stability Board (the Board)  
**FROM:** Community Engagement and Finance Division, Department of Treasury  
**SUBJECT:** Delinquent Corrective Action Plans

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

1. Ann Arbor Transportation Authority
  - a. OPEB
2. Battle Creek City Housing Commission
  - a. Fail to file the Retirement System Annual Report (Form 5572)
3. Bay City Housing Commission
  - a. Fail to file the Retirement System Annual Report (Form 5572)
4. Benzie County
  - a. Fail to file the Retirement System Annual Report (Form 5572)
5. Copper Country Community Mental Health Services Board
  - a. OPEB
6. Delta County Road Commission
  - a. Pension

7. City of Flint
  - a. Pension
  - b. OPEB
  
8. Village of Lexington
  - a. OPEB
  
9. Marquette City Housing Commission
  - a. Fail to file the Retirement System Annual Report (Form 5572)
  
10. Monroe Housing Commission
  - a. Fail to file the Retirement System Annual Report (Form 5572)
  
11. Muskegon Central Dispatch 9-1-1
  - a. OPEB
  
12. City of North Muskegon
  - a. OPEB
  
13. Pathways Community Mental Health Authority
  - a. Pension
  - b. 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.”