

Municipal Stability Board

REGULAR MEETING

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

Austin Building
State Treasurer's Boardroom
430 W. Allegan Street
Lansing, MI 48922

I. Call to Order

- A. Roll Call
- B. Approval of November 14, 2018 Minutes

II. Public Comment

- A. 2 minute limit

III. Correspondence

- A. Treasury Update

IV. Old Business

V. New Business

- A. Corrective Action Plan Extension Requests
 - i. Pathways Community Mental Health Authority (2 systems)
 - ii. City of Taylor
- B. Receipt of Corrective Action Plans:
 - i. Newaygo County Road Commission
 - ii. City of Lincoln Park (3 systems)
 - iii. Ypsilanti Community Utilities Authority
 - iv. City of Warren (2 systems)
 - v. Luce County Road Commission (2 systems)
 - vi. St. Clair County Road Commission
 - vii. City of Milan
 - viii. City of Davison (2 systems)

- ix. Mackinac County Road Commission
- x. City of Oak Park (5 systems)
- xi. Charter Township of Redford (2 systems)
- xii. City of Wayne (2 systems)
- xiii. Flint Charter Township
- xiv. City of Wyandotte
- xv. City of Hastings
- xvi. City of Highland Park (3 systems)
- xvii. City of Woodhaven
- xviii. Cadillac Housing Commission
- xix. Village of Union City
- xx. Interurban Transit Partnership (2 systems)
- xxi. City of New Baltimore

C. Approvals and Denials of Corrective Action Plans (Resolution 2018-18)

- i. Village of L'Anse
- ii. City of Bay City
- iii. City of Marshall
- iv. City of Dowagiac
- v. City of Sault Ste Marie
- vi. Crawford County Road Commission
- vii. City of Gladstone
- viii. City of Iron Mountain (2 systems)
- ix. City of Norway
- x. City of Eaton Rapids (2 systems)
- xi. Richfield Township
- xii. City of Burton

- xiii. City of Flushing (2 systems)
- xiv. City of Ironwood
- xv. Traverse City Light & Power
- xvi. City of Lansing (3 systems)
- xvii. Capital Region Airport Authority
- xviii. Tawas Police Authority
- xix. City of Jackson
- xx. Vicksburg District Library
- xxi. City of Center Line (2 systems)
- xxii. City of St Clair Shores (2 systems)
- xxiii. Village of Romeo
- xxiv. State of Michigan 41B District - Clinton Charter Township & Mt Clemens
- xxv. City of Midland
- xxvi. City of Norton Shores
- xxvii. Bloomfield Charter Township
- xxviii. City of Berkley
- xxix. City of Clawson
- xxx. City of Hazel Park (2 systems)
- xxxi. City of Madison Heights (3 systems)
- xxxii. City of Pontiac
- xxxiii. Village of Holly
- xxxiv. Ogemaw County Road Commission
- xxxv. City of Rogers City
- xxxvi. City of Saginaw (2 systems)
- xxxvii. City of Marine City
- xxxviii. City of Marysville

- xxxix. City of Port Huron
 - xl. City of Manistique
 - xli. City of Allen Park
 - xlii. City of Dearborn
 - xlili. City of Gibraltar
 - xliv. City of Grosse Pointe Farms (2 systems)
 - xlv. Grosse Pointe Woods
 - xlvi. City of Hamtramck
 - xlvii. City of Rockwood
 - xlviii. City of Romulus
 - xlix. City of Southgate (2 systems)
 - I. City of Trenton
 - li. City of Westland (2 systems)
 - lii. Grosse Pointes-Clinton Refuse Disposal Authority

VI. Public Comment

- A. 2 minute limit

VII. Board Comment

VIII. Adjournment

Municipal Stability Board Minutes

Wednesday, November 14, 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 10:33 a.m.

ROLL CALL

Members Present: 3

Eric Scorsone
Daryl Delabbio
Barry Howard

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

APPROVAL OF MINUTES

Motion was made to approve the minutes regarding October 17, 2018 board meeting.

Motion moved by D. Delabbio supported by B. Howard, the Board unanimously approved the October 17, 2018 meeting minutes. 3 ayes, 0 nays.

PUBLIC COMMENT

- No public comment.

CORRESPONDENCE

- Determination of Noncompliance Draft Letter – Kevin Kubacki provided the Board with the letter and reviewed the intent of the letter with the Board.
- Approval of Extension Request Draft Letter – Kevin Kubacki provided the Board with the letter and reviewed the intent of the letter with the Board.
- Withdrawal Request:
 - Saline Area Fire Department Authority –The Board received the corrective action plan at last month's meeting. The Fire Department subsequently requested a withdrawal of their corrective action plan and followed up with an extension request.

NEW BUSINESS

APPROVAL OF 2019 MEETING SCHEDULE (RESOLUTION 2018-15)

Motion was made to approve the 2019 Meeting Schedule (Resolution 2018-15).

Motion moved by B. Howard supported by D. Delabbio, the Board unanimously approved the 2019 Meeting Schedule. 3 ayes, 0 nays.

RECEIPT OF CORRECTIVE ACTION PLAN EXTENSION REQUESTS

Kevin Kubacki provided the Board with the following 22 Corrective Action Plan Extension Requests:

- Saline Area Fire Department
- City of New Baltimore
- City of Davison (2 systems)
- Village of Union City
- City of Riverview
- City of Woodhaven
- City of Essexville
- Village of Lexington
- Mount Clemens
- City of Montrose
- City of Hastings
- Saginaw Housing Commission (2 systems)
- City of Flint (2 systems)
- City of Battle Creek
- City of Oak Park (5 systems)
- City of Wayne (2 systems)
- City of Crystal Falls
- West Iron County Sewer Authority
- City of Benton Harbor
- Dearborn Heights
- Bruce Township
- City of Milan

Motion was made to receive the 22 Local Units' Corrective Action Plan Extension Requests.

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

RECEIPT OF CORRECTIVE ACTION PLANS

Kevin Kubacki provided the Board with the following 51 Local Units' Corrective Action Plans:

- Ogemaw County Road Commission
- City of Grosse Pointe Woods
- Tawas Police Authority
- Capital Region Airport Authority
- St. Clair Shores (2 systems)
- Charter Township of Bloomfield
- Vicksburg District Library
- Traverse City Light and Power
- City of Allen Park
- City of Dowagiac
- City of Berkley
- City of Midland
- City of Saginaw (2 systems)
- 41 B District Court
- City of Southgate (2 systems)
- Village of Romeo
- Crawford County Road Commission
- City of Port Huron
- City of Marine City
- City of Trenton
- Grosse Pointe-Clinton Refuse Disposal Authority
- City of Norway
- City of Eaton Rapids (2 systems)
- City of Sault Ste. Marie
- City of Norton Shores
- City of Bay City
- City of Burton
- City of Marshall
- City of Rockwood
- City of Gladstone
- City of Westland (2 systems)
- City of Romulus
- City of Dearborn
- Richfield Township
- City of Madison Heights (2 systems)
- City of Clawson
- Village of L'Anse
- City of Centerline (2 systems)
- City of Marysville
- City of Rogers City
- City of Pontiac

- City of Ironwood
- City of Iron Mountain (2 systems)
- City of Gibraltar
- City of Lansing (3 systems)
- Grosse Pointe Farms (2 systems)
- City of Hamtramck
- City of Jackson
- Hazel Park (2 systems)
- City of Flushing (2 systems)
- City of Manistique

Motion was made to receive the 51 Local Units' Corrective Action Plans.

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

APPROVALS AND DENIALS OF CORRECTIVE ACTION PLANS (RESOLUTION 2018-16)

Kevin Kubacki was asked to review the 17 Treasury recommendations for approval or denial of the Corrective Action Plans (Resolution 2018-16) with the Board. Mr. Kubacki highlighted the local units that Treasury felt partially met the Board's criteria as well as one local unit that did not meet the Board's criteria. Mr. Kubacki addressed questions from the Board.

- Bay Metropolitan Transportation Authority (2 systems) – Approved
- Beecher Metropolitan District – Approved
- Central Michigan Health Department – Approved
- City of East Lansing – Approved
- City of Eastpointe – Denied
- City of Escanaba – Approved
- Village of Farwell – Approved
- City of Fraser (2 systems) – Approved
- Gratiot County Road Commission – Approved
- Marquette Board of Light and Power – Approved
- City of Southfield (2 systems) – Approved
- City of St. Johns – Approved
- Suburban Mobility Authority for Regional Transportation – Approved
- Wexford County Road Commission – Approved

A motion was made to approve Approvals and Denials of Corrective Action Plans (Resolution 2018-16).

Motion made by Barry Howard, supported by Daryl Delabbio, the Board unanimously approved the Approvals and Denials of Corrective Action Plans (Resolution 2018-16). 3 ayes. 0 nays.

PUBLIC ACT 202 OF 2017 CORRECTIVE ACTION PLAN NONCOMPLIANCE (RESOLUTION 2018-17)

Kevin Kubacki was asked to review the Public Act 202 of 2017 Corrective Action Plan Noncompliance (Resolution 2018-17). Local units who failed to submit a corrective action plan within the 180-day time limit per statute should be evaluated for non-compliance in accordance with the Act. If the resolution is approved, a letter will be issued to those local units that have not submitted and are not in compliance. Local units have 60 days to address noncompliance with the Act.

Mr. Kubacki addressed questions the Board. A motion was made to approve Public Act 202 of 2017 Corrective Action Plan Noncompliance (Resolution 2018-17).

Motion made by Daryl Delabbio, supported by Barry Howard, the Board unanimously approved the Public Act 202 of 2017 Corrective Action Plan Noncompliance (Resolution 2018-17). 3 ayes. 0 nays.

PUBLIC COMMENT

- No public comment.

BOARD COMMENT

- No Board comment.

NEXT MEETING

Next regular meeting will be on December 19, 2018 at 10:30am.

ADJOURNMENT

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

There being no further business, the meeting adjourned at 11:08 a.m.

P.A. 202 of 2017 Status Update from Treasury

As of 12/10/2018

PA 202: Corrective Action Plan Analysis FY 2017							
LOCAL UNIT TYPE	CAP Submission Status		CAP Approval Status ¹				
	Required	Submitted	Approved	Disapproved	Split	Pending	Non-Compliant
NON-PRIMARY	109	24 (22%)	10 (42%)	1 (4%)	2 (8%)	11 (46%)	7 (6%)
PRIMARY	106	66 (62%)	9 (14%)	1 (1%)	0 (0%)	56 (85%)	10 (9%)
TOTAL	215	90 (42%)	19 (21%)	2 (2%)	2 (2%)	67 (74%)	17 (8%)

¹ Pending final Board approval

PA 202: Tentative Corrective Action Plan Receipt Schedule							
LOCAL UNIT TYPE	Month of Corrective Action Plan Receipt ²						
	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	TOTAL
NON-PRIMARY	24	7	5	41	5	4	86
PRIMARY	16	8	0	11	5	4	44
TOTAL	40	15	5	52	10	8	130

² These figures are inclusive of local governments who were granted a 45-day extension to submit their corrective action plan.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

DATE: December 19, 2018
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.

1. Pathways Community Mental Health Authority
 - a. [Pension: Defined Benefit MERS Retirement Plan](#)
 - b. [OPEB: Retiree Health Care Trust fund](#)
2. City of Taylor
 - a. [OPEB: Taylor OPEB system](#)

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

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

DATE: December 19, 2018
TO: The Municipal Stability Board (the Board)
FROM: Community Engagement and Finance Division, Department of Treasury
SUBJECT: Receipt of Corrective Action Plans

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

1. Newaygo County Road Commission
 - a. OPEB: Newaygo County Road Commission Other Post-Employment Benefit Plan
2. City of Lincoln Park (3 systems)
 - a. Pension: MERS
 - b. Pension: Police Officers and Firefighters Retirement System
 - c. OPEB: City of Lincoln Park Police and Fire and Municipal Plan
3. Ypsilanti Community Utilities Authority
 - a. Pension: Employees Retirement System (8106)
4. City of Warren (2 systems)
 - a. OPEB: City of Warren, Michigan Employees' Retirement Health Benefit
 - b. OPEB: City of Warren Police and Fire Retirement Health Benefit
5. Luce County Road Commission (2 systems)
 - a. Pension: MERS
 - b. OPEB: Morgan Stanley Investment for Health Care
6. St. Clair County Road Commission
 - a. OPEB: St. Clair County Employees' Retirement System
7. City of Milan
 - a. Pension: MERS – Milan Defined Benefit Pension Plan
8. City of Davison (2 systems)
 - a. Pension: City of Davison
 - b. OPEB: City of Davison
9. Mackinac County Road Commission
 - a. OPEB: Mackinac County Road Commission

10. City of Oak Park (5 systems)
 - a. Pension: General Employees Retirement System
 - b. Pension: Public Safety Retirement System
 - c. OPEB: General Employees Retiree Health Care System
 - d. OPEB: Public Safety Health Care System
 - e. OPEB: District Court Retiree Health Care System
11. Charter Township of Redford (2 systems)
 - a. OPEB: General Employees
 - b. OPEB: Police and Fire Employees
12. City of Wayne (2 systems)
 - a. Pension: Municipal Employees' Retirement System
 - b. OPEB: City of Wayne Retiree Healthcare Plan
13. Charter Township of Flint
 - a. OPEB: Flint Township Retiree Medical Plan
14. City of Wyandotte
 - a. OPEB: City of Wyandotte Retiree Health Care Plan
15. City of Hastings
 - a. OPEB: MERS
16. City of Highland Park (3 systems)
 - a. Pension: General Employees Retirement System
 - b. Pension: Policemen and Firemen Retirement System
 - c. Pension: Public Safety Retirement Plan
17. City of Woodhaven
 - a. OPEB: City of Woodhaven Healthcare
18. Cadillac Housing Commission
 - a. OPEB: MERS Retiree Health Care Vehicle
19. Village of Union City
 - a. OPEB: Village of UC OPEB Plan
20. Interurban Transit Partnership
 - a. Pension: Interurban Transit Partnership and Amalgamated Trust Union Pension Plan
 - b. Pension: Interurban Transit Partnership Pension Plan
21. City of New Baltimore
 - a. OPEB: City of New Baltimore Retiree Health Care Fund

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

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

Issued under authority of Public Act 202 of 2017.

1. MUNICIPALITY INFORMATION

Local Unit Name: Newaygo County Road Commission Six-Digit Muni Code: 620100
Retirement Health Benefit System Name: Newaygo County Road Commission Other Post-Employment Benefits Plan
Contact Name (Administrative Officer): Kristin Dronchi
Title if not Administrative Officer: Office Manager/Clerk
Email: kdronchi@newaygoroads.org Telephone: (231) 689-6682

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

- (i) Requiring cost sharing of premiums and sufficient copays.
- (ii) Capping employer costs.

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On **January 1, 2017**, the local unit entered into new collective bargaining agreements with the **Command Officers Association and Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system is **40% funded as of June 30, 2017**.*

In 2012 NCRC established an Act 149 Trust through MERS has for purposes of reducing future OPEB liability. In 2010 NCRC stopped providing new employees with retiree health insurance benefits for spouses and stopped paying any percentage of the Medicare Supplement once the retiree reaches age 65. Board also contributed \$12,000 a year to the Act 149 Trust. We also moved to a lower tier of retirement benefits for new hires effective 6/2010. Atch. 4A & 6A

- 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 2017, the Board committed to additional contributions of \$120,000 a year into the MERS PA 149 Trust, then in 2018 we increased it to \$300,000 annually to continue to reduce our OPEB Liability Accrual. This has helped increase our percent funded from our previous actuarial. Please see attachment 4A.

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

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

We had an actuarial evaluation done as of 9/30/17 by Watkins Ross for our OPEB liabilities in 2017 and will be continuing to evaluate where we stand each year with a actuarial. Attached also is our plan to to be 40% funded by 2026. Please see attachment 2A.

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

Category of Prospective Actions:

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

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

Union negotiations will take place in 2019 and we are willing to evaluate our contract during negotiations and make necessary changes to reduce the OPEB liability and increase funding percentage.

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

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

The Board will consider a lump sum contribution each year into the MERS PA 149 Health Care Trust Fund after reviewing the year-end budget to accelerate the funding status to reach a 40% funded by 2026 and make yearly changes to the annual contribution amount after reviewing the annual valuations.

- 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) Newaygo County Rd 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 | This Corrective Action Plan (Required) |
| <input checked="" type="checkbox"/> Attachment – 1a | Documentation from the governing body approving this Corrective Action Plan (Required) |
| <input checked="" type="checkbox"/> Attachment – 2a | An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 40% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 12% of governmental fund revenues, as defined by the Act. (Required) |
| <input type="checkbox"/> Attachment – 3a | Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information). |
| <input 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 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, Kristin Dronchi, as the government's administrative officer (insert title) Office Manager/Clerk to the Board (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 Other Post-Employment Benefit Plan (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2026 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 Kristin Dronchi

Date 11-14-18

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 Lincoln Park Six-Digit Muni Code: 822180
Defined Benefit Pension System Name: MERS
Contact Name (Administrative Officer): Matthew W. Coppler
Title if not Administrative Officer: City Manager
Email: mcoppler@citylp.com Telephone: (313) 386-1800

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**.*

See Attached Prior Actions: System Design Changes Section 3.

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**.*

According to MERS Actuarial Report, the system will be 60% funded by 2035, per attached MERS Chart from 2017 Plan Valuation in Attachment 2a.
See Attached Prior Actions: Other Considerations Section 3.

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.

See Attached Prospective Actions: Additional Funding Section 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.

See Attached Prospective Actions: Other Considerations Section 4.

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 Lincoln Park 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 Matthew W. Coppler, 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 MERS _____ (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2035 as demonstrated by required supporting documentation listed in section 6.

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

The ARC for all of the 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 Matthew W. Coppler Date 11/14/2018

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 Lincoln Park Six-Digit Muni Code: 822180
Defined Benefit Pension System Name: Police Officers and Firefighters Retirement System
Contact Name (Administrative Officer): Matthew W. Coppler
Title if not Administrative Officer: City Manager
Email: mcoppler@citylp.com Telephone: (313) 386-1800

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**.*

Actions taken by the City are projected to get the Police Officer and Firefighter Pension System to 52.6% funding status by 2023.

Please see Attached Section 3 Prior Actions 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**.*

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 Other Considerations Section 3.

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**.

Please see Attached Section 4 Prospective Actions.

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.

Please See Attached Section 4 Prospective Actions

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.

Please See Attached Section 4 Prospective Actions

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 Lincoln Park 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 Matthew W. Coppler, 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 Police Officers and Firefighters Pension (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2026 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 Matthew W. Coppler Date 11/14/2018

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 Lincoln Park Six-Digit Muni Code: 822180
Retirement Health Benefit System Name: City of Lincoln Park Police and Fire and Municipal Plan
Contact Name (Administrative Officer): Matthew W. Coppler
Title if not Administrative Officer: City Manager
Email: mcoppler@citylp.com Telephone: (313) 386-1800

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

- (i) Requiring cost sharing of premiums and sufficient copays.
- (ii) Capping employer costs.

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On **January 1, 2017**, the local unit entered into new collective bargaining agreements with the **Command Officers Association** and **Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system is **40%** funded as of **June 30, 2017**.*

Please see Attached Section 3 Prior Actions - System Design Changes

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

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

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

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

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

Category of Prospective Actions:

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

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

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

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

The City will be making payments into the OPEB Fund for the next twelve (12) years payments in the amount of \$528,000 per year. This will allow for the system to be 40% funded by 2028 per attachment 2b.

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

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

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. This will allow the system to be fully funded in 12 years (2031) per attachment 2b.

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 Lincoln Park 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, Matthew W. Coppler, 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 _____ (**Insert Retirement Healthcare System Name**) will achieve a funded status of at least 40% by Fiscal Year _____ as demonstrated by required supporting documentation listed in section 6.

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

- The ARC for all of the retirement healthcare systems of City of Lincoln Park (**Insert local unit name**) will be less than 12% of the local unit of government's annual governmental fund revenues by Fiscal Year 2018 as demonstrated by required supporting documentation listed in section 6.

Signature Matthew W. Coppler

Date 11/14/2018

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: Ypsilanti Community Utilities Authority Six-Digit Muni Code: 817514
Defined Benefit Pension System Name: Employees Retirement System (8106)
Contact Name (Administrative Officer): Kevin Welch
Title if not Administrative Officer: Human Resource Director
Email: kwelch@ycua.org Telephone: 734 544 7118

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**.*

See attachment 7a for prior system design changes.
In addition, on page 12 of the December 31, 2017 attached actuarial supplemental valuation, it shows our funded ratio will be 61% by fiscal year 2021 (based on 7.75% return and no-5-year phase-in approach). See attachment 1a

- 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 attachment 8a

- 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**.*

Our Fiscal Year ending August 31, 2018 will show we 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 \$32,216,841 (an increase of just over \$3 million) and the NPL is \$21,695,295 (for a decrease of about \$2 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 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**.

N/A

- 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.

We will continue contributing an extra \$1,000,000 towards our Pension liability. We also will maintain the contributions at the "No Phase in" number for the foreseeable future. See attachment 10a

- 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**.

See attachment 9a

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) YCUA 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 The current ADC/Governmental fund revenues is 4/7% as reported on PA 202 form 5572 2017 Pension Report.

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 Not Applicable

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 Not Applicable

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

Attachment – 5a Not Applicable

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 See Below

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

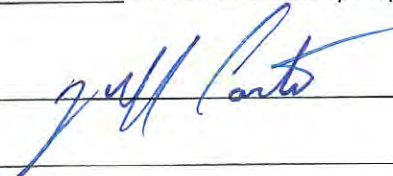
I Jeffery Castro, as the government's administrative officer (*enter title*) Executive Director (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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

The Employees Retirement System (8106) (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2021 as demonstrated by required supporting documentation listed in section 6.

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

The ARC for all of the 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 11/29/18

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: WARREN CITY Six-Digit Muni Code: 502120
Retirement Health Benefit System Name: CITY OF WARREN, MICHIGAN CITY EMPLOYEES' RETIREMENT HEAL
Contact Name (Administrative Officer): ROB MALESZYK
Title if not Administrative Officer: CONTROLLER
Email: rmaleszyk@cityofwarren.org Telephone: (586) 574-4588

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

- (i) Requiring cost sharing of premiums and sufficient copays.
- (ii) Capping employer costs.

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On **January 1, 2017**, the local unit entered into new collective bargaining agreements with the **Command Officers Association and Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system is **40% funded as of June 30, 2017**.*

1. In 2006, new collective bargaining agreements with the City's unions closed the plan to new employees, and has replaced with a contributory "Health Savings Accounts" plan. Please see Attachment 2a, PDF Page 10.
2. As of June 1, 2016 the City took action to reduce healthcare costs by purchasing Medicare Advantage Insurance for eligible employees. Attachment 2b.
3. The City's contribution changed from percentage of active pay roll to an actuarially recommended dollar amount. Attachment 2b.

- 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.*

1. On December 12, 2017, the Warren City Council voted to contribute an additional \$4.5 million in to the Plan. Please see Attachment 4a.
2. On April 10, 2018, the Warren City Council approved a resolution which includes a commitment to achieve at least a 40% funding level by the fiscal year ended in 2024. Attachment 5a.

- 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**.*

1. The information provided on the Form 5572 (from the audit report) used actuarial data from 2014. Attached is an updated report which shows our funded ratio has improved to 38%. Attachment 2a. (2.) A significant amount of our retirement liabilities are attributable to employees within our enterprise divisions and component units, yet we could not include the revenues as part of our government funds. The attached analysis shows that our revenue ratio would only be 10.3% when including enterprise and component units within the calculation. Attachment 7a.

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 Warren has already made significant system design changes as shown above. The administration will continue to seek revisions to collective bargaining agreements, implement cost savings measures and improve investment returns in the future. Attachment 6a.

- 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 Warren has committed to paying the ongoing expenses of the plan, and to contribute additional funds in the future, provided we experience favorable operating results. Attachment 4a.

- 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.*

This Plan has significant assets (over \$57 million), is closed to new participants, and is very close (38.05% at 12/31/17) to reaching the 40% funding level. The projected investment earnings on the fund balance will add sufficient assets to enable the plan to achieve the 40% level by the end of the next fiscal year, assuming the liability holds steady. In order to consider the impact of Health Care Inflation, which will be offset by the declining number of living participants, 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 additional changes to this corrective action plan. Attachment 3a.

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

- Yes
 - No
- If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention	Type of Document
<input checked="" type="checkbox"/> Attachment – 1	This Corrective Action Plan (Required)
<input checked="" type="checkbox"/> Attachment – 1a	Documentation from the governing body approving this Corrective Action Plan (Required)
<input checked="" type="checkbox"/> Attachment – 2a	An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 40% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 12% of governmental fund revenues, as defined by the Act. (Required)
<input checked="" type="checkbox"/> Attachment – 3a	Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).
<input checked="" type="checkbox"/> Attachment – 4a	Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)
<input 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

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) the City of Warren 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 – I	This Corrective Action Plan (Required)
<input checked="" type="checkbox"/> Attachment – 1a	Documentation from the governing body approving this Corrective Action Plan (Required)
<input checked="" type="checkbox"/> Attachment – 2a	An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 40% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 12% of governmental fund revenues, as defined by the Act. (Required)
<input checked="" type="checkbox"/> Attachment – 3a	Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).
<input checked="" type="checkbox"/> Attachment – 4a	Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)
<input 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 (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, James R. Fouts, 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 CITY OF WARREN, MICHIGAN CITY EMP (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 [Handwritten Signature] Date 10/29/18

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: WARREN CITY Six-Digit Muni Code: 502120
Retirement Health Benefit System Name: CITY OF WARREN POLICE AND FIRE RETIREMENT HEALTH BENEFIT
Contact Name (Administrative Officer): ROB MALESZYK
Title if not Administrative Officer: CONTROLLER
Email: rmaleszyk@cityofwarren.org Telephone: (586) 574-4588

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

- (i) Requiring cost sharing of premiums and sufficient copays.
- (ii) Capping employer costs.

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On **January 1, 2017**, the local unit entered into new collective bargaining agreements with the **Command Officers Association and Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system is **40% funded as of June 30, 2017**.*

- 1. The obligation to contribute to and maintain the City's Police & Fire Retirement Health Benefits Plan and Trust was established by City ordinance and negotiation with the Police & Fire collective bargaining units. Attachment 2a.
- 2. In 2006, new collective bargaining agreements with the City's unions closed the plan to new employees, and has replaced with a contributory "Health Savings Accounts" plan. Please see attachment 2a, PDF Page 10.
- 3. As of June 1, 2016 the Plan reduced healthcare costs by purchasing Medicare Advantage Insurance. Attach. 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.*

- 1. On December 12, 2017, the Warren City Council voted to contribute an additional \$7.5 million in to the Plan. Please see page 3 of attachment 4a.
- 2. On April 10, 2018, the Warren City Council approved a resolution which includes a commitment to achieve at least a 40% funding level by the fiscal year ended in 2024. Attachment 5a.

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**.*

- (1). The information provided on the Form 5572 (from the audit report) used actuarial data from 2014. Attached is an updated report which shows our funded ratio has improved to 25%. Attachment 2b. (2). A significant amount of our retirement liabilities are attributable to employees within our enterprise divisions and component units, yet we could not include the revenues as part of our government funds. The attached analysis shows that our revenue ratio would only be 10.3% when including enterprise and component units within the calculation. Attachment 7a.

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 Warren has already made significant system design changes as shown above. The administration will continue to seek revisions to collective bargaining agreements, implement cost savings measures and improve investment returns in the future. Attachment 6a.

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.*

1. The City of Warren has committed to paying the ongoing expenses of the plan, and to contribute additional funds in the future, provided we experience favorable operating results. Attachment 4a.
2. Additionally, the included Resolution (Attachment 1a) from our City Council demonstrates the commitment to increasing the system's funded ratio to 40% by the end of 2024 with an additional \$500,000 annual contribution starting in 2019. (see Attachment 3a)

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

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

This Plan has assets of over \$44 million, and is closed to new participants. Using the Treasurer's recommended rate of return of 7%, projected investment earnings, combined with an additional \$500,000 annual contribution starting in 2019, will add sufficient assets to enable the plan to achieve the 40% level by the end of 2024, assuming the liability holds steady. To guard against the impact of Health Care Inflation, offset by a declining number of participants, 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. See Attachment 3a.

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

- Yes
 No
If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention	Type of Document
<input checked="" type="checkbox"/> Attachment – 1	This Corrective Action Plan (Required)
<input checked="" type="checkbox"/> Attachment – 1a	Documentation from the governing body approving this Corrective Action Plan (Required)
<input checked="" type="checkbox"/> Attachment – 2a	An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 40% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 12% of governmental fund revenues, as defined by the Act. (Required)
<input checked="" type="checkbox"/> Attachment – 3a	Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).
<input checked="" type="checkbox"/> Attachment – 4a	Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)
<input 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

- 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, JAMES R. FOUTS, 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.

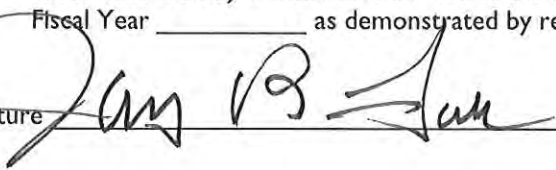
I confirm to the best of my knowledge that because of the changes listed above, one of the following statements will occur:

- The CITY OF WARREN POLICE AND FIRE RE (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



Date

10-29-18

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: Luce County Road Commission Six-Digit Muni Code: 480100

Defined Benefit Pension System Name: MERS

Contact Name (Administrative Officer): Robert Bowler

Title if not Administrative Officer: Finance Director

Email: finance@lcr48.org Telephone: (906) 293-5741

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 multiplier for general employee's was changed from 2.5X to 1.3X in July of 2012. The multiplier for management employee's was changed from 2.5X to 1.3X in August of 2018.

- 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 January of 2017, additional payments of \$20,000 per month started. These additional payments will continue until MERS is considered 60% funded. Based on simple calculations 60% funded status should be reached by 2027.

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

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

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

Category of Prospective Actions:

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

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

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

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

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

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

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No

If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

Type of Document

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 Robert Bowler, 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 MERS (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2027 as demonstrated by required supporting documentation listed in section 6.

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

- The ARC for all of the 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

Robert a Bowler

Date

10/24/2018

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: Luce County Road Commission Six-Digit Muni Code: 480100

Retirement Health Benefit System Name: Morgan Stanley Investment for Health Care

Contact Name (Administrative Officer): Robert Bowler

Title if not Administrative Officer: Finance Director

Email: finance@lrcrc48.org Telephone: (906) 293-5741

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

- (i) Requiring cost sharing of premiums and sufficient copays.
- (ii) Capping employer costs.

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On **January 1, 2017**, the local unit entered into new collective bargaining agreements with the **Command Officers Association and Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page 12 of the attached actuarial analysis that indicates the system is **40% funded as of June 30, 2017**.*

In May of 2018 we started into a trust fund to cover our unfunded future health care liability. We deposit \$20,000 each month into this fund. We should reach our 40% funded mark during the year 2023. In 1998 we changed our retiree health care program to no longer offer health care to retirees when they reach the age of 65.

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

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

We have committed \$20,000 per month to our health care trust fund. This should allow us to become 40% funded in 2023 and 100% funded by 2030.

- 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) Luce 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

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, Robert Bowler, as the government's administrative officer (insert 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 Morgan Stanley Investment for Health Care (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% 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 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 Robert a Bowler

Date 10/24/2018

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: St. Clair County Road Commission Six-Digit Muni Code: 740100

Retirement Health Benefit System Name: St. Clair County Employees' Retirement System

Contact Name (Administrative Officer): Greg Owens

Title if not Administrative Officer: Director of Internal Services

Email: gowens@stclaircounty.org Telephone: (810) 364-5720

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

- (i) Requiring cost sharing of premiums and sufficient copays.
- (ii) Capping employer costs.

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On **January 1, 2017**, the local unit entered into new collective bargaining agreements with the **Command Officers Association** and **Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system is **40% funded as of June 30, 2017**.*

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 for 2018, the local unit has committed to pay the current PA202 minimum contribution of \$1,052,000.

- 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.*

Effective for 2018, the local unit has committed to pay the PA202 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 (Reference Attachment 2.a.). Please see Attachment 1.a. of the attached resolution from our governing body demonstrating the commitment to contribute the PA202 minimum contribution and an additional \$300,000 for the next ten 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**.*

Effective 2019, all retirees over 65 (who are all on a Medicare Advantage plan) will see an increase in their co-pays and deductibles. These coverage changes would result in an improvement to the retirement system's funded ratio. Please see Attachment 2.a. of the attached actuarial analysis that indicates the system would be 40% funded by fiscal year 2027.

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.*

Effective for 2018, the local unit has committed to pay the current PA202 minimum contribution along with an additional \$300,000 for the next ten years. Please reference Attachment 1.a. of the attached resolution from our governing body demonstrating the commitment to contribute the PA202 minimum contribution along with an additional \$300,000 for the next ten 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 local unit has directed their efforts in funding our Pension system. Now that our Pension is funded at 91.5%, funding retiree healthcare will be a priority along with continuing funding of our Pension plan to maintain its fiscal health. The Board has committed to contribute the PA202 minimum contribution (currently \$1,052,000), along with an additional \$300,000 for the next ten years. For fiscal year 2019 the Board has agreed to pay an additional \$500,000 in lieu of the additional \$300,000. The local unit is also looking into the possibility of applying an additional \$100,000 annually in funding derived from dock rental income to the retiree healthcare system.

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) St. Clair 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, Kirk Weston, 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 St. Clair County Road Commission (**Insert Retirement Healthcare System Name**) will achieve a funded status of at least 40% by Fiscal Year 2027 as demonstrated by required supporting documentation listed in section 6.

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

- The ARC for all of the retirement healthcare systems of _____ (**Insert local unit name**) will be less than 12% of the local unit of government's annual governmental fund revenues by Fiscal Year _____ as demonstrated by required supporting documentation listed in section 6.

Signature 

Date 11/20/18

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

I. MUNICIPALITY INFORMATION

Local Unit Name: City of Milan Six-Digit Muni Code: 812020
Defined Benefit Pension System Name: MERS - Milan Defined Benefit Pension Plan
Contact Name (Administrative Officer): Jade Smith
Title if not Administrative Officer: City Administrator
Email: jades@milanmich.org Telephone Number: (734) 439-1501

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

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

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. We 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 year 2022. See attachment 2a.

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

Sample Statement: *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**.*

Since the time of the filing of Form 5572, we have received an updated actuarial valuation for the year 2017 that shows our funded ratio has improved to 50%. The actuarial valuation also shows the plan is still projected to reach 60% funded within 5 years (calendar year 2022), as shown on page 13 of attachment 2b.

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

Category of Prospective Actions:

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

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

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

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

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

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

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

- Yes**
- No**

If No, Explain:

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

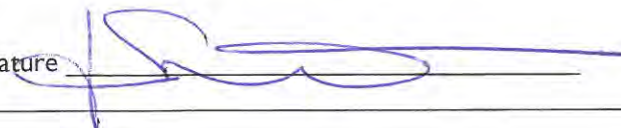
Documentation should be attached as a .pdf to this Corrective Action Plan. The documentation should detail the corrective action plan that would be implemented to adequately address the local unit of government's underfunded status. Please check all documents that are included as part of this plan and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

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

Naming Convention	Type of Document
<input checked="" type="checkbox"/> Attachment – 1	This Corrective Action Plan Form (Required)
<input checked="" type="checkbox"/> Attachment – 1a	Documentation from the governing body approving this Corrective Action Plan (Required)
<input checked="" type="checkbox"/> Attachment – 2a	Actuarial Analysis (annual valuation, supplemental valuation, projection)
<input type="checkbox"/> Attachment – 3a	Internally Developed Projection Study
<input type="checkbox"/> Attachment – 4a	Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).
<input type="checkbox"/> Attachment – 5a	Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)
<input checked="" 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, Jade Smith, as the government's administrative officer (*enter title*)
City Administrator (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

Signature 

Date 11/09/2018

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 DAVISON Six-Digit Muni Code: 252020
Defined Benefit Pension System Name: CITY OF DAVISON
Contact Name (Administrative Officer): ANDREA SCHROEDER
Title if not Administrative Officer: _____
Email: aschroeder@cityofdavison.org Telephone: (810) 653-2191

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**.*

See Attached Statement 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 Council has approved lump sum payments in addition to the actuarially determined contributions (ADC) of the system for the past 3 fiscal years.
Please see page 7 of 8 of the attached approved budgets, which highlight these additional contributions.

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 Statement 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 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 Statement 3

- 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 Council has approved a lump sum payment in addition to the actuarially determined contributions (ADC) of the system for the current 2018-2019 fiscal year. Please see page 7 of 8 of the attached approved 2018-2019 budget, which highlights this additional budgeted contribution. (Attachment 3a)

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

Sample Statement: Beginning in **fiscal year 2019**, the local unit will begin amortizing the unfunded portion of the 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 DAVISON 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 type="checkbox"/> Attachment – 4a | Documentation of commitment to additional payments in future years (e.g. resolution, ordinance) |
| <input type="checkbox"/> Attachment – 5a | A separate corrective action plan that the local unit has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio |
| <input checked="" type="checkbox"/> Attachment –6a | Other documentation not categorized above |

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria	Description
<input checked="" type="checkbox"/> Underfunded Status	Is there a description and adequate supporting documentation of how and when the retirement system will reach the 60% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all pension systems will be less than 10 percent of governmental fund revenues?
<input checked="" type="checkbox"/> Reasonable Timeframe	Do the corrective actions address the underfunded status in a reasonable timeframe (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 ANDREA SCHROEDER, 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 CITY OF DAVISON (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2025 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 CITY OF DAVISON (**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

Oct. 29, 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 DAVISON Six-Digit Muni Code: 252020

Retirement Health Benefit System Name: CITY OF DAVISON

Contact Name (Administrative Officer): ANDREA SCHROEDER

Title if not Administrative Officer: _____

Email: aschroeder@cityofdavison.org Telephone: (810) 653-2191

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

- (i) Requiring cost sharing of premiums and sufficient copays.
- (ii) Capping employer costs.

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On **January 1, 2017**, the local unit entered into new collective bargaining agreements with the **Command Officers Association** and **Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system is **40%** funded as of **June 30, 2017**.*

See statement 1

- 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 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 wages annually to the trust.

- 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 statement 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**.*

See statement 3

- 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 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. (Attachment 3a)
The fiscal year budget for 2018-2019 has a \$56,000 contribution committed to be set aside in the MERS RHFV.

- 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**.*

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 of the defined benefit retirement health care to help lower the local unit's unfunded liabilities. (Attachment 6a, 6b & 6c)
To keep retirees benefit levels aligned with active employees, options for opt outs of the defined benefit health care has been agreed my management to look at in the near future.

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

- Yes
 No
If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

Type of Document

- | | |
|---|---|
| <input checked="" type="checkbox"/> Attachment – 1 | This Corrective Action Plan (Required) |
| <input checked="" type="checkbox"/> Attachment – 1a | Documentation from the governing body approving this Corrective Action Plan (Required) |
| <input checked="" type="checkbox"/> Attachment – 2a | An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 40% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 12% of governmental fund revenues, as defined by the Act. (Required) |
| <input checked="" type="checkbox"/> Attachment – 3a | Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information). |
| <input 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, ANDREA SCHROEDER, 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 DAVISON (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2042 as demonstrated by required supporting documentation listed in section 6.

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

The ARC for all of the retirement healthcare systems of CITY OF DAVISON (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 Andrea Schroeder

Date Nov. 2, 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: Mackinac County Road Commission Six-Digit Muni Code: 490100

Retirement Health Benefit System Name: Mackinac County Road Commission

Contact Name (Administrative Officer): Dirk Heckman

Title if not Administrative Officer: Engineer/Manager

Email: heckmand@mackinacounty.net Telephone: (906) 643-7333

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

- (i) Requiring cost sharing of premiums and sufficient copays.
- (ii) Capping employer costs.

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On **January 1, 2017**, the local unit entered into new collective bargaining agreements with the **Command Officers Association and Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system is **40% funded as of June 30, 2017**.*

Beginning July 1, 1999, Mackinac County Road Commission's collective bargaining unit agreement changed the post-employment retirement benefits from health insurance for life, to two years after retirement. In subsequent years, the majority of management position contracts have been changed to reflect the same.

- 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.*

At the regularly scheduled meeting of July 23, 2018, the Mackinac County Board of Road Commissioner's approved the establishment of a Section 115 Trust to segregate funds to manage post-employment obligations.
At the regularly scheduled meeting of October 17, 2018, the Mackinac County Board of Road Commissioner's authorized \$200,000.00 to the Section 115 Trust as an initial contribution.

- 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 Mackinac County Road Commission will contribute \$10,000.00 to the Section 115 Trust on a quarterly basis beginning January 1, 2019. These contributions will continue until the retirement system's funded ratio of 40% has been reached, currently projected by 2025.

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 Mackinac County Road Commission is projecting a simple conservative amortization of a 6% rate of return compounded quarterly, and will continue Pay-Go for retiree health premiums to maximize earning interest, see attachment 2a.

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) Mackinac County Road Commissi 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, Dirk Heckman, as the government's administrative officer (insert title) Engineer/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 _____ (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year _____ as demonstrated by required supporting documentation listed in section 6.

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

- The ARC for all of the retirement healthcare systems of Mackinac County Road Commission (Insert local unit name) will be less than 12% of the local unit of government's annual governmental fund revenues by Fiscal Year 2025 as demonstrated by required supporting documentation listed in section 6.

Signature 

Date 11-28-2018

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

2. GENERAL INFORMATION

Corrective Action Plan: An underfunded local unit of government shall develop and submit for approval a corrective action plan for the local unit of government. The local unit of government shall determine the components of the corrective action plan. This Corrective Action Plan shall be submitted by any local unit of government with at least one 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 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 noted on page 66 of 6/30/17 audit report). 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.

- 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's budget is extremely tight every year but an attempt is made to make extra contributions each and every year. The City has made additional contributions over the ARC in FY 2014: \$155,174, FY 2016: \$18,188 and FY 2017: \$81,307 (see Attachment 6a for audit report page noting these additional contributions). The City has made extra contributions over the past several years not only in this system but also the Public Safety DB pension system and the Public Safety and General OPEB plans as well with any and all available surplus annually.

- 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**.*

14.1% of the city's actuarially determined contribution (ADC) is attributable to employees within our Water & Sewer Enterprise division, 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 10.2% when excluding Enterprise Fund from the calculation. Attachment 6a exhibits these contributions from the City's Water & Sewer Enterprise Fund.

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.

As noted on page 3, 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 due to not only the Employees system being underfund but the Public Safety 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 2032. The change in the amort 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** – 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 went to our 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 ARC of \$294,087 for FY 2019 and allow the retirement system to reach a funded status of 60.1% by 2032 as shown in the Attachment 2a.

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

- Yes
 No
If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

Type of Document

- | | |
|---|---|
| <input checked="" type="checkbox"/> Attachment – 1 | This Corrective Action Plan Form (Required) |
| <input checked="" type="checkbox"/> Attachment – 1a | Documentation from the governing body approving this Corrective Action Plan (Required) |
| <input checked="" type="checkbox"/> Attachment – 2a | An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 60% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 10% of governmental fund revenues, as defined by the Act. (Required) |
| <input type="checkbox"/> Attachment – 3a | Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information). |
| <input type="checkbox"/> Attachment – 4a | Documentation of commitment to additional payments in future years (e.g. resolution, ordinance) |
| <input type="checkbox"/> Attachment – 5a | A separate corrective action plan that the local unit has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio |
| <input checked="" type="checkbox"/> Attachment –6a | Other documentation not categorized above |

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria

Description

- | | |
|--|---|
| <input checked="" type="checkbox"/> Underfunded Status | Is there a description and adequate supporting documentation of how and when the retirement system will reach the 60% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all pension systems will be less than 10 percent of governmental fund revenues? |
| <input checked="" type="checkbox"/> Reasonable Timeframe | Do the corrective actions address the underfunded status in a reasonable timeframe (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 Erik Tungate, as the government's administrative officer (*enter 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.

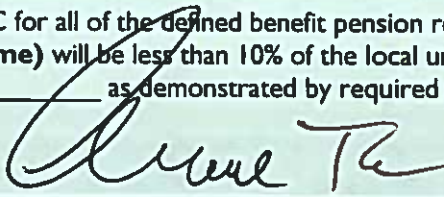
I confirm to the best of my knowledge that because of the changes listed above, one of the following statements will occur:

- The General Employees' Retirement System (Insert Retirement Pension System Name) will achieve a funded status of at least 60% by Fiscal Year 2032 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

11/12/18

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

2. GENERAL INFORMATION

Corrective Action Plan: An underfunded local unit of government shall develop and submit for approval a corrective action plan for the local unit of government. The local unit of government shall determine the components of the corrective action plan. This Corrective Action Plan shall be submitted by any local unit of government with at least one 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**.*

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.

- 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's budget is extremely tight every year but an attempt is made to make extra contributions each and every year. 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(see Attachment 6a for audit report page noting these additional contributions). 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 as well with any and all available surplus annually.

- 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.

As noted on page 3, 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 underfund 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 amort 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 \$50-100,000 annually over the ARC.

- 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 went to our 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 ARC 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.

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

- Yes
 No
If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

Type of Document

- | | |
|---|---|
| <input checked="" type="checkbox"/> Attachment – 1 | This Corrective Action Plan Form (Required) |
| <input checked="" type="checkbox"/> Attachment – 1a | Documentation from the governing body approving this Corrective Action Plan (Required) |
| <input checked="" type="checkbox"/> Attachment – 2a | An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 60% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 10% of governmental fund revenues, as defined by the Act. (Required) |
| <input type="checkbox"/> Attachment – 3a | Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information). |
| <input type="checkbox"/> Attachment – 4a | Documentation of commitment to additional payments in future years (e.g. resolution, ordinance) |
| <input type="checkbox"/> Attachment – 5a | A separate corrective action plan that the local unit has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio |
| <input checked="" type="checkbox"/> Attachment – 6a | Other documentation not categorized above |

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria	Description
<input checked="" type="checkbox"/> Underfunded Status	Is there a description and adequate supporting documentation of how and when the retirement system will reach the 60% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all pension systems will be less than 10 percent of governmental fund revenues?
<input checked="" type="checkbox"/> Reasonable Timeframe	Do the corrective actions address the underfunded status in a reasonable timeframe (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 Erik Tungate, as the government's administrative officer (*enter 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.

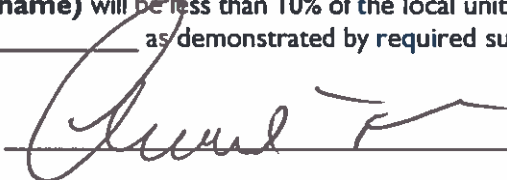
I confirm to the best of my knowledge that because of the changes listed above, one of the following statements will occur:

The Public Safety Retirement System (Insert Retirement Pension System Name) will achieve a funded status of at least 60% by Fiscal Year 2021 as demonstrated by required supporting documentation listed in section 6.

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

The ARC for all of the 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

11/10/18

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

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

- (i) Requiring cost sharing of premiums and sufficient copays.
- (ii) Capping employer costs.

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On January 1, 2017, the local unit entered into new collective bargaining agreements with the **Command Officers Association and Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page 12 of the attached actuarial analysis that indicates the system is **40% funded as of June 30, 2017.***

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

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

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

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

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

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

In 2006 the City attempted to make changes to the retiree health care (RHC) benefit provided to General retirees by increasing the copay for medical and prescription drugs but was sued and ultimately lost the court case and was mandated to not make any changes to benefits. A copy of the order is attached as attachment 6a.

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

Category of Prospective Actions:

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

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

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

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

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

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

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

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

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

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

- Yes
 No
If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention	Type of Document
<input checked="" type="checkbox"/> Attachment – 1	This Corrective Action Plan (Required)
<input checked="" type="checkbox"/> Attachment – 1a	Documentation from the governing body approving this Corrective Action Plan (Required)
<input type="checkbox"/> Attachment – 2a	An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 40% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 12% of governmental fund revenues, as defined by the Act. (Required)
<input type="checkbox"/> Attachment – 3a	Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).
<input type="checkbox"/> Attachment – 4a	Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)
<input type="checkbox"/> Attachment – 5a	A separate corrective action plan that the local unit has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio
<input checked="" type="checkbox"/> Attachment – 6a	Other documentation, not categorized above

7. CORRECTIVE ACTION PLAN CRITERIA

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

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

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

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


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

- The City of Oak Park Employees OPEB Plan (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2048 as demonstrated by required supporting documentation listed in section 6.

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

- The ARC for all of the retirement healthcare systems of _____ (Insert local unit name) will be less than 12% of the local unit of government's annual governmental fund revenues by Fiscal Year _____ as demonstrated by required supporting documentation listed in section 6.

Signature



Date

11/12/18

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

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

- (i) Requiring cost sharing of premiums and sufficient copays.
- (ii) Capping employer costs.

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On January 1, 2017, the local unit entered into new collective bargaining agreements with the **Command Officers Association and Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page 12 of the attached actuarial analysis that indicates the system is **40% funded as of June 30, 2017.***

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

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

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

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

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

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

In 2006 the City attempted to make changes to the retiree health care (RHC) benefit provided to General retirees by increasing the copay for medical and prescription drugs but was sued and ultimately lost the court case and was mandated to not make any changes to benefits. A copy of the order is attached as attachment 6a.

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

Category of Prospective Actions:

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

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

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

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

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

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

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

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

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

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

- Yes
 No
If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention	Type of Document
<input checked="" type="checkbox"/> Attachment – 1	This Corrective Action Plan (Required)
<input checked="" type="checkbox"/> Attachment – 1a	Documentation from the governing body approving this Corrective Action Plan (Required)
<input type="checkbox"/> Attachment – 2a	An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 40% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 12% of governmental fund revenues, as defined by the Act. (Required)
<input type="checkbox"/> Attachment – 3a	Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).
<input type="checkbox"/> Attachment – 4a	Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)
<input type="checkbox"/> Attachment – 5a	A separate corrective action plan that the local unit has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio
<input checked="" type="checkbox"/> Attachment – 6a	Other documentation, not categorized above

7. CORRECTIVE ACTION PLAN CRITERIA

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

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

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

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

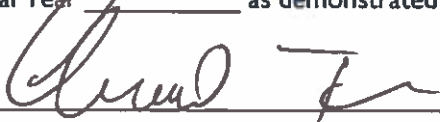
I confirm to the best of my knowledge that because of the changes listed above, one of the following statements will occur:

- The City of Oak Park Employees OPEB Plan (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2048 as demonstrated by required supporting documentation listed in section 6.

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

- The ARC for all of the retirement healthcare systems of _____ (Insert local unit name) will be less than 12% of the local unit of government's annual governmental fund revenues by Fiscal Year _____ as demonstrated by required supporting documentation listed in section 6.

Signature



Date

11/12/18

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

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

- (i) Requiring cost sharing of premiums and sufficient copays.
- (ii) Capping employer costs.

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On January 1, 2017, the local unit entered into new collective bargaining agreements with the **Command Officers Association and Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page 12 of the attached actuarial analysis that indicates the system is **40% funded as of June 30, 2017.***

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

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

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

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

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

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

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

Category of Prospective Actions:

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

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

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

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

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

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

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

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

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

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

- Yes
 No
If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention	Type of Document
<input checked="" type="checkbox"/> Attachment – 1	This Corrective Action Plan (Required)
<input checked="" type="checkbox"/> Attachment – 1a	Documentation from the governing body approving this Corrective Action Plan (Required)
<input type="checkbox"/> Attachment – 2a	An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 40% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 12% of governmental fund revenues, as defined by the Act. (Required)
<input type="checkbox"/> Attachment – 3a	Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).
<input type="checkbox"/> Attachment – 4a	Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)
<input type="checkbox"/> Attachment – 5a	A separate corrective action plan that the local unit has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio
<input checked="" type="checkbox"/> Attachment – 6a	Other documentation, not categorized above

7. CORRECTIVE ACTION PLAN CRITERIA

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

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

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

- The City of Oak Park District Court OPEB Plan (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2048 as demonstrated by required supporting documentation listed in section 6.

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

- The ARC for all of the retirement healthcare systems of _____ (Insert local unit name) will be less than 12% of the local unit of government's annual governmental fund revenues by Fiscal Year _____ as demonstrated by required supporting documentation listed in section 6.

Signature 

Date 11/12/18

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: Charter Township of Redford Six-Digit Muni Code: 821080
Retirement Health Benefit System Name: General Employees
Contact Name (Administrative Officer): Adam Bonarek
Title if not Administrative Officer: Finance Director
Email: abonarek@redfordtwp.com Telephone: (313) 387-2769

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

- (i) Requiring cost sharing of premiums and sufficient copays.
- (ii) Capping employer costs.

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On January 1, 2017, the local unit entered into new collective bargaining agreements with the **Command Officers Association and Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page 12 of the attached actuarial analysis that indicates the system is **40% funded as of June 30, 2017.***

Over the past 18 months, retiree benefit plans were amended to mirror active employees, and all of the existing plans were consolidated into either an HSA or HRA plan. This resulted in a reduction of retiree health care premiums of over \$1.3m or 33%. In Aug 2017, the twp entered into a new CBA with MAPE requiring all new hires to contribute 3% of salary towards retiree health care funding. This was also applied to non-union hourly employees.

- 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**.*

During the most recent recent round of contract negotiations, and expected to continue moving forward, the township has worked with the various employee groups and unions to bring all benefit plans into alignment and to seek an increase in employee co-payments and deductibles for healthcare. Any such increase would result in an improvement to the retirement system's funded ratio. If these increases are achieved, the township will obtain a new actuarial study.

- 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.*

Beginning with FY 2020, the Township has committed to contribute at least an additional \$300,000 above our Pay-Go funding requirements to be applied towards our actuarial accrued liability. This amount will increase by approximately \$50,000 every five years in accordance with the attached schedule, which will bring us to over 40% funded by FY 2048.

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

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

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) Charter Township of Redford 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, Donald Wood, as the government's administrative officer (insert title) Township Superintendent (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

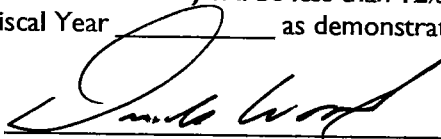
I confirm to the best of my knowledge that because of the changes listed above, one of the following statements will occur:

- The General Employees (**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

11-27-18

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: Charter Township of Redford Six-Digit Muni Code: 821080
Retirement Health Benefit System Name: Police and Fire Employees
Contact Name (Administrative Officer): Adam Bonarek
Title if not Administrative Officer: Finance Director
Email: abonarek@redfordtwp.com Telephone: (313) 387-2769

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

- (i) Requiring cost sharing of premiums and sufficient copays.
- (ii) Capping employer costs.

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On **January 1, 2017**, the local unit entered into new collective bargaining agreements with the **Command Officers Association and Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see **page 12** of the attached actuarial analysis that indicates the system is **40% funded as of June 30, 2017**.*

Over the past 18 months, retiree benefit plans were amended to mirror active employees, and all of the existing plans were consolidated into either an HSA or HRA plan. This resulted in a reduction of retiree health care premiums of over \$1.3m or 33%. In Apr 2016, the twp entered into a new CBA with POAM and IAFF requiring all new hires to contribute 3% of salary towards retiree health care funding.

- 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**.*

During the most recent recent round of contract negotiations, and expected to continue moving forward, the township has worked with the various employee groups and unions to bring all benefit plans into alignment and to seek an increase in employee co-payments and deductibles for healthcare. Any such increase would result in an improvement to the retirement system's funded ratio. If these increases are achieved, the township will obtain a new actuarial study.

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.*

Beginning with FY 2019 the Township has committed to contribute at least an additional \$450,000 above our Pay-Go funding requirements to be applied towards our actuarial accrued liability. This amount will increase by approximately \$50,000 every five years in accordance with the attached schedule, which will bring us to over 40% funded by FY 2048.

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

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

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) Charter Township of Redford 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

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

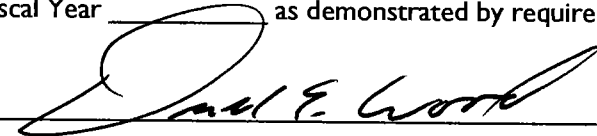
I, Donald Wood, as the government's administrative officer (insert title) Township Superintendent (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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

The Police and Fire Employees (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 11-27-18

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: City of Wayne Six-Digit Muni Code: 822300
Defined Benefit Pension System Name: Municipal Employees' Retirement System
Contact Name (Administrative Officer): Lisa Nocerini
Title if not Administrative Officer: City Manager
Email: lnocerini@cityofwayne.com Telephone: (734) 722-2000

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**.*

All contracts had expired 06/30/2016 and new contracts were negotiated. Contracts have been negotiated and lower multipliers have been agreed upon (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 6/30/19) moved from 7% employee contribution to 10% employee contribution. See additional information 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**.*

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**.*

MERS shows the City of Wayne as 60% funded for the December 31, 2017 Actuarial Valuation Report.

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

Category of Prospective Actions:

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

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

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

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

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

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

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) City of Wayne 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 Lisa Nocerini, 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 City of Wayne (**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 _____

11/20/2018

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 Wayne Six-Digit Muni Code: 822300
Retirement Health Benefit System Name: City of Wayne Retiree Healthcare Plan
Contact Name (Administrative Officer): Lisa Nocerini
Title if not Administrative Officer: City Manager
Email: lnocerini@cityofwayne.com Telephone: (734) 722-2000

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

- (i) Requiring cost sharing of premiums and sufficient copays.
- (ii) Capping employer costs.

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On **January 1, 2017**, the local unit entered into new collective bargaining agreements with the **Command Officers Association** and **Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system is **40%** funded as of **June 30, 2017**.*

On 06/21/2016, the City Council approved a resolution that the City will pay no more than 70% of the cost of retiree healthcare. On 04/18/2017, the City Council approved a resolution to stop paying healthcare premiums for retirees and begin paying a monthly stipend instead. A group of retirees brought legal action against the City related to this decision and was able to block the City from switching to the stipend. (see additional page, attachment 6a)

- 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**.*

Attached is an updated actuarial valuation for 06/30/17 with our Actuarial Accrued Liability of \$7,537,123. Our last actuarial valuation before all of the retiree healthcare changes was \$87,842,665. Our Annual Employer Contribution would now be approximately \$485,000 which is less than 12% of the City's annual governmental fund revenue (see attachment 2a and 2b).

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 is moving the retirees to a monthly stipend on 01/01/19. The stipend amounts for Pre-65: HRA of \$120.75/single/month, \$254.00/two person/month, \$347.75/family/month, and Post-65: HRA of \$64.25/single/month.

- 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 Wayne has setup a Retiree Health Funding Vehicle (qualified trust) with Municipal Employees' Retirement System (MERS). We plan to contribute a portion of our cost savings of moving Retirees to stipend. For fiscal year ending June 30, 2018 we have budgeted to contribute \$50,000 to the trust.

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

- Yes
 No
If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

Type of Document

- | | |
|---|---|
| <input checked="" type="checkbox"/> Attachment – 1 | This Corrective Action Plan (Required) |
| <input checked="" type="checkbox"/> Attachment – 1a | Documentation from the governing body approving this Corrective Action Plan (Required) |
| <input checked="" type="checkbox"/> Attachment – 2a | An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 40% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 12% of governmental fund revenues, as defined by the Act. (Required) |
| <input type="checkbox"/> Attachment – 3a | Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information). |
| <input type="checkbox"/> Attachment – 4a | Documentation of commitment to additional payments in future years (e.g. resolution, ordinance) |
| <input type="checkbox"/> Attachment – 5a | A separate corrective action plan that the local unit has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio |
| <input checked="" type="checkbox"/> Attachment – 6a | Other documentation, not categorized above |

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria

Description

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

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

I, Lisa Nocerini, 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 _____ (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year _____ as demonstrated by required supporting documentation listed in section 6.

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

- The ARC for all of the retirement healthcare systems of City of Wayne Retiree Healthcare Plan (Insert local unit name) will be less than 12% of the local unit of government's annual governmental fund revenues by Fiscal Year 2019 as demonstrated by required supporting documentation listed in section 6.

Signature _____

Date 11/20/18

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: Charter Township of Flint Six-Digit Muni Code: 251070
Retirement Health Benefit System Name: Flint Township Retiree Medical Plan
Contact Name (Administrative Officer): Karyn Miller
Title if not Administrative Officer: Township Supervisor
Email: kmiller@flinttownship.org Telephone: (810) 600-3211

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

- (i) Requiring cost sharing of premiums and sufficient copays.
- (ii) Capping employer costs.

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On **January 1, 2017**, the local unit entered into new collective bargaining agreements with the **Command Officers Association and Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page 12 of the attached actuarial analysis that indicates the system is **40% funded as of June 30, 2017.***

PLEASE SEE ATTACHMENT 6a.

- 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.*

Flint Township is currently negotiating with all our collective bargaining units for all new hires after 1/1/19 to waive retiree health benefits and participate in the Health Care Savings Plan (HCSP) we have established with MERS. As with the HCSP for our patrol officers, Flint Township will contribute 5% of the employee's gross wages to fund the HCSP and the employee may make voluntary contributions.

- 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.*

Per the 2017 Supplemental OPEB Valuation in attachment 2a, effective with fiscal year 2019 Flint Township will contribute \$175,000 per year to Flint Township's OPEB Trust in addition to funding the current retiree health insurance premiums. Per the supplemental valuation, this will allow us to achieve 40% funding in Flint Township's OPEB Trust within 30 years. This funding is included in Flint Township's 2019 adopted budgets (attachment 4a).

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

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

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

- Yes
 No
If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention	Type of Document
<input checked="" type="checkbox"/> Attachment – 1	This Corrective Action Plan (Required)
<input checked="" type="checkbox"/> Attachment – 1a	Documentation from the governing body approving this Corrective Action Plan (Required)
<input checked="" type="checkbox"/> Attachment – 2a	An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 40% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 12% of governmental fund revenues, as defined by the Act. (Required)
<input type="checkbox"/> Attachment – 3a	Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).
<input 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 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 <u>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, Karyn Miller, as the government's administrative officer (insert title) Township Supervisor (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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

- The Charter Township of Flint (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 Karyn Miller

Date 12-5-18

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

Issued under authority of Public Act 202 of 2017.

I. MUNICIPALITY INFORMATION

Local Unit Name: City of Wyandotte Six-Digit Muni Code: 822330

Retirement Health Benefit System Name: City of Wyandotte Retiree Health Care Plan

Contact Name (Administrative Officer): Todd A. Drysdale

Title if not Administrative Officer: City Administrator

Email: tdrysdale@wyandottemi.gov Telephone: (734) 324-4566

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

- (i) Requiring cost sharing of premiums and sufficient copays.
- (ii) Capping employer costs.

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On January 1, 2017, the local unit entered into new collective bargaining agreements with the **Command Officers Association and Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page 12 of the attached actuarial analysis that indicates the system is **40% funded as of June 30, 2017.***

Between 2008 and 2013, the City collectively bargained the elimination of retiree healthcare benefits for newly hired employees. No new hires are eligible for retiree health care. Additionally, terms of coverage have been changed resulting in lower premium costs, new programs have been mandated resulting in lower costs, and retiree co-pays have been increased.

- 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.*

Beginning in 2006, the City has been contributing to the Retiree Health Care Trust. To date, over \$28 million has been transferred from the City's General Fund. The resulting balance is \$2.375 million, up from a deficit of \$247k in 2003.

- 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**.*

The City will be negotiating with three (3) labor unions that have their collective bargaining agreements expire on 12/31/18.

- 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.*

Beginning in Fiscal Year 2019, the City of Wyandotte will begin contributing an additional \$38,020 to the Retiree Health Care Trust Fund. This will be in addition to the current pay-as-you-go method of 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 Wyandotte to make, at a minimum, the retiree premium payment, as well as the normal cost payments for all new hires (if applicable), for the retirement health benefit system according to your long-term budget forecast?

- Yes
 No
If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

Type of Document

- | | |
|---|---|
| <input checked="" type="checkbox"/> Attachment – 1 | This Corrective Action Plan (Required) |
| <input checked="" type="checkbox"/> Attachment – 1a | Documentation from the governing body approving this Corrective Action Plan (Required) |
| <input checked="" type="checkbox"/> Attachment – 2a | An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 40% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 12% of governmental fund revenues, as defined by the Act. (Required) |
| <input type="checkbox"/> Attachment – 3a | Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information). |
| <input 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 (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, Todd A. Drysdale, as the government's administrative officer (insert title)
City Administrator (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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

- The City of Wyandotte Retiree 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 Todd A. Drysdale

Date 12/05/2018

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 Hastings Six-Digit Muni Code: 082010
Retirement Health Benefit System Name: MERS
Contact Name (Administrative Officer): Jeff Mansfield
Title if not Administrative Officer: City Manager
Email: jmansfield@hastingsmi.org Telephone: (269) 945-2468

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

- (i) Requiring cost sharing of premiums and sufficient copays.
- (ii) Capping employer costs.

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On **January 1, 2017**, the local unit entered into new collective bargaining agreements with the **Command Officers Association** and **Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system is **40%** funded as of **June 30, 2017**.*

See 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.

City will continue \$110,000 additional contribution above the ARC. See additional funding above.

- 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) City of Hastings 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, Jeff Mansfield, 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 _____ (**Insert Retirement Healthcare System Name**) will achieve a funded status of at least 40% by Fiscal Year _____ as demonstrated by required supporting documentation listed in section 6.

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

The ARC for all of the retirement healthcare systems of City of Hastings (**Insert local unit name**) will be less than 12% of the local unit of government's annual governmental fund revenues by Fiscal Year 2019 as demonstrated by required supporting documentation listed in section 6.

Signature 

Date 12-6-18

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 Highland Park Six-Digit Muni Code: 822160
Defined Benefit Pension System Name: General Employees Retirement System
Contact Name (Administrative Officer): Eleanor Williamson
Title if not Administrative Officer: Finance Director
Email: ewilliamson@highlandparkmi.gov Telephone: (313) 252-0050

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**.*

New hires are in a MERS 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**.*

- 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.*

This plan is funded through a dedicated court-ordered millage levied annually on an ad-valorem basis. The levy equals the annual pension payments of approximately \$600,000 which are expected to decrease annually as the members age with plan expiration expected in 2050.

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 General Fund, beginning in fiscal year 2019 will contribute at least \$100,000 annually to the pension fund which is expected to bring the plan into greater than 60% funding by the year 2028.

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) The City of Highland Park 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

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

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 Eleanor Williamson, 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 General Employees Retirement System (**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 Eleanor Williamson Date 12-5-18

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 Highland Park Six-Digit Muni Code: 822160
Defined Benefit Pension System Name: Policemen and Firemen Retirement System
Contact Name (Administrative Officer): Eleanor Williamson
Title if not Administrative Officer: Finance Director
Email: ewilliamson@highlandparkmi.gov Telephone: (313) 252-0050

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**.*

New hires are in a MERS 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**.*

- 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.*

This plan is funded through a dedicated court-ordered millage levied annually on an ad-valorem basis. The levy equals the annual pension payments of approximately \$500,000 which are expected to decrease annually as the members age with plan expiration expected in 2045.

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 General Fund, beginning in fiscal year 2019 will contribute \$100,000 annually to the pension fund which is expected to bring the plan into 62% funding by the year 2028

- 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) The City of Highland Park 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

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.

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 Eleanor Williamson, 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 Policemen and Firemen Retirement System (**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 Eleanor Williamson Date 12-5-18

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 Highland Park Six-Digit Muni Code: 822160
Defined Benefit Pension System Name: Public Safety Retirement Plan
Contact Name (Administrative Officer): Eleanor Williamson
Title if not Administrative Officer: Finance Director
Email: ewilliamson@highlandparkmi.gov Telephone: (313) 252-0050

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**.*

New hires are in a MERS 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**.*

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.*

This plan is funded through a dedicated court-ordered millage levied annually on an ad-valorem basis. The levy equals the annual pension payments of approximately \$2,000,000 which are expected to decrease annually as the members age with plan expiration expected in 2050.

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 General Fund, beginning in fiscal year 2019 will contribute at least \$300,000 annually to the pension fund which is expected to bring the plan into greater than 60% funding by the year 2040.

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) The City of Highland Park 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

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.

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

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 Eleanor Williamson, 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 Public Safety Retirement Plan (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2040 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 Eleanor Williamson Date 12-5-18

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

Issued under authority of Public Act 202 of 2017.

I. MUNICIPALITY INFORMATION

Local Unit Name: City of Woodhaven Six-Digit Muni Code: 822320
Retirement Health Benefit System Name: City of Woodhaven Retiree Healthcare
Contact Name (Administrative Officer): Jeff Daigneau
Title if not Administrative Officer: Treasurer / Finance Director
Email: jdaigneau@woodhavenmi.org Telephone: (734) 675-4925

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

- (i) Requiring cost sharing of premiums and sufficient copays.
- (ii) Capping employer costs.

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On **January 1, 2017**, the local unit entered into new collective bargaining agreements with the **Command Officers Association and Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system is **40% funded as of June 30, 2017**.*

The benefits retired members receive mirror the policies that were offered upon retirement. 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.

- 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.*

Upon discontinuing the retiree healthcare for new hires on 7/1/12, the City assigned \$1,213,062 of fund balance for the purpose of retiree obligations. Those funds will be placed into a qualified trust in order to receive, invest, and accumulate additional assets for future obligations. See attachment 4a.

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

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

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 continually modifies the insurance policy, for those still eligible to retire with healthcare coverage, to reduce future costs. The most recent change in healthcare coverage took place October 1, 2016 with another likely to occur during the next City-wide contract negotiations in 2020. The City also defaulted to the hard-cap per PA 152 at that time.

- 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.*

As stated above, the City will create a qualified trust for retirement healthcare. Following the schedule attached, 4b, the City will have the trust established by 2019 year-end. The first two years of contributions will be coming from the assigned fund balance with additional years likely to change based on the most current actuarial report. An affordable amount of \$100,000 is estimated. All contributions listed on the schedule will be in addition to fully paying retiree health care premiums. Since the plan is closed, the City should be 40% on or before 2044, before the required 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) City of Woodhaven 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

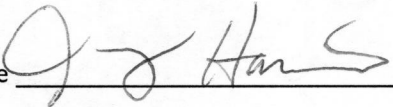
I, Jeff Harris, as the government's administrative officer (insert title)
City Administrator (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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

- The City of Woodhaven Retiree Healthcare (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2044 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 11/28/2018

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: Cadillac City Housing Commission Six-Digit Muni Code: 837511
Retirement Health Benefit System Name: MERS Retiree Health Care Vehicle
Contact Name (Administrative Officer): Owen Roberts
Title if not Administrative Officer: Director of Finance, City of Cadillac
Email: oroberts@cadillac-mi.net Telephone: (231) 775-0181

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

- (i) Requiring cost sharing of premiums and sufficient copays.
- (ii) Capping employer costs.

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On **January 1, 2017**, the local unit entered into new collective bargaining agreements with the **Command Officers Association and Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system is **40%** funded as of **June 30, 2017**.*

As of December 2008, the policy changed and does NOT cover retiree health insurance benefits. There is only one employee remaining who is eligible for this benefit.

- 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**.*

We created a new Retiree Health Care Vehicle account with MERS.

- 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.*

WE will fund this at 100%.

- 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) Cadillac 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

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

Type of Document

This Corrective Action Plan (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 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)

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 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 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, Judy Myers, 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 CHC RHCV (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 Judy Myers

Date 12/11/2018

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: <u>Village of Union City</u>	Six-Digit Muni Code: <u>123030</u>
Retirement Health Benefit System Name: <u>Village of UC OPEB Plan</u>	
Contact Name (Administrative Officer): <u>Chris Mathis</u>	
Title if not Administrative Officer: <u>Village Manager/ Chief of Police</u>	
Email: <u>cmathis@visitunioncity.com</u>	Telephone Number: <u>(517) 741-8591</u>

2. GENERAL INFORMATION
<p>Corrective Action Plan: An underfunded local unit of government shall develop and submit for approval a corrective action plan for the local unit of government. The local unit of government shall determine the components of the corrective action plan. This Corrective Action Plan shall be submitted by any local unit of government with at least one retirement health benefit system that has been determined to have an underfunded status. Underfunded status for a retirement health system is defined as being less than 40% funded according to the most recent audited financial statements, and, if the local unit of government is a city, village, township, or county, the annual required contribution for all of the retirement health systems of the local unit of government is greater than 12% of the local unit of government's annual governmental fund revenues, based on the most recent fiscal year.</p> <p>Due Date: The local unit of government has 180 days from the date of notification to submit a corrective action plan to the Municipal Stability Board. The Board may extend the 180-day deadline by up to an additional 45 days if the local unit of government submits a reasonable draft of a corrective action plan and requests an extension.</p> <p>Filing: Per Sec. 10(1) of 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.</p> <p>The completed plan must be submitted via email to Treasury at LocalRetirementReporting@michigan.gov for review by the Board. If you have multiple underfunded retirement systems, you are required to complete separate plans and send a separate email for each underfunded system. Please attach each plan as a separate PDF document in addition to all applicable supporting documentation.</p> <p>The subject line of the email(s) should be in the following format: Corrective Action Plan-2017, Local Unit Name, Retirement System Name (e.g. Corrective Action Plan-2017, City of Lansing, Employees' Retirement System OPEB 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>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.</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**.

The Village implemented a change that no employee after hired after 1/1/16 is eligible for retiree health care (CBA August 2015 - Attachment 7a). In August 2018, the Village successfully negotiated all remaining non-union employees (3) off of the retirement health care system (August 13th 2018 council minutes - Attachment 7b). The Village also negotiated all Union employees off of the plan, except for 1 remaining employee (August 13th 2018 Council Minutes - 7b). The Village is in negotiations with 1 retiree. Result is 4 employees on the plan - a reduction from 9 on 1/1/18.

- 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 Village created a "OPEB CD" with a balance of \$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 (Attachment 4a). 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** – 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.*

It is estimated with a reduction of 55% of the employees of the system since our last actuarial and the moving of the OPEB accounts to a recognized and qualified account that we will achieve over 40% funded status.

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 Village is continuing to negotiate with the 3 remaining retired employees on the system (August 13th, 2018 council minutes - 7b) in an attempt to remove them from the system. The Village will move to conduct a new actuarial and will engage to do so in early 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 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 of the plan (from 9 employees at the last actuarial), but it is anticipated that we have already achieved at least 40% funded status. See our internally projected timeline and study, attachment 3a.

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

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

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No

If No, Explain:

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention	Type of Document
<input checked="" type="checkbox"/> Attachment – 1	This Corrective Action Plan (Required)
<input checked="" type="checkbox"/> Attachment – 1a	Documentation from the governing body approving this Corrective Action Plan (Required)
<input checked="" type="checkbox"/> Attachment – 2a	Actuarial Analysis (annual valuation, supplemental valuation, projection)
<input checked="" type="checkbox"/> Attachment – 3a	Internally Developed Projection Study
<input 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 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 Chris Mathis, as the government’s administrative officer (*enter title*) Village Manager/ Chief of Police (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 Chris Mathis Date 10/16/2018

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: Interurban Transit Partnership Six-Digit Muni Code: 417530
Defined Benefit Pension System Name: Interurban Transit Partnership and Amalgamated Trust Union Pension Plan
Contact Name (Administrative Officer): Dina Reed
Title if not Administrative Officer: Deputy CEO of Finance and Administration
Email: dreed@ridetherapid.org Telephone: (616) 774-1150

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

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

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

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

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

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

The Form 5572 unintentionally missed the deadline for submission. Attached is Form 5572 using actuarial information from June 30, 2017 for the fiscal year ended September 30, 2017. The Form shows a funded status of 70.7% and is not considered to be underfunded based on the criteria set by the MDOT.

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 70.7% and 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) Interurban Transit Partnership 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 Dina Reed, as the government's administrative officer (*enter title*) Deputy CEO of Finance & Admin. (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 ITP & Amalgam. Trust Union Pension Plan (**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 12/13/2018

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: Interurban Transit Partnership Six-Digit Muni Code: 417530
Defined Benefit Pension System Name: Interurban Transit Partnership Pension Plan
Contact Name (Administrative Officer): Dina Reed
Title if not Administrative Officer: Deputy CEO of Finance and Administration
Email: dreed@ridetherapid.org Telephone: (616) 774-1150

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

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

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

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

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

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

The Form 5572 unintentionally missed the deadline for submission. Attached is Form 5572 using actuarial information from June 30, 2017 for the fiscal year ended September 30, 2017. The Form shows a funded status of 88.8% and is not considered to be underfunded based on the criteria set by the MDOT.

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 88.8% and 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) Interurban Transit Partnership 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 Dina Reed, as the government's administrative officer (*enter title*) Deputy CEO of Finance & Admin. (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 ITP Transit Partnership Pension Plan (**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 _____

Dina Reed

Date _____

12/13/2018

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 New Baltimore Six-Digit Muni Code: 502060
Retirement Health Benefit System Name: City of New Baltimore Retiree Health Care Fund
Contact Name (Administrative Officer): John Dupray
Title if not Administrative Officer: Mayor
Email: mayor@cityofnewbaltimore.org Telephone: (586) 725-2151

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

- (i) Requiring cost sharing of premiums and sufficient copays.
- (ii) Capping employer costs.

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On **January 1, 2017**, the local unit entered into new collective bargaining agreements with the **Command Officers Association and Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system is **40%** funded as of **June 30, 2017**.*

On 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. Please see attachment 6a for collective bargaining agreements, ordinance for retiree health care eligibility, and meeting minutes. Additionally, the City switched to a high deductible health plan in 2009 to reduce employer costs 6b.

- 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**.*

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 (attachment 2b) indicates that the system will be 41.3% funded by 6/30/2019 based on 6/30/2018 figures (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.*

- 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 New Baltimore 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, John Dupray, 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 City of New Baltimore Retiree Health Care (**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 John W Dupray

Date 10-29-18

**MUNICIPAL STABILITY BOARD
RESOLUTION 2018-18**

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

December 19, 2018

MSB Appendix A December 19, 2018

Color Code Key
Green meets CAP Criteria
Yellow partially meets CAP Criteria
Red does not meet CAP Criteria

CAP Criteria Key	
Underfunded Status	Was there description and adequate supporting documentation of how and when the retirement system will address the Underfunded Status criteria as defined by the Municipal Stability Board?
Timeframe	Does this corrective action for this plan meet the Reasonable Timeframe criteria as defined by the Municipal Stability Board?
Legal/Feasible	Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?
Affordable	The local unit must confirm that corrective actions listed in the CAP allow for the local unit to make, at a minimum, the annual required contribution (ARC) payment for pension plans and/or the retiree healthcare premium payment, as well as the normal cost payment for new hires for retirement health benefits

#	Local Unit	Municode	System Type	Date		Underfunded		Timeframe	Legal/Feasible	Affordable	Treasury Recommendation	Corrective Action Plan Link
				Received	Status	Status	Status					
1	L'Anse	073020	Pension	11/14/2018	Yes	Yes	Yes	Yes	Yes	Approve	Village of L'Anse Pension	
2	Bay City	092020	OPEB	11/14/2018	Partial	Partial	Yes	Partial	Approve	City of Bay City OPEB		
3	Marshall	132030	OPEB	11/14/2018	No	No	Yes	No	Disapprove	City of Marshall OPEB		
4	Dowagiac	142010	Pension	11/14/2018	Yes	Yes	Yes	Yes	Approve	City of Dowagiac Pension		
5	Sault Ste Marie	172010	Pension	11/14/2018	Partial	Partial	Yes	Yes	Approve	City of Sault Ste Marie		
6	Crawford County Road Commission	200100	OPEB	11/14/2018	Yes	Yes	Yes	Yes	Approve	Crawford County Road Commission OPEB		
7	Gladstone	212020	Pension	11/14/2018	Yes	Yes	Yes	Yes	Approve	City of Gladstone Pension		
8	Iron Mountain	222010	Pension	11/14/2018	Yes	Yes	Yes	Partial	Approve	City of Iron Mountain Pension		
9	Iron Mountain	222010	OPEB	11/14/2018	Partial	Yes	Yes	Partial	Approve	City of Iron Mountain OPEB		
10	Norway	222030	Pension	11/14/2018	Yes	Yes	Yes	Partial	Approve	City of Norway Pension		
11	Eaton Rapids	232020	Pension	11/14/2018	Yes	Yes	Yes	Partial	Approve	City of Eaton Rapids Pension		
12	Eaton Rapids	232020	OPEB	11/14/2018	Partial	Partial	Yes	Partial	Approve	City of Eaton Rapids OPEB		
13	Richfield Township	251160	OPEB	11/14/2018	Partial	Partial	Yes	Yes	Approve	Richfield Township OPEB		
14	Burton	252005	Pension	11/14/2018	Yes	Yes	Yes	Yes	Approve	City of Burton Pension		
15	Flushing	252050	Pension	11/14/2018	Yes	Yes	Yes	Partial	Approve	City of Flushing Pension		
16	Flushing	252050	OPEB	11/14/2018	Partial	Partial	Yes	Partial	Approve	City of Flushing OPEB		
17	Ironwood	272020	Pension	11/14/2018	Yes	Yes	Yes	Yes	Approve	City of Ironwood Pension		
18	Traverse City Light & Power	287516	Pension	11/14/2018	Yes	Yes	Yes	Yes	Approve	Traverse City Light and Power Authority Pension		
19	Lansing	332020	Pension	11/14/2018	Yes	Yes	Yes	Partial	Approve	City of Lansing Pension		
20	Lansing	332020	OPEB-General Employees	11/14/2018	Yes	Yes	Yes	Partial	Approve	City of Lansing OPEB-General Employees		
21	Lansing	332020	OPEB-Police & Fire	11/14/2018	Yes	Yes	Yes	Partial	Approve	City of Lansing OPEB-Police and Fire		
22	Capital Region Airport Authority	337500	OPEB	11/14/2018	Yes	Yes	Yes	Yes	Approve	Capital Region and Authority Authoregion OPEB		
23	Tawas Police Authority	357514	Pension	11/14/2018	Yes	Yes	Yes	Yes	Approve	TawasPolice Authority Pension		
24	Jackson	382010	Pension	11/14/2018	Yes	Yes	Yes	Yes	Approve	City of Jackson Pension		
25	Vicksburg District Library	398005	Pension	11/14/2018	Yes	Yes	Yes	Yes	Approve	Vicksburg District Library Pension		
26	Center Line	502010	Pension	11/14/2018	Yes	Yes	No	Partial	Disapprove	City of Center Line Pension		
27	Center Line	502010	OPEB	11/14/2018	Yes	Yes	No	Partial	Disapprove	City of Center Line OPEB		
28	St Clair Shores	502090	OPEB-General Employees	11/14/2018	Yes	Yes	Yes	Partial	Approve	St Clair Shores OPEB-General Employees		
29	St Clair Shores	502090	OPEB-Police & Fire	11/14/2018	Yes	Yes	Yes	Partial	Approve	St Clair Shores OPEB-Police & Fire		
30	Romeo	503040	OPEB	11/14/2018	Partial	Partial	Yes	Partial	Disapprove	City of Romeo OPEB		
State of Michigan 41B District - Clinton												
31	Charter Township & Mt Clemens	507536	OPEB	11/14/2018	Yes	Yes	Yes	Yes	Approve	State of Michigan 41B District- Clinton Charter Township & Mt Clemens OPEB		
32	Midland	562020	Pension	11/14/2018	Yes	Yes	Yes	Yes	Approve	City of Midland Pension		
33	Norton Shores	612050	Pension	11/14/2018	Yes	Yes	Yes	Yes	Approve	City of Norton Shores Pension		
34	Bloomfield Charter Township	631030	OPEB	11/14/2018	No	No	Yes	Yes	Disapprove	Bloomfield Charter Township OPEB		
35	Berkley	632010	OPEB	11/14/2018	Yes	Yes	Yes	Partial	Approve	Berkley OPEB		
36	Clawson	632040	OPEB	11/14/2018	Yes	Yes	Yes	Yes	Approve	City of Clawson OPEB		
37	Hazel Park	632070	Pension	11/14/2018	Yes	Yes	Yes	Partial	Approve	City of Hazel Park Pension		
38	Hazel Park	632070	OPEB	11/14/2018	Yes	Yes	Yes	Partial	Approve	City of Hazel Park OPEB		
39	Madison Heights	632110	Pension	11/14/2018	Yes	Yes	Yes	Partial	Approve	Madison Heights Pension		
40	Madison Heights	632110	OPEB-General Employees	11/14/2018	Yes	Yes	Partial	Partial	Approve	Madison Heights OPEB-General Employees		
41	Madison Heights	632110	OPEB-Police & Fire	11/14/2018	Yes	Yes	Yes	Partial	Approve	Madison Heights OPEB-Police & Fire		
42	Pontiac	632170	OPEB	11/14/2018	Yes	Yes	Partial	Yes	Approve	City of Pontiac OPEB		
43	Holly	633050	Pension	11/14/2018	Yes	Yes	Yes	Yes	Approve	Holly Pension		
44	Ogemaw County Road Commission	650100	OPEB	11/14/2018	Partial	Yes	Yes	Partial	Approve	Ogemaw County Road Commission OPEB		
45	Rogers City	712020	Pension	11/14/2018	Partial	Partial	Partial	Yes	Approve	City of Rogers City Pension		
46	Saginaw	732020	Pension	11/14/2018	Yes	Yes	Yes	Partial	Approve	City of Saginaw Pension		
47	Saginaw	732020	OPEB	11/14/2018	Partial	Partial	Yes	Partial	Approve	City of Saginaw OPEB		
48	Marine City	742020	OPEB	11/14/2018	Yes	Yes	Yes	Partial	Approve	City of Marine City OPEB		

49	Marysville	742030	Pension	11/14/2018	Yes	Yes	Yes	Yes	Approve	City of Marysville Pension
50	Port Huron	742060	Pension	11/14/2018	Yes	Yes	Yes	Yes	Approve	City of Port Huron Pension
51	Manistique	772010	Pension	11/14/2018	Yes	Yes	Yes	Yes	Approve	Manistique Pension
52	Allen Park	822010	OPEB	11/14/2018	Partial	Partial	Yes	Partial	Approve	City of Allen Park OPEB
53	Dearborn	822030	OPEB	11/14/2018	Yes	Yes	Yes	Partial	Approve	City of Dearborn OPEB
54	Gibraltar	822090	OPEB	11/14/2018	No	No	Yes	Partial	Disapprove	Gibraltar OPEB
55	Grosse Pointe Farms	822110	OPEB-General Employees	11/14/2018	Yes	Yes	Yes	Yes	Approve	Grosse Pointe Farms OPEB General
56	Grosse Pointe Farms	822110	OPEB-Public Safety	11/14/2018	Yes	Yes	Yes	Yes	Approve	Grosse Pointe Farms OPEB Police and Fire
57	Grosse Pointe Woods	822130	OPEB	11/14/2018	No	No	Yes	Partial	Disapprove	Grosse Pointe Woods OPEB
58	Hamtramck	822140	Pension	11/14/2018	Yes	Yes	Yes	Partial	Approve	City of Hamtramck Pension
59	Rockwood	822250	OPEB	11/14/2018	No	No	Yes	Yes	Disapprove	Rockwood OPEB
60	Romulus	822260	OPEB	11/14/2018	Yes	Yes	Yes	Partial	Approve	Romulus OPEB
61	Southgate	822270	OPEB-MERS	11/14/2018	Partial	Partial	Yes	Partial	Approve	City of Southgate OPEB-MERS
62	Southgate	822270	OPEB-Police & Fire	11/14/2018	Partial	Partial	Yes	Partial	Approve	City of Southgate OPEB
63	Trenton	822290	OPEB	11/14/2018	Yes	Yes	Yes	Partial	Approve	Trenton OPEB
64	Westland	822310	Pension	11/14/2018	Yes	Yes	Yes	Partial	Approve	City of Westland Pension
65	Westland	822310	OPEB	11/14/2018	Yes	Yes	Yes	Partial	Approve	City of Westland OPEB
Grosse Pointes-Clinton Refuse Disposal										
66	Authority	827502	Pension	11/14/2018	Yes	Yes	No	Yes	Disapprove	Grosse Pointes Clinton Refuse Disposal Authority Pension

**Treasury Recommendation
Village of L'Anse
Pension Corrective Action Plan (CAP)
Primary Unit 073020**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$3,085,850	\$6,655,642	46.4%	\$250,787	\$1,893,226	13.2%	YES

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by Village of L'Anse 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:
 - None noted.
- Plan Funding:
 - None noted.
- Other Considerations:
 - None noted.

Prospective Changes:

- Modern Plan Design:
 - The Village will seek to make changes for new hires in collective bargaining in 2019, in which we will seek to lower the defined benefit for new hires, which will help the Village achieve the projected funding level of 60% sooner than the MERS projection of 2027.
- Plan Funding:
 - The Village will begin making lump sum payments of an additional \$50,000.00 a year beginning in 2019 beyond the ARC the Village has always paid to help insure the Village reaches the 60% funding level before 2027.
- Other Considerations:
 - None noted.

Plan size: 40 members

- Inactive employees or beneficiaries currently receiving benefits: 20
- Inactive employees entitled to but not yet receiving benefits: 1
- Active employees: 19

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

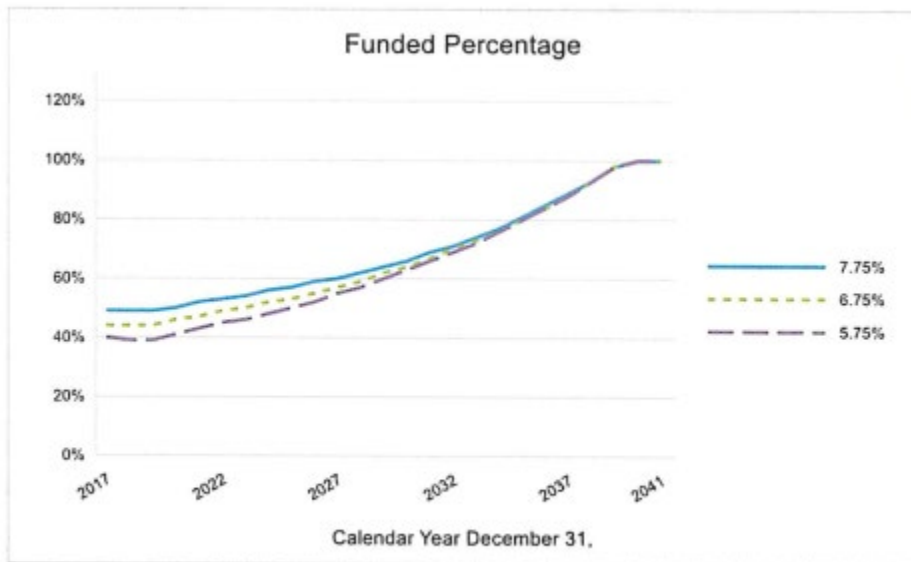
**Treasury Recommendation
Village of L'Anse
Pension Corrective Action Plan (CAP)
Primary Unit 073020**

- 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 (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:

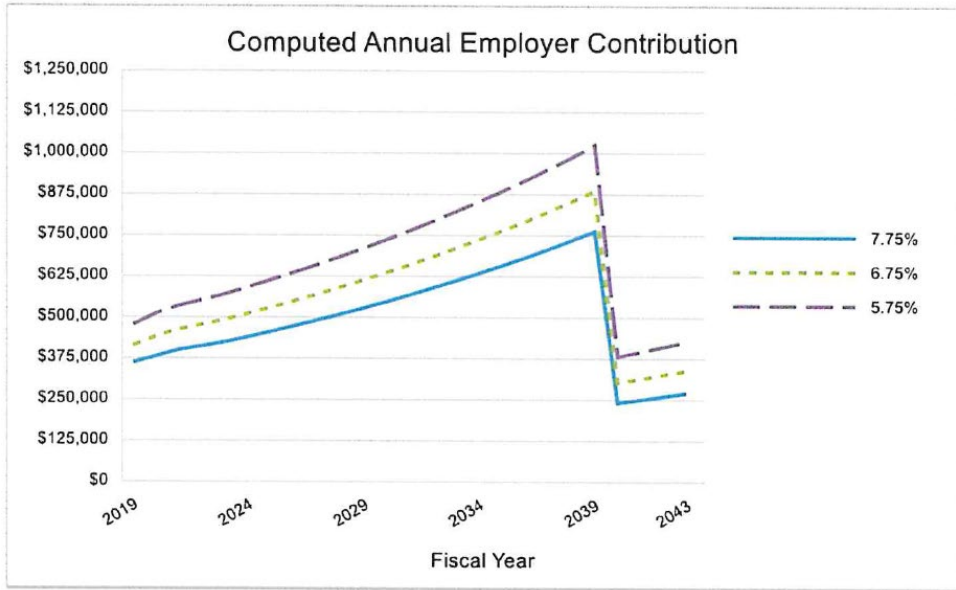
Village of L'Anse included their actuarial valuation which shows their pension system will reach 60% funded. The valuation also shows their computed annual employer contribution over that same time, showing that between 2017 and 2039, the annual contribution is set to increase by approximately \$375,000, or 100%.



Notes:

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

**Treasury Recommendation
Village of L'Anse
Pension Corrective Action Plan (CAP)
Primary Unit 073020**



Notes:

All projected contributions are shown with no phase-in.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Bay City
OPEB Corrective Action Plan (CAP)
Primary Unit 092020**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
General Employees Retirement System-MERS	Pension	\$49,234,657	\$73,093,322	67.4%	\$4,598,968	\$29,824,637	20.5%	No
Bay City Police and Fire Retirement System	Pension	\$54,689,794	\$72,884,757	75.0%	\$1,521,054			No
Healthcare	OPEB	\$17,001,598	\$132,292,254	12.9%	\$7,788,653		26.1%	Yes
Total		\$120,926,049	\$278,270,333		\$13,908,675	\$29,824,637	46.6%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Bay City, 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:**
 - Bay City closed the plan to all new hires by switching to a Retirement Health Savings (RHS). The RHS is a defined contribution style account.
 - Bay City states it has revised all collective bargaining agreements, as well as the benefits offered to non-union employees so that retiree healthcare benefits mirror the benefits provided to active employees.
 - Bay City negotiated high deductible healthcare plans by combining with employer paid HSAs to cover the deductibles. Treasury was unable to confirm this.
- **Plan Funding:**
 - Bay City states that on 6/18/2018 it opened a Section 115 which replaced the original trust and created a Retiree Health Care Board to manage the trust.
 - The City sets employer contribution rates for retiree health care that have historically exceed insurance premium payments. These excess contributions in addition to investment income have remained in the healthcare trust. By FY 2018, assets now total \$19.9 million.
- **Other Considerations:**
 - Component Units, Internal Service Funds, and Enterprise Funds all contribute to the Section 115 Trust.

Prospective Changes:

**Treasury Recommendation
City of Bay City
OPEB Corrective Action Plan (CAP)
Primary Unit 092020**

- Modern Plan Design:
 - Effective 1/1/2019 the City will switch all post-65 retirees to a new Medicare Advantage plan through Aetna. Treasury was unable to confirm this.
 - The City's labor attorney is also reviewing the existing CBA's to determine any flexibility in OPEB provisions that were included in previous CBAs.

- Plan Funding:
 - Bay City states that if they assume an 1% annual increase in employer contributions, they will reach a 40% funded status in 2028.

- Other Considerations:
 - The City will request the actuary to update the projected pay-as-you-go premium requirements for the actuarial report to be dated 6/30/2019.

Plan size: 606 members

- Inactive employees or beneficiaries currently receiving benefits: 413
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 193

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 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 maybe able to achieve the 40% funded ratio within this timeframe.

Treasury Recommendation
City of Bay City
OPEB Corrective Action Plan (CAP)
Primary Unit 092020

- 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 46.6%. This reflects a significant portion of the local government's budget.

Supplemental Information:

Bay City included their analysis showing they will reach 40% funded in the year 2028. This projection assumes a 1% annual increase in employer contributions based on the 2017 valuation, and then adjusted for the \$500,000 estimated decrease in premium costs by switching to a Medicare Advantage program.

The projected funded ratio is based on the 2017 valuation liability. While this projection does not include a factor for healthcare inflation, we note that an offsetting factor is the plan is closed to new hires. Because new members cannot enter the plan, this would reduce the plan's liability over time.

The chart also shows the projected increase in employer contributions, increasing from 2019 to 2047 by approximately \$2,000,000, or 32%.

**Treasury Recommendation
City of Bay City
OPEB Corrective Action Plan (CAP)
Primary Unit 092020**

<u>Year</u>	<u>Projected Contributions</u>	<u>Estimated Investment Revenue (7%)</u>	<u>Total Additions</u>	<u>Current Retirees</u>	<u>Future Retirees</u>	<u>Total Health Care Premiums</u>	<u>Other Deductions</u>	<u>Total Deductions</u>	<u>Ending Trust Balance</u>	<u>Funding Level @ Current Total OPEB Liability</u>
2019	6,220,488	1,576,077	7,796,565	5,037,492	203,936	5,241,428	51,951	5,293,379	22,433,796	19.46%
2020	6,282,693	1,790,260	8,072,953	4,818,994	363,310	5,182,304	52,990	5,235,294	25,271,455	21.92%
2021	6,345,520	1,991,095	8,336,615	4,930,146	537,367	5,467,513	54,050	5,521,563	28,086,507	24.36%
2022	6,408,975	2,190,369	8,599,344	5,071,537	753,929	5,825,466	55,131	5,880,597	30,805,254	26.72%
2023	6,473,065	2,382,925	8,855,990	5,202,226	1,015,642	6,217,868	56,234	6,274,102	33,387,142	28.96%
2024	6,537,796	2,565,923	9,103,719	5,176,549	1,255,502	6,432,051	57,359	6,489,410	36,001,451	31.23%
2025	6,603,174	2,751,213	9,354,387	5,177,082	1,565,954	6,743,036	58,506	6,801,542	38,554,296	33.44%
2026	6,669,206	2,932,223	9,601,429	5,112,830	1,841,349	6,954,179	59,676	7,013,855	41,141,870	35.69%
2027	6,735,898	3,115,687	9,851,585	5,089,059	2,072,362	7,161,421	60,870	7,222,291	43,771,164	37.97%
2028	6,803,257	3,302,095	10,105,352	5,131,455	2,337,527	7,468,982	62,087	7,531,069	46,345,447	40.20%
2029	6,871,290	3,484,676	10,355,966	5,177,921	2,593,499	7,771,420	63,329	7,834,749	48,866,664	42.39%
2030	6,940,003	3,663,566	10,603,569	5,208,795	2,792,268	8,001,063	64,596	8,065,659	51,404,574	44.59%
2031	7,009,403	3,843,649	10,853,052	5,241,491	3,008,168	8,249,659	65,888	8,315,547	53,942,079	46.79%
2032	7,079,497	4,023,728	11,103,225	5,220,729	3,186,280	8,407,009	67,206	8,474,215	56,571,089	49.07%
2033	7,150,292	4,210,236	11,360,528	5,177,185	3,353,533	8,530,718	68,550	8,599,268	59,332,349	51.46%
2034	7,221,795	4,406,027	11,627,822	5,124,246	3,508,681	8,632,927	69,921	8,702,848	62,257,323	54.00%
2035	7,294,013	4,613,303	11,907,316	5,104,050	3,613,377	8,717,427	71,319	8,788,746	65,375,893	56.71%
2036	7,366,953	4,834,156	12,201,109	5,022,722	3,690,445	8,713,167	72,745	8,785,912	68,791,090	59.67%
2037	7,440,623	5,075,798	12,516,421	4,964,785	3,784,251	8,749,036	74,200	8,823,236	72,484,275	62.87%
2038	7,515,029	5,336,925	12,851,954	4,873,679	3,881,477	8,755,156	75,684	8,830,840	76,505,389	66.36%
2039	7,590,179	5,621,033	13,211,212	4,800,930	3,969,882	8,770,812	77,198	8,848,010	80,868,591	70.14%
2040	7,666,081	5,929,114	13,595,195	4,670,012	4,043,582	8,713,594	78,742	8,792,336	85,671,450	74.31%
2041	7,742,742	6,267,998	14,010,740	4,571,243	4,135,745	8,706,988	80,317	8,787,305	90,894,885	78.84%
2042	7,820,169	6,636,348	14,456,517	4,456,194	4,181,989	8,638,183	81,923	8,720,106	96,631,296	83.82%
2043	7,898,371	7,040,634	14,939,005	4,305,620	4,291,619	8,597,239	83,561	8,680,800	102,889,501	89.24%
2044	7,977,355	7,481,472	15,458,827	4,158,908	4,338,462	8,497,370	85,232	8,582,602	109,765,726	95.21%
2045	8,057,129	7,965,601	16,022,730	3,998,667	4,374,059	8,372,726	86,937	8,459,663	117,328,793	101.77%
2046	8,137,700	8,497,836	16,635,536	3,826,081	4,518,156	8,344,237	88,676	8,432,913	125,531,416	108.88%
2047	8,219,077	9,074,867	17,293,944	3,642,393	4,576,538	8,218,931	90,450	8,309,381	134,515,979	116.68%

The Community Engagement and Finance Division (CEFD) contact:

- The CEFD called the City of Bay City to discuss if the 1% annual increase per year was for the “employer” or the “employee” from Exhibit 6a-4. Bay City confirmed their plan is to increase employer contributions by 1%.

**Treasury Recommendation
City of Marshall
OPEB Corrective Action Plan (CAP)
Primary Unit 132030**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$21,237,785	\$34,352,142	61.8%	\$815,277	\$7,465,578	10.9%	No
Healthcare	OPEB	\$775,338	\$25,020,779	3.1%	1,438,495		19.3%	Yes
Total		\$22,013,123	\$59,372,921		\$2,253,772	\$7,465,578	30.2%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Denial of the OPEB corrective action plan submitted by City of Marshall, which was received by the Municipal Stability Board (the Board) on November 14, 2018. If denied, City of Marshall, will receive a detailed letter from the Board listing the reasons for disapproval. City of Marshall 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 City of Marshall eliminated retiree healthcare benefits for any employee hired after January 1, 1997. July 1, 2016, the City of Marshall added the BCBS Medicare Advantage Plan to retiree healthcare and all retirees that become Medicare eligible must enroll in Medicare Parts A & B. Initial savings were approximately \$200,000 per year.
 - Beginning July 1, 2018, all retirees paying a 12% co-pay must now pay a 14% co-pay and if non-union employees co-pay should increase so does the retirees co-pay.
- Plan Funding:
 - On November 1, 2006, the City of Marshall opened a Retiree Healthcare Saving Trust Account (RHFV) with MERS with an initial deposit of \$282,314. Current balance is \$939,714.
- Other Considerations:
 - None.

Prospective Changes:

- Modern Plan Design:
 - None.
- Plan Funding:
 - The City of Marshall, will adopt a resolution (page 11 of the CAP) to change its funding methodology from pay-as-you-go, to contributing an additional \$200,000 contribution to the MERS RHFV account on July 1, 2019 and each July 1 thereafter. The additional contribution will increase the retirement plan funded ration to 40% by 2042 based on a 6% rate of return. Please see City of Marshall: Contribution Study by Watkins Ross.

Treasury Recommendation
City of Marshall
OPEB Corrective Action Plan (CAP)
Primary Unit 132030

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

Plan size: 124 members (Statistics taken from Watkins Ross, city's healthcare actuary.)

- Inactive employees or beneficiaries currently receiving benefits: 107
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 17

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 not met:

- Underfunded Status:
 - The corrective action plan failed to demonstrate the retirement system will reach 40% funded with clear supporting documentation.
- 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 2042; however, there is not clear supporting documentation to support this claim.
- 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 retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast. Additionally, our review indicates the plan's annual required contribution as a percentage of general fund operating revenues is 30.2%. This reflects a significant portion of the local government's budget.

**Treasury Recommendation
City of Marshall
OPEB Corrective Action Plan (CAP)
Primary Unit 132030**

Supplemental Information:

The City of Marshall provided a table showing projected annual employer contributions from 2017-2047, showing an increase of approximately \$2,200,000, or 229%. This analysis does not demonstrate the impact to the City’s funding ratio. Based on the information provided, we are unable to ascertain the when the City will reach the 40% funded threshold based on the plan of an additional \$200,000 annual contribution.

City of Marshal; Contribution Study

Year fund reaches 40% of liability			
	Contribution		
Return\	200,000	400,000	600,000
4%	2047	2041	2037
6%	2042	2036	2032
7%	2039	2033	2030

Projected benefits and cash contributions

	Projected	200,000		400,000		600,000	
	Benefits	Contributions	=Total	Contributions	=Total	Contributions	=Total
2017	943,554	200,000	1,143,554	400,000	1,343,554	600,000	1,543,554
2018	1,059,134	200,000	1,259,134	400,000	1,459,134	600,000	1,659,134
2019	1,111,534	200,000	1,311,534	400,000	1,511,534	600,000	1,711,534
2020	1,225,755	200,000	1,425,755	400,000	1,625,755	600,000	1,825,755
2021	1,306,080	200,000	1,506,080	400,000	1,706,080	600,000	1,906,080
2022	1,393,404	200,000	1,593,404	400,000	1,793,404	600,000	1,993,404
2023	1,465,590	200,000	1,665,590	400,000	1,865,590	600,000	2,065,590
2024	1,534,122	200,000	1,734,122	400,000	1,934,122	600,000	2,134,122
2025	1,625,894	200,000	1,825,894	400,000	2,025,894	600,000	2,225,894
2026	1,693,998	200,000	1,893,998	400,000	2,093,998	600,000	2,293,998

**Treasury Recommendation
City of Marshall
OPEB Corrective Action Plan (CAP)
Primary Unit 132030**

2027	1,772,499	200,000	1,972,499	400,000	2,172,499	600,000	2,372,499
2028	1,871,871	200,000	2,071,871	400,000	2,271,871	600,000	2,471,871
2029	1,948,509	200,000	2,148,509	400,000	2,348,509	600,000	2,548,509
2030	2,033,413	200,000	2,233,413	400,000	2,433,413	600,000	2,633,413
2031	2,124,567	200,000	2,324,567	400,000	2,524,567	600,000	2,724,567
2032	2,200,677	200,000	2,400,677	400,000	2,600,677	600,000	2,800,677
2033	2,306,287	200,000	2,506,287	400,000	2,706,287	600,000	2,906,287
2034	2,400,663	200,000	2,600,663	400,000	2,800,663	600,000	3,000,663
2035	2,473,031	200,000	2,673,031	400,000	2,873,031	600,000	3,073,031
2036	2,564,055	200,000	2,764,055	400,000	2,964,055	600,000	3,164,055
2037	2,652,699	200,000	2,852,699	400,000	3,052,699	600,000	3,252,699
2038	2,724,911	200,000	2,924,911	400,000	3,124,911		
2039	2,804,507	200,000	3,004,507	400,000	3,204,507		
2040	2,878,136	200,000	3,078,136	400,000	3,278,136		
2041	2,944,493	200,000	3,144,493	400,000	3,344,493		
2042	3,002,333	200,000	3,202,333				
2043	3,050,490	200,000	3,250,490				
2044	3,087,836	200,000	3,287,836				
2045	3,113,481	200,000	3,313,481				
2046	3,126,504	200,000	3,326,504				
2047	3,126,222	200,000	3,326,222				

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Dowagiac
Pension Corrective Action Plan (CAP)
Primary Unit 142010**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$9,877,054	\$20,298,454	48.7%	\$801,290	\$4,606,684	17.4%	Yes
City of Dowagiac Retiree Medical Plan	OPEB	\$425,837	\$645,739	65.9%	\$43,497		0.9%	No
Total		\$10,302,891	\$20,944,193		\$844,787	\$4,606,684	18.3%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by the City of Dowagiac, 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:
 - As of July 2017, divisions that are not represented by collective bargaining agreements have a cap of 80 hours of vacation they can sell back during the year to be included in the Final Average Compensation (FAC). The Fire Division can sell back 120 hours during the year to be included in the FAC.
- Plan Funding:
 - Starting in 2015, the City made additional payments of \$5,000 a month.
 - In February 2018, the City raised this contribution to \$6,000 a month.
- Other Considerations:
 - 42.32% of the retirement actuarially determined contribution is allocated to proprietary funds. The City notes it factors the MERS pension liability into each utility during rate studies.

Prospective Changes:

- Modern Plan Design:
 - None noted.
- Plan Funding:
 - City Council committed to making \$6,000 monthly payments until the pension plan is 90% funded.
- Other Considerations:
 - None noted.

**Treasury Recommendation
City of Dowagiac
Pension Corrective Action Plan (CAP)
Primary Unit 142010**

Plan size: 116 members

- Inactive employees or beneficiaries currently receiving benefits: 59
- Inactive employees entitled to but not yet receiving benefits: 11
- Active employees: 46

Corrective Action Plan Criteria:

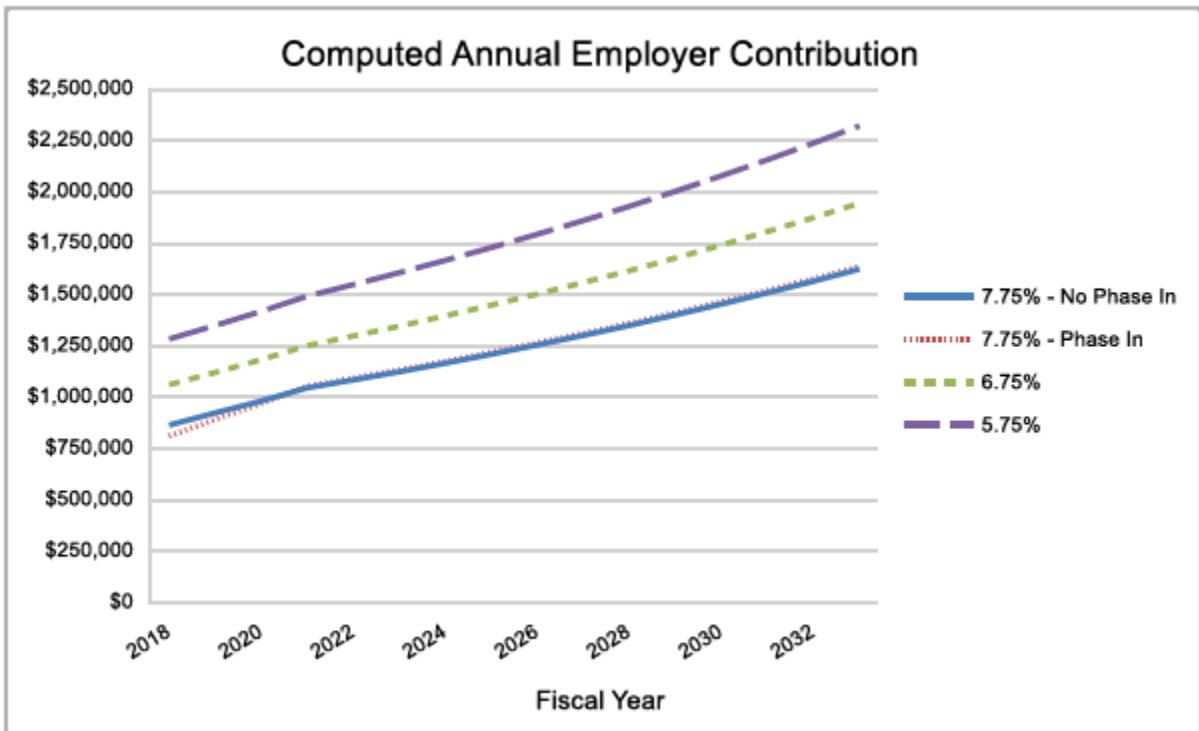
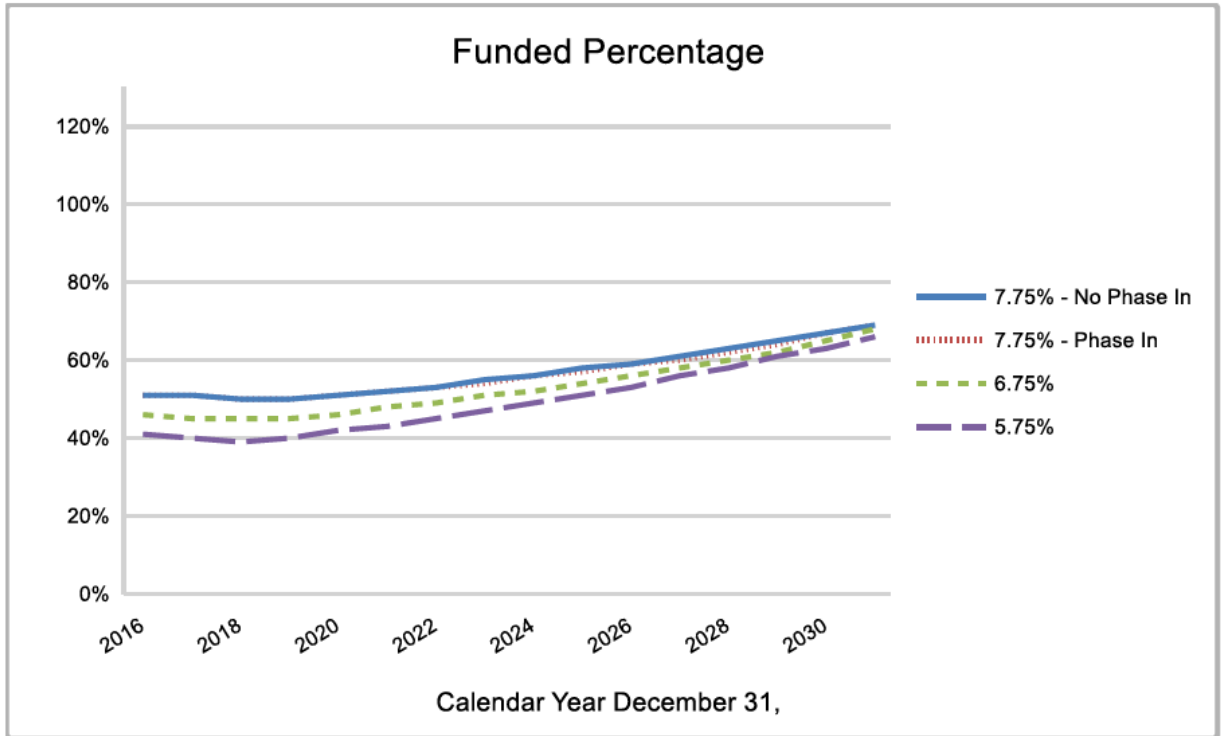
The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The corrective action plan demonstrates it will 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 (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 City of Dowagiac included an overview of 7 different factors that affect its pension plan to determine what corrective action plan best aligns with the City. They also included an unfunded accrued liability study, from 2000 to today. Additionally, the City of Dowagiac included their 2016 valuation showing the projected funding ratios and annual employer contributions, and an internal ballpark estimate showing that they will reach 60% funded status in fiscal year 2027. Additionally, this estimate shows that from 2018 to 2036, projected annual employer contributions increase by \$1,000,000 or 125%.

**Treasury Recommendation
City of Dowagiac
Pension Corrective Action Plan (CAP)
Primary Unit 142010**



**Treasury Recommendation
City of Dowagiac
Pension Corrective Action Plan (CAP)
Primary Unit 142010**

Valuation Year Ending	Fiscal Year Beginning	Baseline (With Phase-in)				Option 1 (With Phase-in) - Prior and Future Addtl Contributions to Surplus Division						
		Actuarial Accrued Liability	Valuation Assets	Funded Ratio	Total Annual Employer Contribution	Actuarial Accrued Liability	Valuation Assets (Including Surplus)	Funded Ratio	Required Annual Employer Contribution	Additional Annual Employer Contribution	Total Annual Employer Contribution	
12/31/2016	10/1/2018	20,826,526	10,638,526	51%	\$811,896	20,826,526	10,703,152	51%	\$811,896	\$72,000	\$883,896	
12/31/2017	10/1/2019	21,504,363	10,914,258	51%	\$893,352	21,504,363	11,047,877	51%	\$893,352	\$72,000	\$965,352	
12/31/2018	10/1/2020	22,182,840	11,146,626	50%	\$971,772	22,182,840	11,363,931	51%	\$971,772	\$72,000	\$1,043,772	
12/31/2019	10/1/2021	22,850,792	11,332,327	50%	\$1,055,352	22,850,792	11,634,963	51%	\$1,055,352	\$72,000	\$1,127,352	
12/31/2020	10/1/2022	23,506,818	11,871,047	51%	\$1,094,148	23,506,818	12,271,876	52%	\$1,094,148	\$72,000	\$1,166,148	
12/31/2021	10/1/2023	24,154,318	12,469,033	52%	\$1,134,192	24,154,318	12,975,664	54%	\$1,134,192	\$72,000	\$1,206,192	
12/31/2022	10/1/2024	24,788,246	13,118,695	53%	\$1,176,252	24,788,246	13,739,328	55%	\$1,176,252	\$72,000	\$1,248,252	
12/31/2023	10/1/2025	25,399,633	13,781,034	54%	\$1,220,244	25,399,633	14,524,504	57%	\$1,220,244	\$72,000	\$1,292,244	
12/31/2024	10/1/2026	25,991,331	14,462,663	56%	\$1,266,000	25,991,331	15,338,490	59%	\$1,266,000	\$72,000	\$1,338,000	
12/31/2025	10/1/2027	26,560,926	15,166,039	57%	\$1,312,716	26,560,926	16,184,480	61%	\$1,312,716	\$72,000	\$1,384,716	
12/31/2026	10/1/2028	27,121,557	15,909,959	59%	\$1,361,496	27,121,557	17,082,067	63%	\$1,361,496	\$72,000	\$1,433,496	
12/31/2027	10/1/2029	27,683,055	16,709,203	60%	\$1,412,988	27,683,055	18,046,888	65%	\$1,412,988	\$72,000	\$1,484,988	
12/31/2028	10/1/2030	28,257,844	17,580,587	62%	\$1,465,956	28,257,844	19,096,680	68%	\$1,465,956	\$72,000	\$1,537,956	
12/31/2029	10/1/2031	28,868,259	18,553,111	64%	\$1,521,240	28,868,259	20,261,439	70%	\$1,521,240	\$72,000	\$1,593,240	
12/31/2030	10/1/2032	29,518,665	19,638,496	67%	\$1,578,276	29,518,665	21,553,958	73%	\$1,578,276	\$72,000	\$1,650,276	
12/31/2031	10/1/2033	30,215,007	20,849,798	69%	\$1,637,640	30,215,007	22,988,446	76%	\$1,637,640	\$72,000	\$1,709,640	
12/31/2032	10/1/2034	30,980,247	22,218,103	72%	\$1,699,452	30,980,247	24,597,234	79%	\$1,699,452	\$72,000	\$1,771,452	
12/31/2033	10/1/2035	31,802,839	23,740,069	75%	\$1,763,904	31,802,839	26,378,321	83%	\$1,763,904	\$72,000	\$1,835,904	
12/31/2034	10/1/2036	32,677,260	25,419,565	78%	\$1,830,276	32,677,260	28,337,019	87%	\$1,830,276	\$72,000	\$1,902,276	
12/31/2035	10/1/2037	33,620,283	27,283,831	81%	\$1,899,396	33,620,283	30,502,126	91%	\$967,399	\$0	\$967,399	
12/31/2036	10/1/2038	34,634,115	29,346,255	85%	\$1,971,336	34,634,115	32,888,705	95%	\$329,520	\$0	\$329,520	
12/31/2037	10/1/2039	35,733,635	31,633,270	89%	\$2,045,652	35,733,635	35,264,454	99%	\$342,420	\$0	\$342,420	
12/31/2038	10/1/2040	36,927,625	34,166,665	93%	\$355,908	36,927,625	36,927,625	100%	\$355,752	\$0	\$355,752	
12/31/2039	10/1/2041	38,238,781	36,983,260	97%	\$369,864	38,238,781	38,238,007	100%	\$369,708	\$0	\$369,708	
12/31/2040	10/1/2042	39,683,807	39,656,022	100%	\$386,892	39,683,807	39,681,971	100%	\$383,916	\$0	\$383,916	

*Notes: In the Baseline scenario, no additional contributions or asset transfers after 12/31/16 were reflected.
In Option 1, we reflected both an asset transfer of \$60,000 from Division 13, and an additional \$60,000 for year 2017 to surplus division.
The assumed annual market return and discount rate is 7.75%.
In Option 1, for simplicity, a full payment of \$72,000 additional contribution to surplus division is assumed for calendar year 2018.*

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Sault Ste. Marie
Pension Corrective Action Plan (CAP)
Primary Unit 172010**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Firemen and Policemen Retirement System	Pension	\$14,343,657	\$28,367,680	50.6%	\$1,369,975	\$15,181,049	12.7	Yes
MERS	Pension	\$19,856,088	\$29,833,182	66.6%	\$553,169			No
Total		\$34,199,745	\$58,200,862		\$1,923,144	\$15,181,049	12.7%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by City of Sault Ste. Marie, 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 city negotiates with four bargaining units and three non-union units covered by the plan. The city has made benefit changes to all covered groups dating back to 1993. These changes include refinement to wages included in the FAC calculation and reduced multipliers.
- Plan Funding:
 - Pension is fully funded by a dedicated millage which has increased from 1.15 mills in 1993 to 6.0766 mills in 2018.
- Other Considerations:
 - The plan's pension board has moved to more conservative actuarial assumptions that have resulted in increases to the ARC and unfunded actuarial liability. Of note, the plan is currently using a 7.0% investment rate of return which is in alignment with the Treasurer's uniform assumptions.
 - The City of Sault Ste. Marie has a written agreement with their Firefighters to recognize the current funded status when negotiating changes.

Prospective Changes:

- Modern Plan Design:
 - Written agreement with firefighters recognizing the current funding status must be significantly improved and that parties will work in good faith toward negotiating changes resulting in cost reductions with similar agreements sought with each unit.

**Treasury Recommendation
City of Sault Ste. Marie
Pension Corrective Action Plan (CAP)
Primary Unit 172010**

- Plan Funding:
 - City is focused on various programs, including economic development and the need for new and improved housing alternatives, which will result in increased growth for the City and improved taxable values.
 - City has fought for a positive outcome to tax tribunal cases brought on by its big box stores – millage increases will likely continue if these efforts fail to increase taxable values.

- Other Considerations:
 - The pension board has taken steps to reduce the amortization period in the past and may do so again if taxable values increase enough to allow for the millage to remain flat.
 - The City notes the socioeconomics of its community including the unemployment rate, poverty rate, and government-owned, tax exempt parcels

Plan size: 103 members

- Inactive employees or beneficiaries currently receiving benefits: 61
- Inactive employees entitled to but not yet receiving benefits: 1
- Active employees: 41

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

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

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

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
 - The local unit did not provide clear documentation that demonstrates the plan 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.

**Treasury Recommendation
City of Sault Ste. Marie
Pension Corrective Action Plan (CAP)
Primary Unit 172010**

- Reasonable Timeframe:
 - The finance director indicates the plan will achieve a funded ratio of 60% by 2021; 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.

Supplemental Information: The City included its own internal analysis that demonstrates when it will reach 60% funded. As stated in the corrective action plan, “Given that it’s expected to take 20 years to move funding up 50% (to 100%) and that is roughly 2.5% per year, we might expect to be up to 60% funded in four years or as of 6/30/2021. Although Treasury has determined the City’s historical funding ratio has not improved 2.5% per year, the move to more conservative assumptions will provide a higher probability that the funding ratio will improve.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

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

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

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Crawford 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 2015, Crawford County Road Commission changed from health insurance to having a MERS Health Care Savings Program (HCSP) vehicle that gave retirees between the ages of 55 and 65 a monthly sum (\$240-\$1,100). For retirees 65-80 year sold, Crawford County Road Commission reimburses up to half the cost of healthcare up to \$150 for the retiree and \$100 a month for the spouse.
- Plan Funding:
 - 11/1/2018 Crawford County Road Commission opened a MERS Retiree Health Funding Vehicle (RHFV).
- Other Considerations:
 - Crawford County Road Commission had their auditor conduct an internal evaluation of their liabilities in 2017, this evaluation shows their yearly costs are decreasing.

Prospective Changes:

- Modern Plan Design:
 - Crawford County Road Commissions contracts end March 31, 2022 and they will look into updating the plan design.
- Plan Funding:
 - Beginning in January 2019, Crawford County Road Commission will deposit approximately \$30,000 into their MERS RHFV. Using their auditor's evaluation, Crawford County Road Commission notes that with an interest rate of 5% they should be almost fully funded in 2029.
- Other Considerations:

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

- Crawford County Road Commission is looking into having an OPEB actuarial study completed with the next union contract, beginning in 2022.

Plan size: N/A members

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 (Fiscal Year 2029).
- 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:

Crawford County Road Commission included an excel document created by their auditor that showed its Current Age interest-discounted present value of Total Benefits to be paid as \$1,185,719. Crawford County Road Commission plans on paying \$24,000 plus the normal cost of any newly hired employees which is \$6,000 per employee. Increasing their funding \$30,000 a year will get Crawford County Road Commission to 40% funded within a reasonable timeframe.

The Community Engagement and Finance Division (CEFD) contact:

- The CEFD reached out to Crawford County Road Commission to receive their internal evaluation from their auditor, which projects their liabilities.

**Treasury Recommendation
City of Gladstone
Pension Corrective Action Plan (CAP)
Primary Unit 212020**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$6,015,667	\$13,189,003	45.6%	\$721,620	\$4,193,365	17.2%	Yes
Healthcare	OPEB	\$0	\$2,489,098	0%	\$190,860		4.6%	No
Total		\$6,015,667	\$15,678,101	45.6%	\$912,480	\$4,193,365	21.8%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by the City of Gladstone 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 June 2009, the City closed the final division of the defined benefit pension plan, the POLC.
- Plan Funding:
 - In 2008, the City approved a \$364,088 Lump Sum payment to MERS to bring all divisions up to the 60% funding level.
- Other Considerations:
 - None noted.

Prospective Changes:

- Modern Plan Design:
 - None noted.
- Plan Funding:
 - The City had setup a Surplus Plan with MERS that will provide the City with funding credit towards its pension liability. Over the next five years, the City will provide \$87,500 from the \$175,000 budgeted towards the Internal Retirement System fund. Treasury was unable to verify.
 - The City will also provide additional funding from its enterprise funds to improve its pension. Some of these funds are the result of savings from the City's OPEB reform. Treasury was unable to verify.
- Other Considerations:
 - None noted.

**Treasury Recommendation
City of Gladstone
Pension Corrective Action Plan (CAP)
Primary Unit 212020**

Plan size: 51 members

- Inactive employees or beneficiaries currently receiving benefits:40
- Inactive employees entitled to but not yet receiving benefits: 3
- Active employees: 8

Corrective Action Plan Criteria:

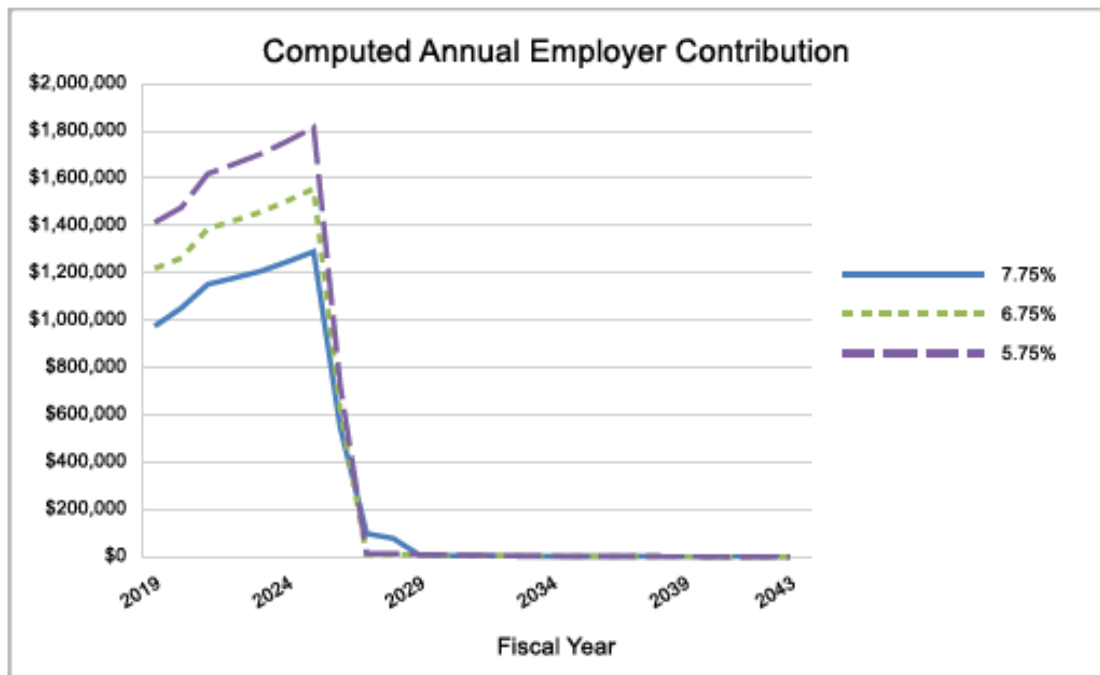
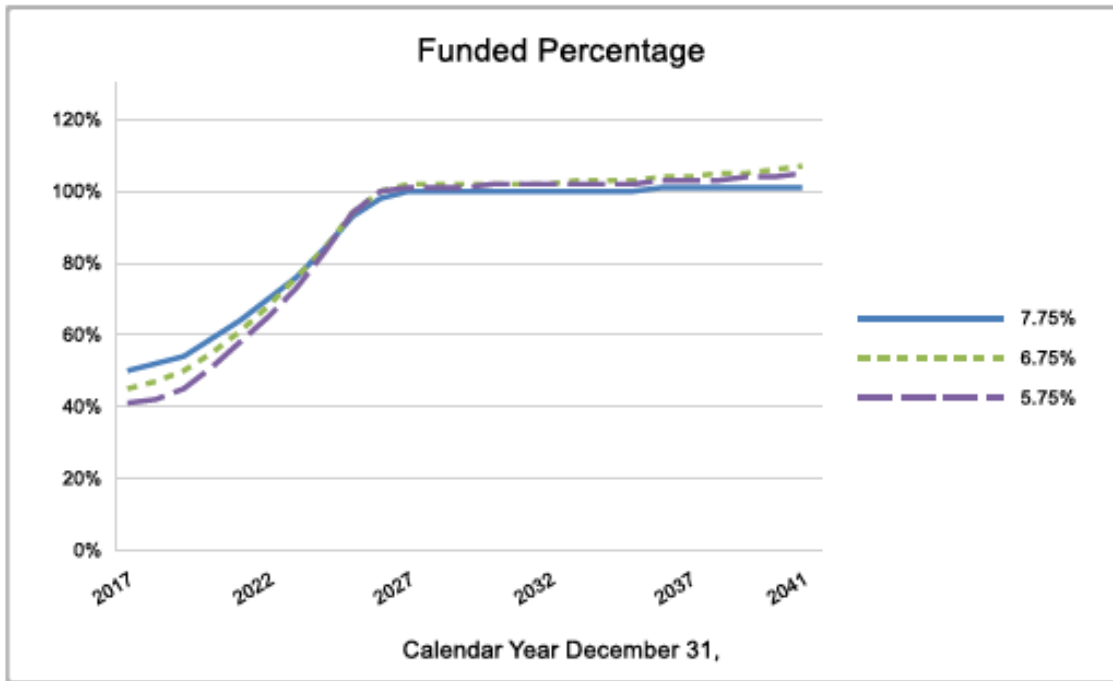
The following corrective action plan approval criteria are met:

- 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 (2022).
- 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 city used the older version of the CAP template.
- 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 City of Gladstone provided an actuarial valuation report dated December 31, 2017 from CBIZ. That report shows the pension fund demonstrates the pension plan achieving a 60% funded ratio by 2022. Additionally, the valuation shows the schedule of computed employer contributions, illustrating that between 2019 and 2024, the annual employer contribution increases by approximately \$300,000, or 30%. The city also provided an internal analysis showing accelerated payments to their pension fund, based in part on prospective changes the city will seek for retiree health care coverage. Treasury was unable to verify the city's assumptions in the internal analysis.

**Treasury Recommendation
City of Gladstone
Pension Corrective Action Plan (CAP)
Primary Unit 212020**



Notes:

All projected contributions are shown with no phase-in.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Iron Mountain
Pension Corrective Action Plan (CAP)
Primary Unit 222010**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$4,754,795	\$12,468,657	38.1%	\$467,151	\$7,672,814	14.3%	Yes
P&F PENSION (PA 345)	Pension	\$10,481,877	\$16,597,624	63.2%	\$632,912			No
OPEB	OPEB	\$0	\$34,106,325	0.0%	\$1,591,318		20.7%	Yes
Total		\$15,236,672	\$63,172,606		\$2,691,381	\$7,672,814	35.0%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by City of Iron Mountain, 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 City of Iron Mountain states that they closed their plan effective 7/1/2018 and offer a hybrid pension to new hires. In this hybrid, Iron Mountain lowered the multiplier from 2.25% to 1.7% and decreased their contribution. Treasury could not confirm the switch to a hybrid system based on the information submitted in the corrective action plan.
- Plan Funding:
 - None noted.
- Other Considerations:
 - None noted.

Prospective Changes:

- Modern Plan Design:
 - A majority of the MERS pension employees are Department of Public Works employees, who recently signed a 3-year contract that expires in 2020. As the bargaining gets closer, they will consider additional changes based on funding level trends.
- Plan Funding:
 - None noted.
- Other Considerations:
 - None noted.

**Treasury Recommendation
City of Iron Mountain
Pension Corrective Action Plan (CAP)
Primary Unit 222010**

Plan size: 69 members

- Inactive employees or beneficiaries currently receiving benefits: 43
- Inactive employees entitled to but not yet receiving benefits: 5
- Active employees: 21

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 City Manager certified the plan will reach a 60% funded ratio by FY 2033. The documentation submitted in the plan indicates the plan will not reach a 60% funded ratio until FY 2035. The FY 2035 timeframe is still within the board's reasonable timeframe criteria for severely underfunded systems.
- 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 35.0%. This reflects a significant portion of the local government's budget.

Supplemental Information:

City of Iron Mountain included their actuarial projection, which shows Iron Mountain reaching 60% funded in valuation year ending 12/31/2033. From 2018 to 2035, it also shows that the computed annual employer contribution increases by approximately \$550,000, or 71%.

**Treasury Recommendation
City of Iron Mountain
Pension Corrective Action Plan (CAP)
Primary Unit 222010**

Municipal Employees' Retirement System



November 1, 2018

City of Iron Mountain (2201) – All Divisions

Our understanding of the purpose for the employer's request is to estimate the timeframe when the plan may reach an overall 60% funded level under the baseline projection scenario. The following projection numbers are based on the December 31, 2017 actuarial valuation results:

Valuation Year Ending 12/31	Fiscal Year Beginning 7/1	Actuarial Accrued Liability	Valuation Assets	Funded Percentage	Computed Annual Employer Contribution
7.75% Assumed Interest Discount Rate and Future Annual Market Rate of Return					
WITH 5-YEAR PHASE-IN					
2017	2019	\$ 12,994,898	\$ 4,931,476	38%	\$ 759,912
2018	2020	13,027,902	4,719,476	36%	685,188
2019	2021	13,089,554	4,615,999	35%	711,360
2020	2022	13,161,439	4,767,667	36%	731,736
2021	2023	13,235,396	4,889,168	37%	749,004
2022	2024	13,317,431	4,999,998	38%	776,988
2023	2025	13,411,754	5,142,322	38%	805,944
2024	2026	13,512,552	5,315,581	39%	836,148
2025	2027	13,615,479	5,523,253	41%	867,192
2026	2028	13,712,188	5,760,669	42%	899,232
2027	2029	13,800,231	6,029,254	44%	932,520
2028	2030	13,885,226	6,338,583	46%	967,116
2029	2031	13,968,781	6,694,640	48%	1,002,336
2030	2032	14,046,632	7,098,008	51%	1,039,764
2031	2033	14,122,478	7,557,340	54%	1,078,692
2032	2034	14,199,553	8,081,608	57%	1,119,072
2033	2035	14,281,250	8,680,896	61%	1,161,000
2034	2036	14,376,073	9,370,542	65%	1,204,656
2035	2037	14,487,873	10,161,771	70%	1,249,836
2036	2038	14,621,785	11,067,815	76%	1,296,576

Important Comments

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Iron Mountain
OPEB Corrective Action Plan (CAP)
Primary Unit 222010**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$4,754,795	\$12,468,657	38.1%	\$467,151	\$7,672,814	14.3%	Yes
P&F PENSION (PA 345)	Pension	\$10,481,877	\$16,597,624	63.2%	\$632,912			No
OPEB	OPEB	\$0	\$34,106,325	0.0%	\$1,591,318		20.7%	Yes
Total		\$15,236,672	\$63,172,606		\$2,691,381	\$7,672,814	35.0%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by City of Iron Mountain, 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:
 - Retirees are required to contribute a percentage towards their health insurance that was set in place at the time they retired. The current percentage is 20% These policies were put in place 4/4/2011 for administrative staff; 7/1/2011 for Public Works and office staff and the Fire Department; and 7/1/2012 for the Police Patrol and Lieutenants.
 - Iron Mountain closed their retiree health insurance for new employees for the following groups: 1/1/2018 for Administrative employees; 7/1/2009 for the Fire Public Works and Office staff; 7/1/2011 for the Fire Department; and 7/1/2012 for Police Patrol and Lieutenants.
- Plan Funding:
 - None noted.
- Other Considerations:
 - None noted.

Prospective Changes:

- Modern Plan Design:
 - As of 1/1/2019 Iron Mountain switched to a \$2,000/\$4,000 High Deductible Health Plan (HDHP) for all active employees and 7 administrative retirees.
- Plan Funding:
 - Iron Mountain will create a qualified trust to receive, invest and accumulate assets for retirement healthcare by June 30,2019.
 - Beginning with the fiscal year end 2019, Iron Mountain will contribute \$139,000 annually for the next 30 years. This funding policy has been passed by City Council.

**Treasury Recommendation
City of Iron Mountain
OPEB Corrective Action Plan (CAP)
Primary Unit 222010**

- Other Considerations:
 - None noted.

Plan size: 100 members

- Inactive employees or beneficiaries currently receiving benefits: 70
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 30

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Reasonable Timeframe:
 - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 40% within a reasonable timeframe (2049).
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.

The following corrective action plan approval criteria are partially met:

- 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 maybe able to reach a funded ratio of 40% if the plan's assumptions remain accurate. The City failed to project the retiree healthcare liability into the future. Therefore, the city assumes a 40% funded ratio based on today's liability.
- 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 35.0%. This reflects a significant portion of the local government's budget.

**Treasury Recommendation
City of Iron Mountain
OPEB Corrective Action Plan (CAP)
Primary Unit 222010**

Supplemental Information:

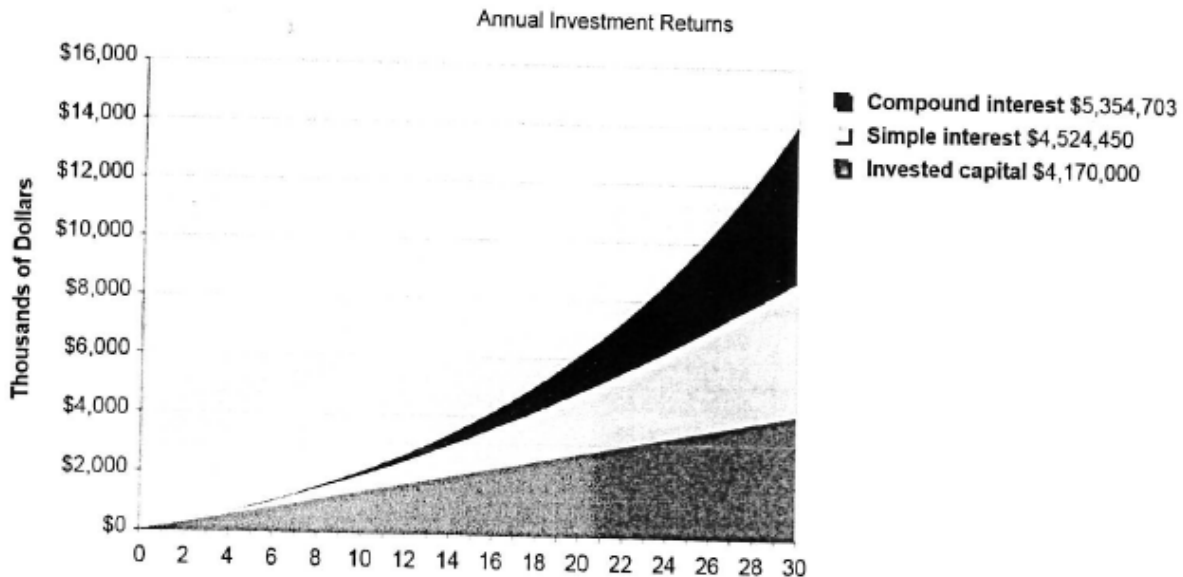
Iron Mountain included an internal analysis showing that opening a trust and putting in \$139,000 annually with a rate of return of 7% could be worth \$14,049,152.75 in 30 years. This projection fails to factor in healthcare inflation; however, the increase in liability resulting from inflation is mitigated because the projection does not factor in mortality for a closed plan. Using today's liability, they would be slightly above 40% funded in 30 years.

Investment Returns
bankrate.com

2a

After 30 years you could have \$14,049,152.75.

Your original investment of \$0.00 plus your annual investments of \$139,000.00 could be worth \$14,049,152.75 after 30 years. This assumes an annual rate of return of 7% and all of your annual investments happen at the beginning of the year. All values are shown before inflation is taken into account.



Input Summary	
Years	30
Rate of return	7%
Initial investment	\$0.00
Additional investments	\$139,000.00 per year
Inflation rate	0%
Tax rate	0%
Net return after taxes and inflation	7%
Adjust annual investment for inflation?	no
Show all values after inflation?	no
Results Summary	
Compounded interest return	\$5,354,702.75
Simple interest return	\$4,524,450.00
Total invested capital	\$4,170,000.00
Investment final total	\$14,049,152.75

**Treasury Recommendation
City of Iron Mountain
OPEB Corrective Action Plan (CAP)
Primary Unit 222010**

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Norway
Pension Corrective Action Plan (CAP)
Primary Unit 222030**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$8,356,885	\$19,809,486	42.2%	\$687,116	\$3,752,293	18.3%	YES
Defined Benefit Healthcare Plan	OPEB	\$180,788	\$1,266,922	14.3%	\$89,149		2.4%	NO
Total		\$8,537,673	\$21,076,408		\$776,265	\$3,752,293	20.7%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by the City of Norway, which was received by the Municipal Stability Board (the Board) on 11/14/2018. 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 Division 10 IBEW Electric closed to new hires.
 - All new hires in a Defined Contribution plan as follows:
 - 2007- Division 1, AFSCME
 - 2012- Division 10 & 11, IBEW Electric & IBEW Supervisors
 - 2013 – Division 2, Police
- Plan Funding:
 - 2009 to 2016 contributed an extra 5% to Division 11 IBEW Supervisors. This practice was discontinued.
 - Local unit claims that employee contribution was increase from 4.7% to 8% between 2013 and 2016.
- Other Considerations:
 - None Listed

Prospective Changes:

- Modern Plan Design:
 - None Listed
- Plan Funding:
 - Beginning in FY2019-20, the city will contribute a minimum of 5% above the ADC to the plan. Additional funding beyond this will be evaluated as the budget allows.
- Other Considerations:
 - None Listed

Treasury Recommendation
City of Norway
Pension Corrective Action Plan (CAP)
Primary Unit 222030

Plan size: 65 members

- Inactive employees or beneficiaries currently receiving benefits: 43
- Inactive employees entitled to but not yet receiving benefits: 1
- Active employees: 65

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 60.0% 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 PA202 established funding level of 60.0% within a reasonable timeframe (2027).
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local unit checked 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:

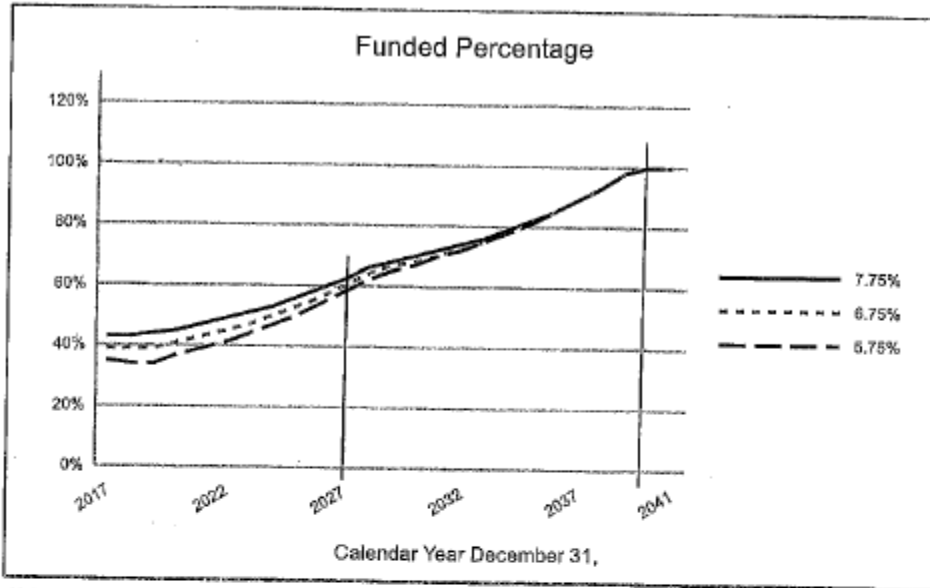
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast. However, our review indicates the plan's annual required contribution as a percentage of general fund operating revenues is 18.3%. This reflects a significant portion of the local government's budget.

Supplemental Information:

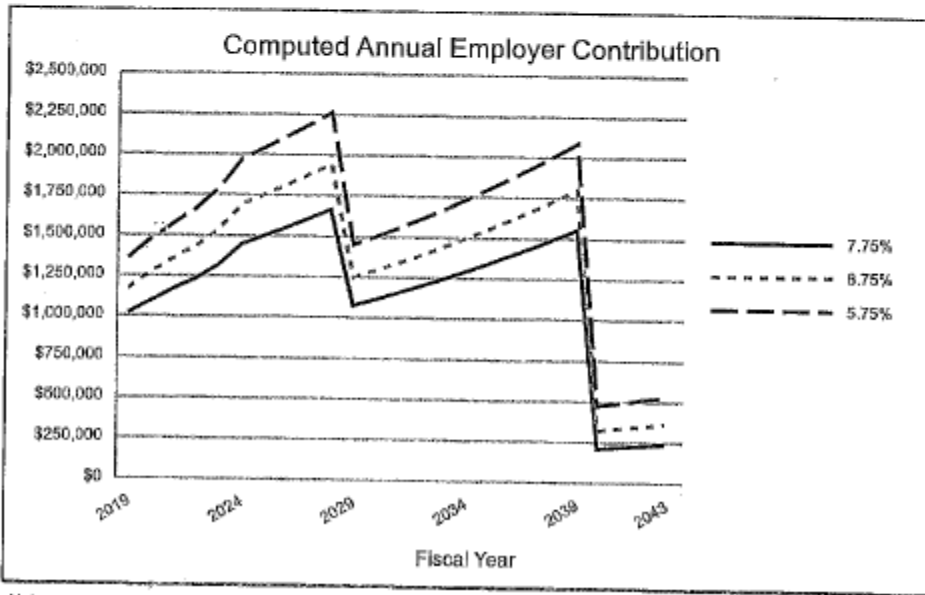
City of Norway included the MERS Valuation Charts as shown below. This chart shows the annual employer contribution increasing from approximately \$1,000,000 in 2019 to \$1,700,000 to 2028 or an increase of about 8% a year. The funding percentage chart show confirms 60% funded in 2027

**Treasury Recommendation
City of Norway
Pension Corrective Action Plan (CAP)
Primary Unit 222030**

In the Prior Actions section for Plan Funding, the local unit claimed that employee contributions were increased to 8% and all plans have been closed to new hires, however this information is not available for confirmation.



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



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

The Community Engagement and Finance Division (CEFD) contact:

- None noted

**Treasury Recommendation
City of Eaton Rapids
Pension Corrective Action Plan (CAP)
Primary Unit 232020**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$8,538,127	\$14,544,381	58.7%	\$424,370	\$3,585,598	11.8%	YES
Healthcare	OPEB	\$0	\$10,396,289	0.0%	\$786,168		21.9%	YES
Total		\$8,538,127	\$24,940,670		\$1,210,538	\$3,585,598	33.8%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by City of Eaton Rapids, 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:
 - October 22, 2018, Eaton Rapids entered into a new collective bargaining agreement with the Operating Engineers Unit (DPW/Utilities) that changes the system's multiplier for new hires from 1.7% to 1.5%.
 - It does not appear that Eaton Rapids has closed the pension system to new hires at this time.
- Plan Funding:
 - None listed.
- Other Considerations:
 - Eaton Rapids attached a more recent actuarial valuation from 2017 that shows their funded ratio has increased to 62% (see Supplemental Information). The city has certified its pension system will achieve at 60% funded status by fiscal year 2019.

Prospective Changes:

- Modern Plan Design:
 - Eaton Rapids is planning to close the system.
 - Beginning in 2019, Eaton Rapids will attempt to offer a defined contribution system to new employees. The city will seek to increase the contribution from current employees from 4.5% to 6.25%. It is anticipated the city will save over \$1 million over the next 20 years.
- Plan Funding:
 - None listed.
- Other Considerations
 - Eaton Rapids stated that 48% of the ARC calculation is attributed to the general fund.

**Treasury Recommendation
City of Eaton Rapids
Pension Corrective Action Plan (CAP)
Primary Unit 232020**

Plan size: 81 members

- Inactive employees or beneficiaries currently receiving benefits: 32
- Inactive employees entitled to but not yet receiving benefits: 16
- Active employees: 33

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.

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 33.8%. This reflects a significant portion of the local government's budget.

Supplemental Information:

City of Eaton Rapids included data from its most recent MERS valuation. From 2019 to 2039, the computed annual employer contribution is scheduled to increase by approximately \$450,000, or 80%.

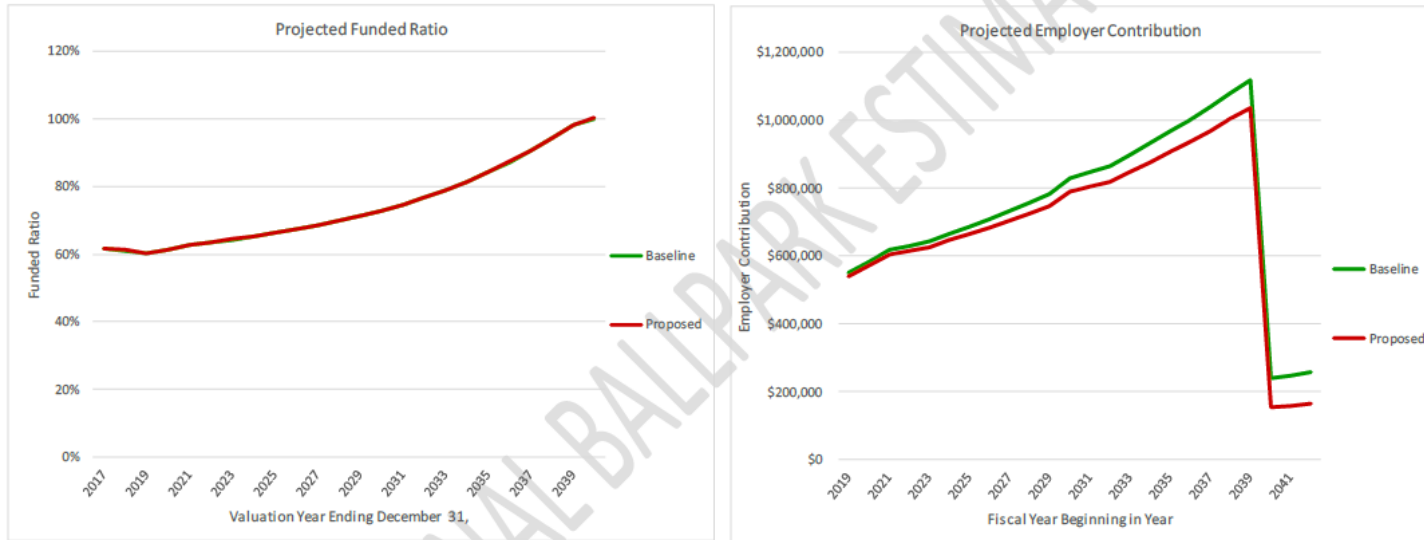
Your Funded Ratio:

	12/31/2017 *	12/31/2016
Funded Ratio	62%	62%

* Reflects assets from Surplus divisions, if any.

**Treasury Recommendation
City of Eaton Rapids
Pension Corrective Action Plan (CAP)
Primary Unit 232020**

**City of Eaton Rapids (2307) - All Divisions
Estimated Projected Employer Contributions and Funded Ratios**



Baseline - Current Benefits

Option 1 - Changed Division 20's Member Rate to 6.25%; Closed Divisions 02 & 20 to A Lower DB: 1.5% Multiplier, 6.25% Member Rate, FAC-3, V-10, F50/25; Closed Divisions 11 & 12 to A Lower DB: 1.5% Multiplier, 6.25% Member Rate, FAC-5, V-10, F55/25

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Eaton Rapids
OPEB Corrective Action Plan (CAP)
Primary Unit 232020**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$8,538,127	\$14,544,381	58.7%	\$424,370	\$3,585,598	11.8%	YES
Healthcare	OPEB	\$0	\$10,396,289	0.0%	\$786,168		21.9%	YES
Total		\$8,538,127	\$24,940,670		\$1,210,538	\$3,585,598	33.8%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by City of Eaton Rapids, 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:
 - Eaton Rapids on October 22, 2018 negotiated a new CBA with the Operating Engineers Unit (DPW/Utilities) that closes out the retiree health insurance program to new hires. The agreement also increases the retiree's portion of the cost of premiums, from 20% to 25% effective immediately and an increase to 30% of the cost of premiums effective January 1, 2021.
- Plan Funding:
 - None listed.
- Other Considerations:
 - None listed.

Prospective Changes:

- Modern Plan Design:
 - Starting January 2019, Eaton Rapids will seek to close out the retiree health insurance benefit to all new hires in all collective bargaining units. In addition, Eaton Rapids will seek to increase the retiree's share of premiums from 20% to 30%. Also, the city will seek to buy-out active employees with the use of a defined contribution plan. Finally, the city will seek to change the current plan to a more cost-effective plan for current retirees.
- Plan Funding:
 - Eaton Rapids is planning to create by March 1, 2019 a qualified trust to receive, invest, and accumulate assets for retirement healthcare. Eaton Rapids will adopt a policy to change its funding methodology from pay-go to full funding of the Annual Required Contribution (ARC) by March 1, 2019. However, the local government has calculated the ARC would increase employer contributions to \$138,617, and the city asserts it will

Treasury Recommendation
City of Eaton Rapids
OPEB Corrective Action Plan (CAP)
Primary Unit 232020

increase the retirement funded ratio to 40% by 2048. Please see further discussion in the supplemental information section.

- Other Considerations:
 - Eaton Rapids stated the ARC calculation does not reflect liabilities of other funds (i.e. the City's utility fund). Eaton Rapids asserts the general fund is responsible for only 48% of the cost of its retiree health insurance liability.

Plan size: 59 members

- Inactive employees or beneficiaries currently receiving benefits: 27
- Active employees: 32

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 local unit's corrective action plan appears to follow all applicable laws. The actions listed appear reasonable and the corrective action plan has been approved by the governing body.

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
 - The local unit did not provide clear documentation that demonstrates the retirement system will reach 40% funded. Based on other information presented in the corrective action plan, we have determined the plan maybe 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 maybe able to achieve the 40% funded ratio within this timeframe.
- Affordable:

**Treasury Recommendation
City of Eaton Rapids
OPEB Corrective Action Plan (CAP)
Primary Unit 232020**

- 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 33.8%. This reflects a significant portion of the local government's budget.

Supplemental Information:

The City states that it will adopt a policy to change its funding methodology from pay-go to full funding of the annual required contribution. We reached out to the city for clarification. The city is not adopting a policy of full-funding of the annual required contribution. Rather, the city is going to continue pay-go with an additional \$138,617 until the OPEB plan reaches 40% in 2048.

. According to our calculation a contribution of \$138,617 for 30 years will equal \$4,158,510. This would indeed result in a funding ratio of 40.0% if calculated using today's actuarial accrued liability. However this calculation does not include factors for healthcare inflation, investment returns, or any consideration to new members being added to the system. We also note however; the city has included discussion that it wishes to close this plan in FY 2019.

The Community Engagement and Finance Division (CEFD) contact:

- The CEFD reached out to Eaton Rapids' city manager to discuss Section 8 of the CAP. We learned that two clerical errors (noted at the top of this CAP) were indeed made.
 - The City checked the ARC/revenue box presumably indicating that this is trigger their CAP is addressing. That's a mistake. The city's CAP is focused on the funded ratio, which brings up the second clerical error.

The city will be hitting 40% in the year 2048 (as evidence by the supporting calculations) not 2038 as entered in Section 8's funded ratio section.

**Treasury Recommendation
Richfield Township
OPEB Corrective Action Plan (CAP)
Primary Unit 251160**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$2,708,600	\$4,930,603	54.9%	\$123,240	\$2,485,829	5.0%	No
Healthcare	OPEB	\$1,210,286	\$4,715,450	25.7%	\$385,217		15.5%	Yes
Total		\$3,918,886	\$9,646,053		\$508,457	\$2,485,829	20.5%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Richfield 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:
 - The Collective Bargaining Agreements for the two unions as of 2016 and 2017 now include employee responsibility for up to \$500 of their deductible. The same policy is used for non-union employees as well.
- Plan Funding:
 - In 2012 Richfield Township began a Retiree Health Funding Vehicle (RHFV) Trust with MERS. The initial investment was around \$220,000. The township increased the annual contribution to \$50,000 in 2012 as well as 2013 and 2014. They increased the contribution to \$60,000 in 2016 and 2017. In fiscal year 2016 they had a CD mature and invested all the funds into the RHFV (this amounted to \$250,000).
- Other Considerations:
 - There were none provided.

Prospective Changes:

- Modern Plan Design:
 - Richfield Township is planning to make the financial responsibility for a share of the health insurance deductible a requirement for retirees as it is for current employees.
- Plan Funding:
 - In November 2018 the Township Board contributed another \$250,000 into the RHFV. The Board approved resolution 2018-15 in which they will fund \$100,000 in the next four fiscal years while budgeting for retiree health premiums in each of those fiscal years. Funding will go up to the 40% funded requirement.
- Other Considerations:
 - In August 2018 an employee that was out on sick leave retired. Due to the fact that the employee did not work the required 25 years, the employee and spouse were not eligible for medical insurance. In 2017 a retiree passed away that was included in the actuarial study. The Township believes that the updated actuarial study will show a reduced ARC and total OPEB liability. This may put the plan above the 40% funded level.

**Treasury Recommendation
Richfield Township
OPEB Corrective Action Plan (CAP)
Primary Unit 251160**

Plan size: 3 members

- Inactive employees or beneficiaries currently receiving benefits: 3

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Legal and Feasible:
 - The local unit's corrective action plan appears to follow all applicable laws. The actions listed appear reasonable and the corrective action plan has been approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast. The 2017 audit shows an ARC over governmental fund revenues ratio of 15.5%.

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. Specifically, none of the forms of acceptable supporting documentation were included. Acceptable supporting documentation is one of the following: an actuarial projection, an actuarial valuation, or an internally developed analysis which illustrates how and when the local unit will reach the minimum funded percentage.
 - However, after calculating the change in assets with the \$400,000 over the next four years and an additional \$250,000 put into the trust it appears reasonable that the township will reach around a 40% funding level.
- Reasonable Timeframe:
 - The administrative officer indicates the plan will achieve a funded ratio of 40% by 2023; however, the local unit did not provide clear documentation that demonstrates this. Based on other information presented in the corrective action plan, we have determined the local government may be able to achieve the 40% funded ratio within this timeframe.

Supplemental Information:

The City has taken formal action to contribute \$100,000 a year for the next four years. They have stated that they believe that with these contributions along with reduction in liabilities due to employee eligibility changes, they will reach 40% funded by 2023.

**Treasury Recommendation
Richfield Township
OPEB Corrective Action Plan (CAP)
Primary Unit 251160**

This analysis does not consider healthcare inflation, which may increase the liabilities, effectively extending out the date when the City would reach the 40% funded

The Community Engagement and Finance Division (CEFD) contact:

None noted.

**Treasury Recommendation
City of Burton
Pension Corrective Action Plan (CAP)
Primary Unit 25-2-005**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$21,777,985	\$52,671,403	41.3%	\$2,248,097	\$17,100,112	13.1%	Yes
Healthcare	OPEB	\$2,239,169	\$12,600,103	17.8%	\$847,619		5.0	No
Total		\$24,017,154	\$65,271,506		\$3,095,716	\$17,100,112	18.1%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by the City of Burton, 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 hires within divisions 10,11,12 and 20 will receive a lower multiplier of 1.5 calculated on base wages with no COLA. Non-union Administrative employees hired after 7/1/2006 were moved from a defined benefit plan to a defined contribution plan. These changes cover about half of the employees within the covered payroll.
- Plan Funding:
 - Approximately \$1 million in additional contributions above the ADC were made for 2014, 2015, 2016, and 2017. The city's 2018 budget also provides for an additional \$1 million above the ADC.
- Other Considerations:
 - Valuation as of 12/31/18 shows an overall funded level of 47%, but this did not reflect recently adopted benefit changes for Division 10,12, and 20, nor the closure to lower DB Division 13 for all City new hires. It provided an estimated 2% increase in funded ratio.

Prospective Changes:

- Modern Plan Design:
 - None stated
- Plan Funding:
 - The city plans to provide an additional \$1 million annually to MERS system until the plan reaches 60% funded status.
- Other Considerations:
 - The city is following MERS best practices:
 - Implementing fixed amortization policy
 - Establishing minimum fund threshold

**Treasury Recommendation
City of Burton
Pension Corrective Action Plan (CAP)
Primary Unit 25-2-005**

- Requiring 100% funding before benefit enhancements
- Mitigating pension spiking

Plan size: 184 members

- Inactive employees or beneficiaries currently receiving benefits: 86
- Inactive employees entitled to but not yet receiving benefits: 17
- Active employees: 81

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

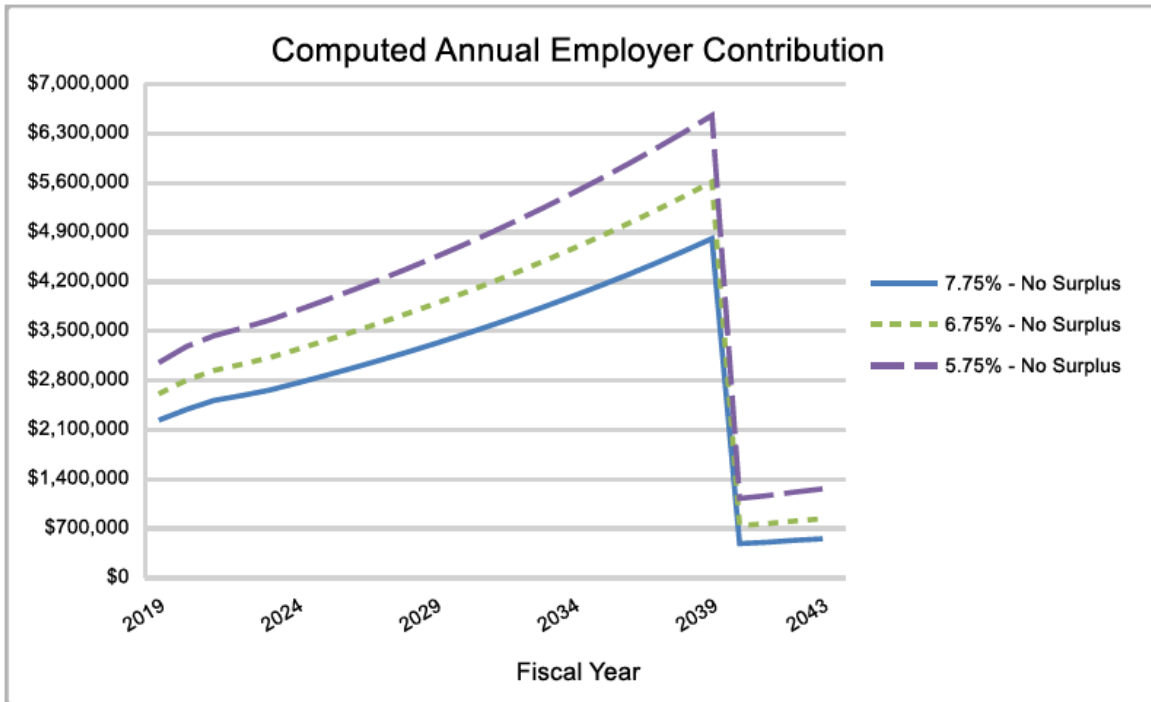
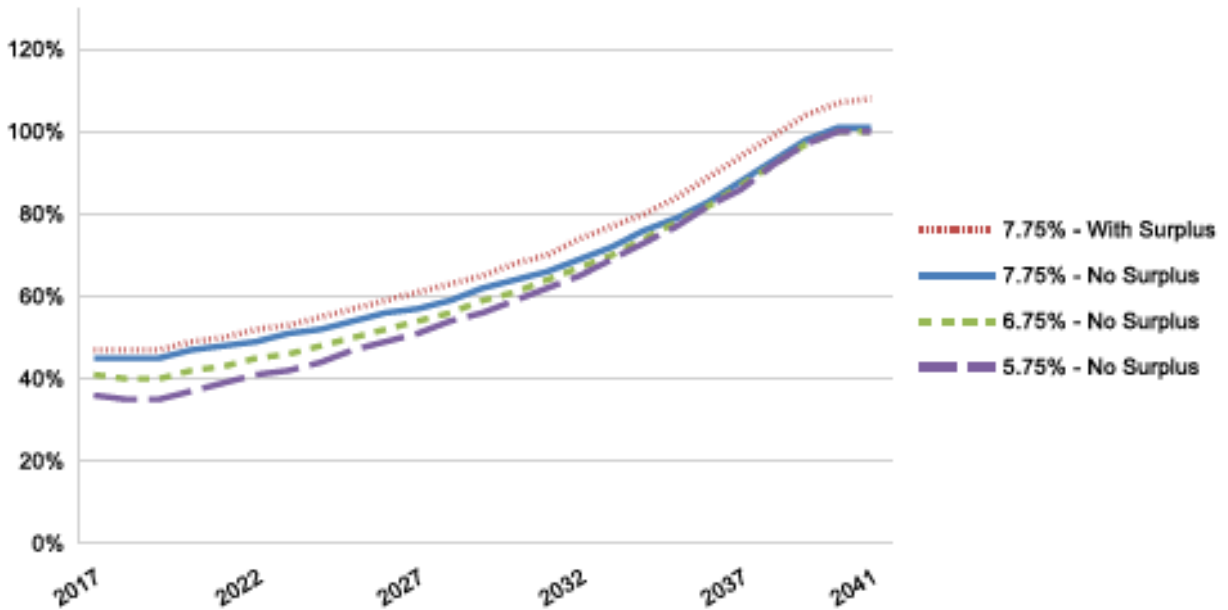
- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the actuarial projection found in the corrective action plan.
- Reasonable Timeframe:
 - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 60% within a reasonable timeframe (2028).
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

Supplemental Information:

Per provided documentation Annual Employer Contribution will increase from \$2.1 million to approximately \$4.9 million by 2039 or an increase of 133%. While the City plans to continue additional payments until 60% is reached, unless future state or tax revenue is significantly reduced, no formal board action was taken.

**Treasury Recommendation
City of Burton
Pension Corrective Action Plan (CAP)
Primary Unit 25-2-005**

Funded Percentage



Notes:

All projected contributions are shown with no phase-in.

Projected employer contributions do not reflect the use of any assets from the Surplus divisions.

The above required annual employer contribution does not reflect future changes in the employee contribution rates due to the impact of a cap, if any, on employer contributions.

**Treasury Recommendation
City of Burton
Pension Corrective Action Plan (CAP)
Primary Unit 25-2-005**

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Flushing
Pension Corrective Action Plan (CAP)
Primary Unit 252050**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$9,496,483	\$19,830,798	47.9%	\$1,104,835	\$5,206,461	21.2%	Yes
Healthcare	OPEB	\$569,171	\$11,654,669	4.9%	\$1,693,998		32.5%	Yes
Total		\$10,065,654	\$31,485,467		\$2,798,833	\$5,206,461	53.8%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by the City of Flushing, 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:**
 - Employee Contribution Rates
 - Division 1 – General 8% (July 2018)
 - Division 2 – Police 8% (June 2017)
 - Division 10 – Admin 8% (January 2017)
 - The defined benefit plan is closed to new hires. Defined contribution plans are now offered for general and administration divisions as well as a hybrid plan for the police division.
 - The City adopted defined benefit plan surplus divisions for Divisions 1 (General), 2 (Police), and 10 (Administration) in June 2018.
- **Plan Funding:**
 - Voluntary contributions have been made to MERS each year.
 - Year 2014: \$119,273
 - Year 2015: \$124,048
 - Year 2016: \$403,365
 - Year 2017: \$216,014
 - The city administration annually requests MERS to calculate a new ARC payment without employee contributions or a phase in amount. The difference between this new ARC and calculated ARC is considered an additional payment by MERS.
- **Other Considerations:**
 - The City has always paid the annual required contribution.
 - In September 2018, the amortization period for the administration division was extended from 8 to 19 years by both the city and MERS. This defers current costs into the future. For more information on this policy, please see the supplemental section.

Prospective Changes:

- **Modern Plan Design:**

**Treasury Recommendation
City of Flushing
Pension Corrective Action Plan (CAP)
Primary Unit 252050**

- Freeze the COLA as of January 2019
 - MERS calculated that a freeze to the COLA would increase the funding ratio by 0.4%.
- Change the FAC from 3 to 5 years
 - MERS calculated that the funding ratio would increase 0.5%.
- Calculate the FAC with base wages only.
 - MERS calculated Division 1 would have a funding ratio increase of 1.2%.
 - MERS calculated Division 10 would have a funding ratio increase of 0.5%.
 - MERS calculated Division 2 & HA would have a funding ratio increase of 1%.
- The prospective actions above need to be negotiated with the collective bargaining group before implementing.

- Plan Funding:
 - The city administration has considered a voluntary lump sum contribution each year through the budgeting process.

- Other Considerations:
 - None noted.

Plan size: 62 members

- Inactive employees or beneficiaries currently receiving benefits: 41
- Inactive employees entitled to but not yet receiving benefits: 4
- Active employees: 17

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

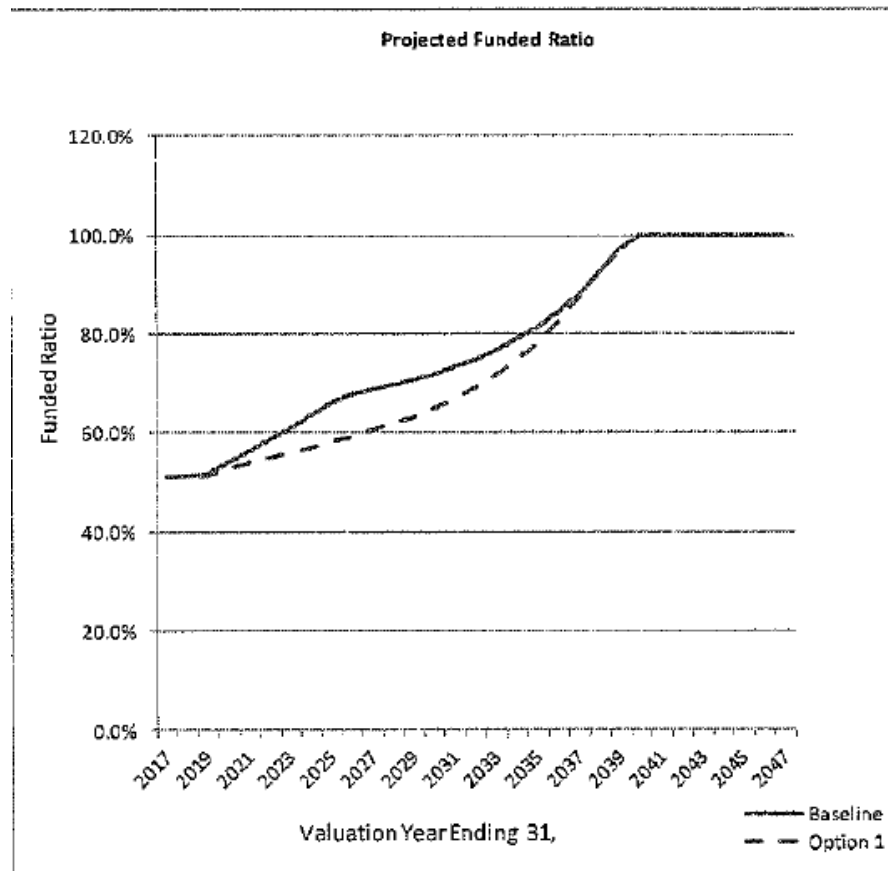
- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the actuarial projection found in the corrective action plan.
- Reasonable Timeframe:
 - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 60% within a reasonable timeframe (2028).
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.

**Treasury Recommendation
City of Flushing
Pension Corrective Action Plan (CAP)
Primary Unit 252050**

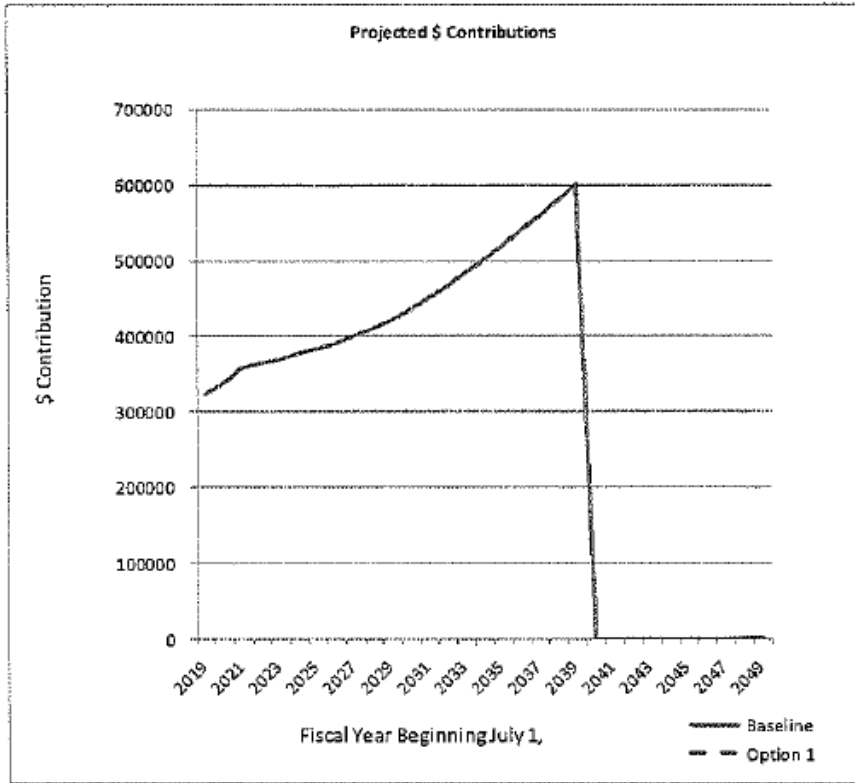
The following corrective action plan approval criteria are partially met:

- 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 the plan’s annual required contribution as a percentage of general fund operating revenues is 53.8%. This reflects a significant portion of the local government’s budget.

Supplemental Information: As demonstrated in the corrective action plan, the City of Flushing requested that MERS grant an extension of the period in which its UAL is amortized for the administration division to assist with the city’s need to address significant financial stress. The extension was approved by MERS; however, MERS advised the city that compliance with the existing amortization schedule was preferred, and that extending amortization as requested is not in full conformity with MERS’ goals of earliest full funding and intergenerational equity. The graphs included below show the funded ratio and employer contributions using the extended amortization period. The city should reach a funded ratio of 60% by 2028 using the alternate amortization period, if all other assumptions are met. From 2019 to 2039, the projected annual contribution increases by \$280,00 or 88%.



Treasury Recommendation
City of Flushing
Pension Corrective Action Plan (CAP)
Primary Unit 252050



The Community Engagement and Finance Division (CEFD) contact:

- None Noted

**Treasury Recommendation
City of Flushing
OPEB Corrective Action Plan (CAP)
Primary Unit 252050**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$9,496,483	\$19,830,798	47.9%	\$1,104,835	\$5,206,461	21.2%	Yes
Healthcare	OPEB	\$569,171	\$11,654,669	4.9%	\$1,693,998		32.5%	Yes
Total		\$10,065,654	\$31,485,467		\$2,798,833	\$5,206,461	53.8%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by the City of Flushing, 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:**
 - All new hires have switched to the MERS Healthcare Savings Plan with an employer monthly contribution of \$150 with a five-year vesting period.
 - Five current employees switched to the MERS Healthcare Savings Plan with an employer monthly contribution of \$275 with immediate vesting.
 - One current POLC employee switched to the MERS Healthcare Savings Plan with an employer monthly contribution of \$250 with immediate vesting.
 - Two current AFSCME employees switched to the MERS Healthcare Savings Plan with an employer monthly contribution of \$275 with immediate vesting.
 - The City created a Retiree Health Funding Vehicle (RHFV) with MERS in June 2015.
- **Plan Funding:**
 - As of 10/22/18, the Retiree Health Funding Vehicle has a balance of \$816,667.
 - Each year a contribution has been made into the RHFV:
 - 2016 - \$500,000
 - 2017 - \$24,000
 - 2018 - \$200,000
- **Other Considerations:**
 - Pre-65 retirees are on the same healthcare plan as active city employees. The healthcare plan is determined by their classification (POLC, AFSCME, Non-union).
 - The City has retained Watkins Ross to complete their OPEB actuarial valuation for the June 2015 and 2017 fiscal year ends.

Prospective Changes:

- **Modern Plan Design:**
 - Watkins Ross has created a 3-option retiree healthcare stipend program for current employees who do not participate in the MERS Healthcare Savings Plan. This program will place the city at a 40% funding level in five years.
 - **Note:** contingent upon future agreements with all applicable bargaining units.

Treasury Recommendation
City of Flushing
OPEB Corrective Action Plan (CAP)
Primary Unit 252050

- The City of Flushing and POLC are currently in union negotiations. This retiree healthcare stipend program is currently in the negotiation stage.
- The collective bargaining agreement for the City and AFSCME does not expire until June 2019. A conference was held with union representatives on August 14, 2018 regarding the proposed healthcare stipend plan.
- The Healthcare Committee meets annually to discuss healthcare plan options and premium costs.
- Plan Funding:
 - The FYE June 30, 2019 budget includes a \$70,000 allocation for the RHFV.
 - The 3 options calculated by Watkins Ross, if adopted with union groups, indicates the City will need to make an annual contribution in the range of \$240,000-\$270,000 over the next five years to have a 40% funding level.
- Other Considerations:
 - The City will have Watkins Ross complete another accounting report for the FYE June 30, 2019 to be in compliance with GASB Statements 74 and 75.

Plan size: 68 members

- Inactive employees or beneficiaries currently receiving benefits: 51
- Active employees: 17

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:

- 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. The path to a 40% funded ratio, which the city appears to be certifying, is contingent upon future collective bargaining agreements. Further, the city did not provide documentation of a commitment to funding levels necessary to achieve the funded ratio in this timeframe. The actuarial analysis provided displays a path to 40% by 2022.
- Underfunded Status:
 - The local unit did not provide clear documentation that demonstrates the retirement system will reach 40% funded. The Watkins Ross actuarial analysis found in the corrective action plan demonstrates a 40% funded ratio based on potential collective bargaining agreements and a minimum annual funding contribution from the city - in

**Treasury Recommendation
City of Flushing
OPEB Corrective Action Plan (CAP)
Primary Unit 252050**

addition to annual benefit payments – that ranges between \$240,000 and \$270,000. There is no specific resolution or additional documentation committing the city to this range of funding. It is also worth noting that there was a significantly reduced liability reported in the actuarial analysis provided in comparison with the audited financial statement. This is due to a 4.2% discount rate being used in the audit compared to around 8% in the actuarial analysis.

- 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 53.8%. This reflects a significant portion of the local government’s budget.

Supplemental Information:

The city included the table below in their corrective action plan as one of three options, contingent upon collective bargaining agreements, which was provided by Watkins Ross as an actuarial analysis. This option puts the city at 40% funded by 2022. Of the three options provided, this is the most affordable for the city. It would require a total contribution of \$546,422 in 2020, or 10.5% of fiscal year 2017 general fund operating revenues for retiree health care.

Option 1: Police, DPW, WWTP: 8,500/3,500 stipend, 25 YOS

Total	Liability	Assets	Operating funds		=Total	Funded percentage
			Contributions	+ Benefits		
2017	5,660,296	567,898	240,000	266,663	506,663	10.0%
2018	5,681,612	852,960	240,000	284,561	524,561	15.0%
2019	5,653,281	1,159,402	240,000	273,770	513,770	20.5%
2020	5,634,330	1,488,827	240,000	306,422	546,422	26.4%
2021	5,575,274	1,842,958	240,000	302,363	542,363	33.1%
2022	5,517,632	2,223,650		291,055	291,055	40.3%

The Community Engagement and Finance Division (CEFD) contact:

None noted.

**Treasury Recommendation
City of Ironwood
Pension Corrective Action Plan (CAP)
Primary Unit 272020**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$8,876,970	\$18,469,060	48.1%	\$980,646	\$4,642,053	21.1%	YES
Healthcare	OPEB	\$1,603,344	\$1,630,887	98.3%	\$68,898	\$4,642,053	1.5%	NO
Total		\$10,480,314	\$20,099,947		\$1,049,544	\$9,284,106	22.6%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by the City of Ironwood, 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 City has made a variety of plan design changes beginning in 1994 that include limitations on wages included in the FAC calculation, reduced multipliers, and increased employee contributions.
 - In 2017, the City has analyzed additional system design changes with MERS that included freezing the system, closing the system, and bridging the plan for current and future employees. While these options were considered and evaluated by the City, it felt these options were either not financial feasible or would negatively impact the City's ability to attract and retain a talented workforce.
- Plan Funding:
 - The City has contributed extra contributions in excess of the actuarially determined contribution totaling \$776,600 over the past 3 years.
- Other Considerations:
 - None noted.

Prospective Changes:

- Modern Plan Design:
 - None noted.
- Plan Funding:
 - The City levies a millage under Public Act 345 of 1937 to fund its the annual required and additional contribution each fiscal year.
- Other Considerations:
 - None noted.

Plan size: 129 members

**Treasury Recommendation
City of Ironwood
Pension Corrective Action Plan (CAP)
Primary Unit 272020**

- Inactive employees or beneficiaries currently receiving benefits: 85
- Inactive employees entitled to but not yet receiving benefits: 5
- Active employees: 39

Corrective Action Plan Criteria:

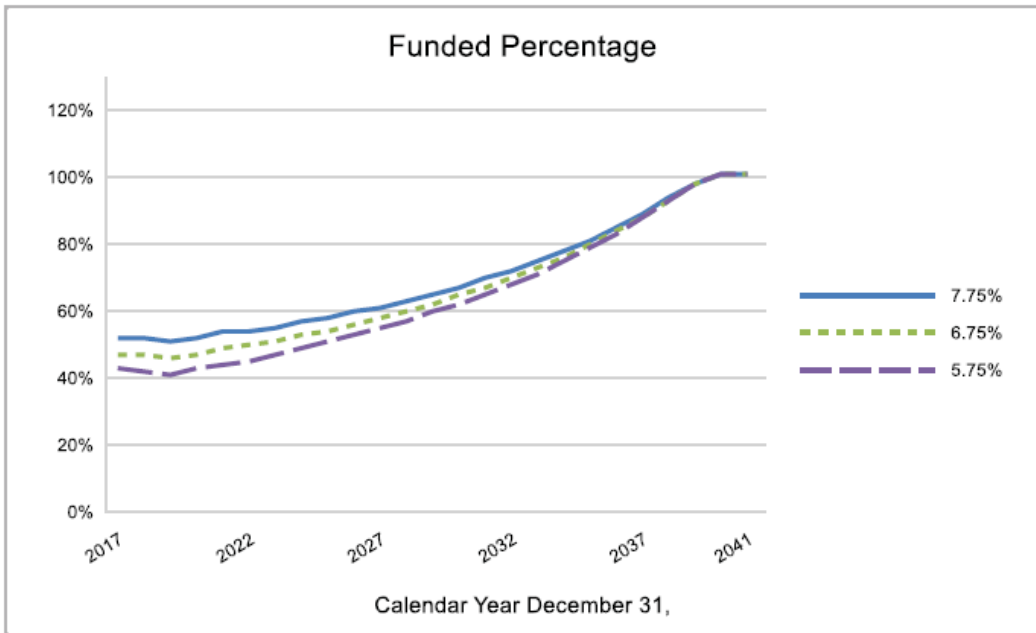
The following corrective action plan approval criteria are met:

- 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:
 - The local unit's corrective action plan appears to follow all applicable laws. The actions listed appear reasonable and the corrective action plan has been approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

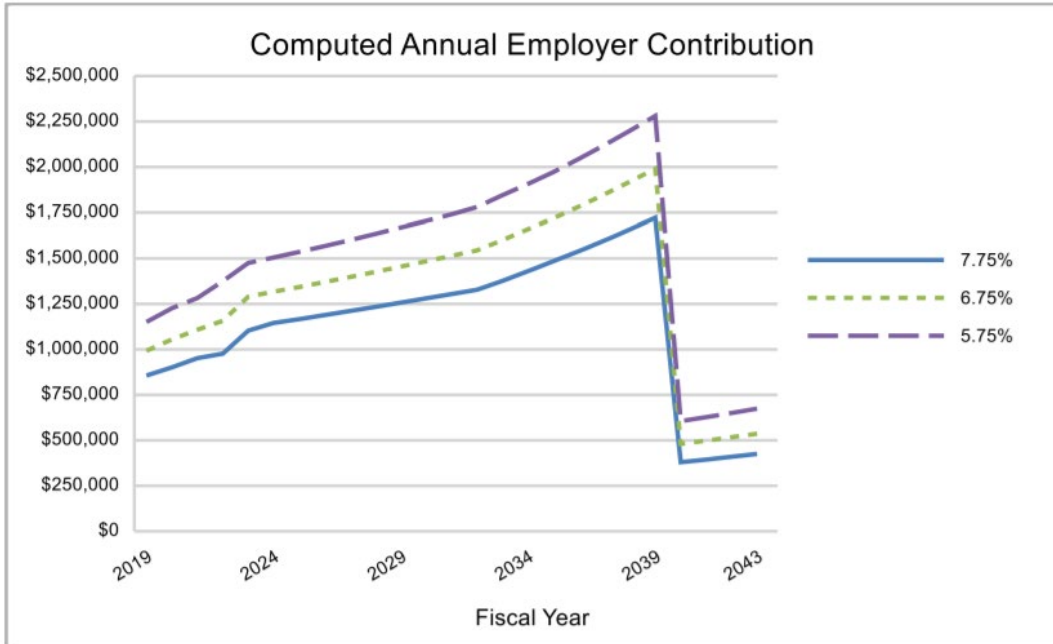
Supplemental Information:

City of Ironwood included their actuarial valuation which shows their pension system will reach 60% funded by FY 2025 and their projected annual employer contribution. From 2019 to 2039, annual employer contributions are scheduled to increase by approximately \$900,000 or 105%.

**Treasury Recommendation
City of Ironwood
Pension Corrective Action Plan (CAP)
Primary Unit 272020**



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



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

**Treasury Recommendation
City of Ironwood
Pension Corrective Action Plan (CAP)
Primary Unit 272020**

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
 Traverse City Light and Power Authority
 Pension Corrective Action Plan (CAP)
 Non-Primary Unit 287516**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Traverse City Light and Power MERS Defined Benefit Plan	Pension	\$16,498,454	\$29,463,198	56.0%	\$944,388	\$35,372,568	2.7%	Yes

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by the Traverse City and Light and Power Authority, 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 Traverse City Light and Power Authority (the Authority) lowered their multiplier from 2.25% to 1.5% based on base wage only for new hires after July 1, 2012.
 - The Authority submitted a signed copy of a defined benefit plan adoption agreement from MERS which shows that non-union new hires had their multiplier reduced to 1.50% as of July 3, 2017. Treasury was unable to confirm this.
- Plan Funding:
 - The Authority states that each year their staff reviews if they are going to continue with their ten-year accelerated payment schedule based on market value.
- Other Considerations:
 - Updated actuarial valuation for FY 2017 that shows the funded ratio is 61%.

Prospective Changes:

- Modern Plan Design:
 - None noted.
- Plan Funding:
 - In an April 10, 2018 regular meeting, the authority’s Board approved accelerated funding schedule for another fiscal year, this is fiscal year 8 of the 10-year accelerated schedule.

**Treasury Recommendation
Traverse City Light and Power Authority
Pension Corrective Action Plan (CAP)
Non-Primary Unit 287516**

- Other Considerations:
 - Projection scenarios of funding levels increasing over 61%. Confirmed, page 12 of the CBIZ report has four different scenarios, all of which show the plan having a funded ratio above 60% in the next five years.

Plan size: 97 members

- Inactive employees or beneficiaries currently receiving benefits:57
- Inactive employees entitled to but not yet receiving benefits: 4
- Active employees: 36

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

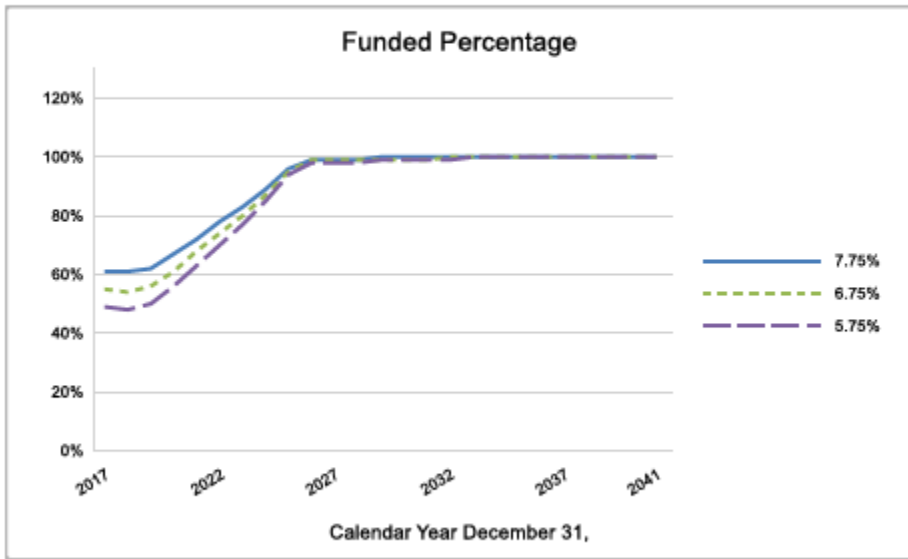
- Underfunded Status:
 - The local government has demonstrated through supporting documentation that it has already reached the PA 202 established funding level of 60% funded as demonstrated by the CBIZ Report dated December 31, 2017 found in the corrective actions plan.
- Reasonable Timeframe:
 - The corrective action plan demonstrates through supporting documentation that it has already reached the PA 202 established funding level of 60%.
- Legal and Feasible:
 - The local unit's corrective action plan appears to follow all applicable laws. The actions listed appear reasonable and the corrective action plan has been approved by the governing body.
- 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:

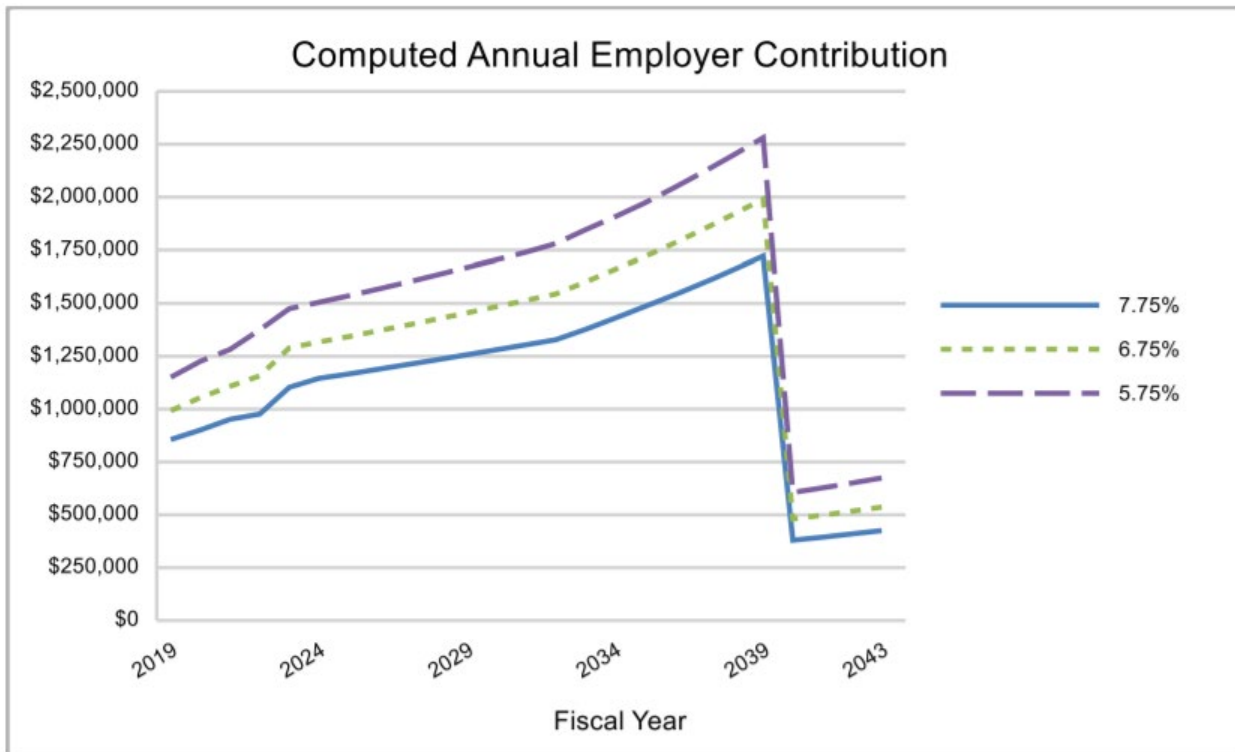
Traverse City Light and Power Authority included a chart from the authority's December 31, 2017 CBIZ report showing the funded ratio above the 60% threshold. They also included a projected annual employer contribution chart, showing that from 2019 to 2039, annual contributions are expected to increase by approximately \$900,000, or 105%.

**Treasury Recommendation
 Traverse City Light and Power Authority
 Pension Corrective Action Plan (CAP)
 Non-Primary Unit 287516**

TRAVERSE CITY LIGHT & POWER (2811) - 2017



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



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

**Treasury Recommendation
Traverse City Light and Power Authority
Pension Corrective Action Plan (CAP)
Non-Primary Unit 287516**

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Lansing – General Employees Retirement System
Pension Corrective Action Plan (CAP)
Primary Unit 332020**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
General Employees Retirement System	Pension	\$169,965,440	\$307,450,034	55.3%	\$10,246,872	\$153,167,115	14.2%	Yes
Police and Fire Retirement System	Pension	\$228,441,203	\$429,670,098	67.1%	\$11,521,768			No
General Employees – Healthcare	OPEB	\$54,680,726	\$231,583,031	23.6%	\$10,582,235		19.8%	Yes
Police and Fire - Healthcare	OPEB	\$34,133,238	\$294,892,197	11.6%	\$19,759,521			Yes
Total		\$487,220,607	\$1,263,595,360		\$52,110,396	\$153,167,115	34.0%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by the City of Lansing, which was received by the Municipal Stability Board (the Board) on November 14th, 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 City moved to a hybrid system for new hires with reduced FAC multipliers. This change took effect from 2012 – 2017 depending on bargaining group.
 - The City implemented a pension benefit cap of 110% of base wages from 2014 – 2016, depending on bargaining group.
 - The system’s employee contribution was increased from 1.3% to 3.0% for laborers effective October 21, 2013.
- Plan Funding:
 - The City provided a lump sum contribution of \$657,940 in excess of the actuarially determined contribution on December 1, 2017.
- Other Considerations:
 - The system’s assumed rate of investment return was lowered from 8.0% to 7.25% between 2012 and 2018.
 - The system’s amortization period was changed from an open amortization to a closed period of thirty years.

**Treasury Recommendation
City of Lansing – General Employees Retirement System
Pension Corrective Action Plan (CAP)
Primary Unit 332020**

- The City has had numerous studies performed to help assist the city for future budget development, expenditure control, process improvement, and retirement benefit administration.

Prospective Changes:

- **Modern Plan Design:**
 - All of the City's collective bargaining agreements will be negotiated next year. The City is considering further pension changes, including former and ongoing recommendations from the Lansing Financial Health Team, including movement towards a defined contribution plan.
- **Plan Funding:**
 - The City has instituted a General Fund – fund balance policy specifying that fund balance amounts in excess of 15% of General Fund expenditures will be contributed as additional payments to its pension and OPEB systems. The policy does not disclose a method of choosing which retirement systems will receive these contributions.
 - The City is in recognition of funding improvement beyond the PA202 threshold of 60% funding.
- **Other Considerations:**
 - The City continues to evaluate City service delivery for cost efficiencies and joint venture/collaboration/regional opportunities.

Plan size: 1,427 members

- Inactive employees or beneficiaries currently receiving benefits: 903
- Inactive employees entitled to but not yet receiving benefits: 147
- Active employees: 377

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:

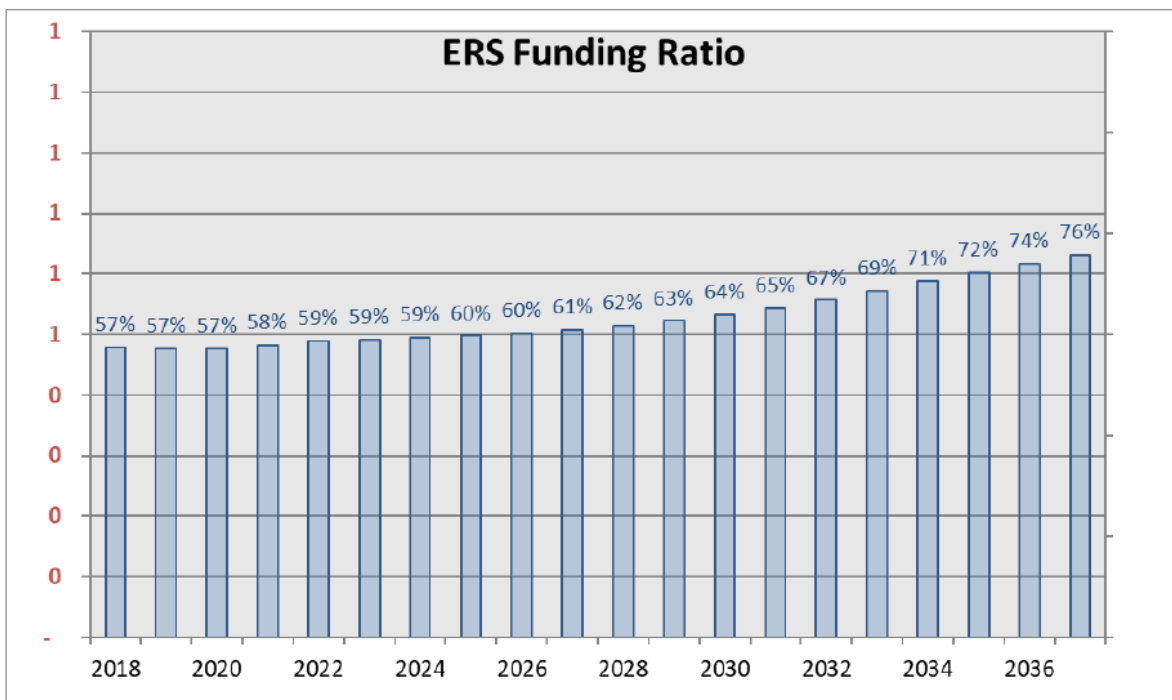
**Treasury Recommendation
City of Lansing – General Employees Retirement System
Pension Corrective Action Plan (CAP)
Primary Unit 332020**

- 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 the plan’s annual required contribution as a percentage of general fund operating revenues is 34.0%. This reflects a significant portion of the local government’s budget.

Supplemental Information:

The City included the following actuarial projection that demonstrates the City anticipates to achieve a funded ratio of 60% by FY 2025. The following projection uses a 7.25% assumed rate of investment return:

Baseline Scenario (no gains or losses, no changes in assumptions/methods)



The City also included a projection of annual employer contributions, showing that between 2019 and 2023, projected annual contributions increase by \$1,600,000 or 15%.

**Treasury Recommendation
City of Lansing – General Employees Retirement System
Pension Corrective Action Plan (CAP)
Primary Unit 332020**

Estimated Cash Flow for Next Five Years

Fiscal Year	City Contribution*	Member Contributions	Benefit Payments
2019	\$10,600,000	\$1,000,000	\$23,300,000
2020	11,100,000	1,100,000	23,700,000
2021	11,500,000	1,100,000	24,100,000
2022	11,900,000	1,100,000	24,500,000
2023	12,200,000	1,200,000	25,000,000

* These amounts are based on a return of 7.40% each year. If actual returns are lower, the City contributions will be higher. For example, given a 7.25% return, the City contributions would be \$0.2 million higher per year.

The Community Engagement and Finance Division (CEFD) contact:

- None Noted.

**Treasury Recommendation
City of Lansing – General Employees Healthcare
OPEB Corrective Action Plan (CAP)
Primary Unit 332020**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
General Employees Retirement System	Pension	\$169,965,440	\$307,450,034	55.3%	\$10,246,872	\$153,167,115	14.2%	Yes
Police and Fire Retirement System	Pension	\$228,441,203	\$429,670,098	67.1%	\$11,521,768			No
General Employees – Healthcare	OPEB	\$54,680,726	\$231,583,031	23.6%	\$10,582,235		19.8%	Yes
Police and Fire - Healthcare	OPEB	\$34,133,238	\$294,892,197	11.6%	\$19,759,521			Yes
Total		\$487,220,607	\$1,263,595,360		\$52,110,396	\$153,167,115	34.0%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the General Employees OPEB corrective action plan submitted by the City of Lansing, which was received by the Municipal Stability Board (the Board) on November 14th, 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 City eliminated defined benefit retiree healthcare for new hires for clerical and professional positions by 2016.
 - The City reduced the eligibility and funding period for UAW positions from full family coverage for life to retiree-only coverage up to Medicare eligibility for employees retiring after 10/21/2013.
 - In 2014, retiree healthcare for UAW employees retiring after 10/1/2014 were changed from no-deductible plans to \$500/\$1000 deductible plans.
- Plan Funding:
 - None Noted
- Other Considerations:
 - The system’s assumed rate of investment return was lowered from 8.0% to 7.25% between 2012 and 2017.
 - The City has had numerous studies performed to help assist the city for future budget development, expenditure control, process improvement, and retirement benefit administration.

Treasury Recommendation
City of Lansing – General Employees Healthcare
OPEB Corrective Action Plan (CAP)
Primary Unit 332020

Prospective Changes:

- **Modern Plan Design:**
 - The City has investigated the use of a Health Retirement Account model for Medicare-eligible retirees which could reduce the liability by 25% - 46%. The City's ability to move to this model has been precluded by prior collective bargaining agreement language.
 - All of the City's collective bargaining agreements will be negotiated next year. As part of those negotiations, the City is considering further OPEB recommendations from the City's Financial Health Team including consideration of a high-deductible/HRA model for current employees and applicable retirees.
- **Plan Funding:**
 - The City has instituted a General Fund – fund balance policy specifying that fund balance amounts in excess of 15% of General Fund expenditures will be contributed as additional payments to its pension and OPEB systems. The policy does not disclose a method of choosing which retirement systems will receive these contributions.
 - The City is in recognition of funding improvement beyond the PA202 threshold of 40% funding.
- **Other Considerations**
 - The City continues to evaluate City service delivery for cost efficiencies and joint venture/collaboration/regional opportunities.

Plan size: 1,291 members

- Inactive employees or beneficiaries currently receiving benefits: 865
- Inactive employees entitled to but not yet receiving benefits: 52
- Active employees: 374

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 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 (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.

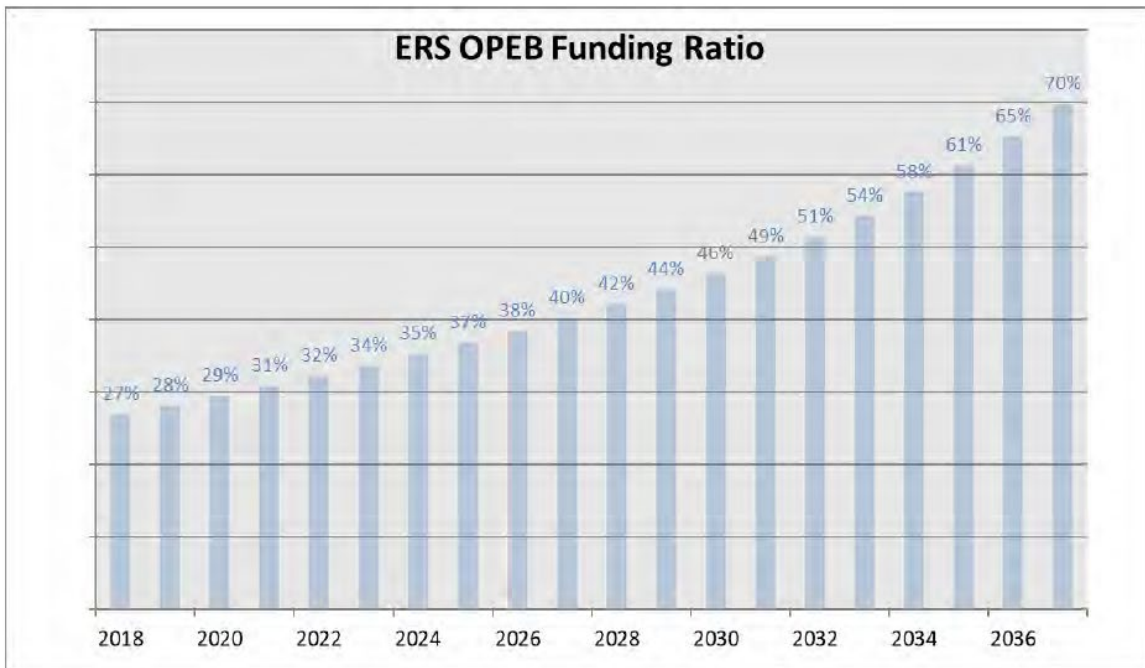
**Treasury Recommendation
City of Lansing – General Employees Healthcare
OPEB Corrective Action Plan (CAP)
Primary Unit 332020**

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 34.0%. This reflects a significant portion of the local government’s budget.

Supplemental Information:

The City included the following actuarial projection that demonstrates the City anticipates achieving a funded ratio of 40% by FY 2027. Of note, this projection is based on the January 1, 2016 valuation projected forward, based on the benefit provisions and actuarial assumptions as used in the valuation. This projection also includes the City’s current funding strategy of paying benefits as well as contributing 5 percent of eligible employees’ wages or \$2.3 million to the retiree healthcare fund. The City notes that claims are not being paid out of the OPEB trust, in order to maximize investment earnings.



The Community Engagement and Finance Division (CEFD) contact:

- The department contacted the City for clarification of the City’s funding policy for its OPEB systems.

**Treasury Recommendation
City of Lansing – Police and Fire Healthcare
OPEB Corrective Action Plan (CAP)
Primary Unit 332020**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
General Employees Retirement System	Pension	\$169,965,440	\$307,450,034	55.3%	\$10,246,872	\$153,167,115	14.2%	Yes
Police and Fire Retirement System	Pension	\$228,441,203	\$429,670,098	67.1%	\$11,521,768			No
General Employees – Healthcare	OPEB	\$54,680,726	\$231,583,031	23.6%	\$10,582,235		19.8%	Yes
Police and Fire - Healthcare	OPEB	\$34,133,238	\$294,892,197	11.6%	\$19,759,521			Yes
Total		\$487,220,607	\$1,263,595,360		\$52,110,396	\$153,167,115	34.0%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the Police and Fire OPEB corrective action plan submitted by the City of Lansing, which was received by the Municipal Stability Board (the Board) on November 14th, 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 City reduced the eligibility and funding period for sworn police and fire positions from full family coverage for life to retiree-only coverage up to Medicare eligibility for employees retiring after August 1, 2015 and May 19, 2015 respectively.
 - In 2014, retiree healthcare for sworn police and fire positions for current and future hires were changed from no-deductible plans to \$500/\$1000 deductible plans.
- Plan Funding:
 - None Noted
- Other Considerations:
 - The system’s assumed rate of investment return was lowered from 8.0% to 7.25% between 2012 and 2017.
 - The City has had numerous studies performed to help assist the city for future budget development, expenditure control, process improvement, and retirement benefit administration.

Prospective Changes:

Treasury Recommendation
City of Lansing – Police and Fire Healthcare
OPEB Corrective Action Plan (CAP)
Primary Unit 332020

- Modern Plan Design:
 - The City has investigated the use of a Health Retirement Account model for Medicare-eligible retirees which could reduce the liability by 25% - 46%. The City's ability to move to this model has been precluded by prior collective bargaining agreement language.
 - All of the City's collective bargaining agreements will be negotiated next year. As part of those negotiations, the City is considering further OPEB recommendations from the City's Financial Health Team including consideration of a high-deductible/HRA model for current employees and applicable retirees.
- Plan Funding:
 - The City has instituted a General Fund – fund balance policy specifying that fund balance amounts in excess of 15% of General Fund expenditures will be contributed as additional payments to its pension and OPEB systems. The policy does not disclose a method of choosing which retirement systems will receive these contributions.
 - The City is in recognition of funding improvement beyond the PA202 threshold of 40% funding.
- Other Considerations
 - The City continues to evaluate City service delivery for cost efficiencies and joint venture/collaboration/regional opportunities.

Plan size: 1,032 members

- Inactive employees or beneficiaries currently receiving benefits: 663
- Inactive employees entitled to but not yet receiving benefits: 23
- Active employees: 346

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 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 (2035).
- 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:

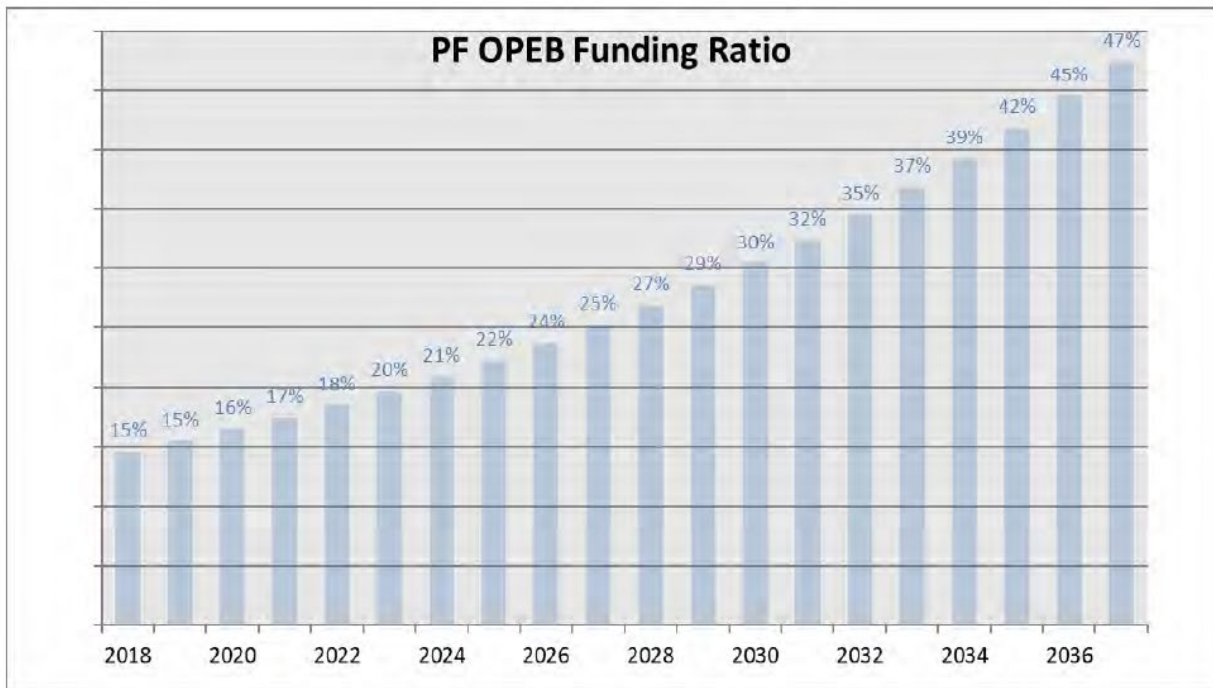
- Affordable:

Treasury Recommendation
City of Lansing – Police and Fire Healthcare
OPEB Corrective Action Plan (CAP)
Primary Unit 332020

- 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 34.0%. This reflects a significant portion of the local government’s budget.

Supplemental Information:

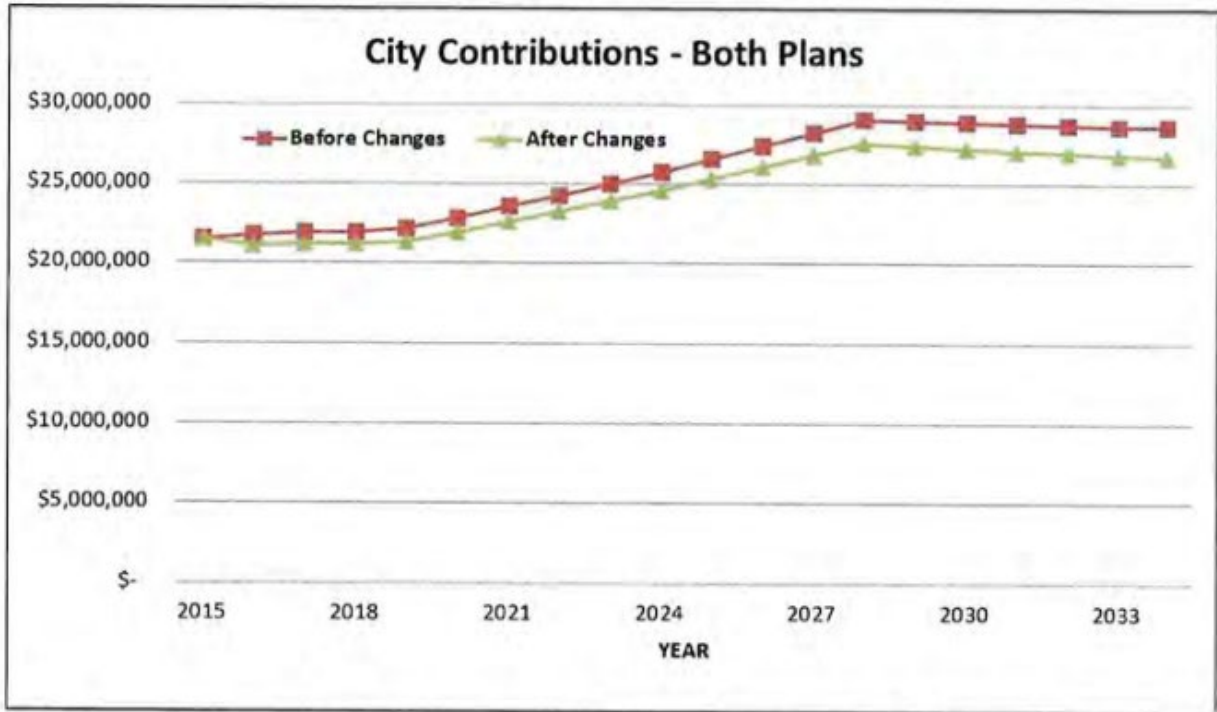
The City included the following actuarial projection that demonstrates the City anticipates to achieve a funded ratio of 40% by FY 2035. Of note, this projection is based on the January 1, 2016 valuation projected forward, based on the benefit provisions and actuarial assumptions as used in the valuation. This projection also includes the City’s current funding strategy of paying benefits as well as contributing 2.5% - 4.0% of eligible employees’ wages (depending on division) to the retiree healthcare fund. The City notes that claims are not being paid out of the OPEB trust, in order to maximize investment earnings.



**Treasury Recommendation
City of Lansing – Police and Fire Healthcare
OPEB Corrective Action Plan (CAP)
Primary Unit 332020**

The City also included a 2015 projection of annual contributions for **both** OPEB plans. From 2018-2027, the annual employer contributions are scheduled to increase by approximately \$6,000,000 or 22%.

Chart 4 - Projected Contributions



Source: "The City of Lansing Employees' Retirement System and Police and Fire Retirement System Analysis of Recent Benefit Changes" by Boomershine Consulting Group, March 2, 2015

The Community Engagement and Finance Division (CEFD) contact:

- The department contacted the City for clarification of the City's funding policy for its OPEB systems.

**Treasury Recommendation
Capital Region Airport Authority
OPEB Corrective Action Plan (CAP)
Non-Primary Unit 337500**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Pension	Pension	\$12,464,098	\$17,050,396	73.1%	\$513,865	\$19,029,621	2.7%	No
Healthcare	OPEB	\$0	\$15,114,881	0.0%	\$1,214,279		6.4%	Yes
Total		\$12,464,098	\$32,165,277		\$1,728,144	\$19,029,621	9.1%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Capital Region Airport 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 employer closed plan participation to those hired on or after December 1, 2017.
 - The Authority's system design changes are many and significant in nature. These changes are outlined on page 13 of the Actuarial Valuation (attachment 2a). The approval of these changes are found in the Board Resolutions (attachment 6a). These system changes produced (as expected) a favorable Funded Ratio of 66.85% as of June 30, 2018 (see Actuarial Valuation page 2). The implementation of these changes began in November 2017.
- **Plan Funding:**
 - The Authority created a qualified Health Care Funding Vehicle (Trust) [Resolution 17-29] into which (From January to June 2018) \$2,050,000 was deposited. This extraordinary funding contributed significantly to the Authority's OPEB funded ratio of 66.85%. See attachment 3a for confirmation of these contributions into the MERS Health Care Funding Vehicle. June 30, 2018. Audited financial statements will be available by December 31, 2018.
- **Other Considerations:**
 - None noted.

Prospective Changes:

- **Modern Plan Design:**
 - None noted.
- **Plan Funding:**
 - The Airport Authority adopted at its September 2018 board meeting, a new funding policy to change its funding methodology from Pay-Go to a system funded plan beginning on July 1, 2019. Additionally, the Authority will contribute five annual

**Treasury Recommendation
Capital Region Airport Authority
OPEB Corrective Action Plan (CAP)
Non-Primary Unit 337500**

payments of \$500,000. This payment far exceeds the ARC. See OPEB Funding Resolution 18-32 (attachment 4a).

- Other Considerations:
 - None noted.

Plan size: 89 members

- Inactive employees or beneficiaries currently receiving benefits: 58
- Active employees: 31

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.
- 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:

Valuation dated June 30, 2018 shows employer contribution of \$2,050,000 and a reduced liability from \$10,873,367 to \$3,045,793. These changes reflect a new funded ratio of 66.9%. Additionally, Board approved resolution on September 17, 2018 to make five yearly payments of \$500,000 until 2022 and future retiree benefits would be paid from the trust. Based on the valuation this action would overfund the trust in 2022.

**Treasury Recommendation
Capital Region Airport Authority
OPEB Corrective Action Plan (CAP)
Non-Primary Unit 337500**

10-Year Schedule of Funding Progress

Actuarial Valuation Date	Fiduciary Net Position (a)	Total OPEB Liability (b)	Net OPEB Liability (Asset) (b - a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	Net OPEB Liability as a Percent of Payroll (b - a) / c
12/31/2009	\$ -	\$ 14,349,642	\$ 14,349,642	0.0%	\$ -	0.0%
6/30/2013	-	10,164,495	10,164,495	0.0%	2,166,000	469.3%
6/30/2016	-	15,114,881	15,114,881	0.0%	2,391,793	631.9%
6/30/2017	-	10,873,367	10,873,367	0.0%	2,305,022	471.7%
6/30/2018	2,036,260	3,045,793	1,009,533	66.9%	1,688,340	59.8%

Payroll information prior to 6/30/2013 was not disclosed in the Employer's Comprehensive Annual Financial Reports

The Capital Region Airport Authority also included a projection of annual employer contributions:

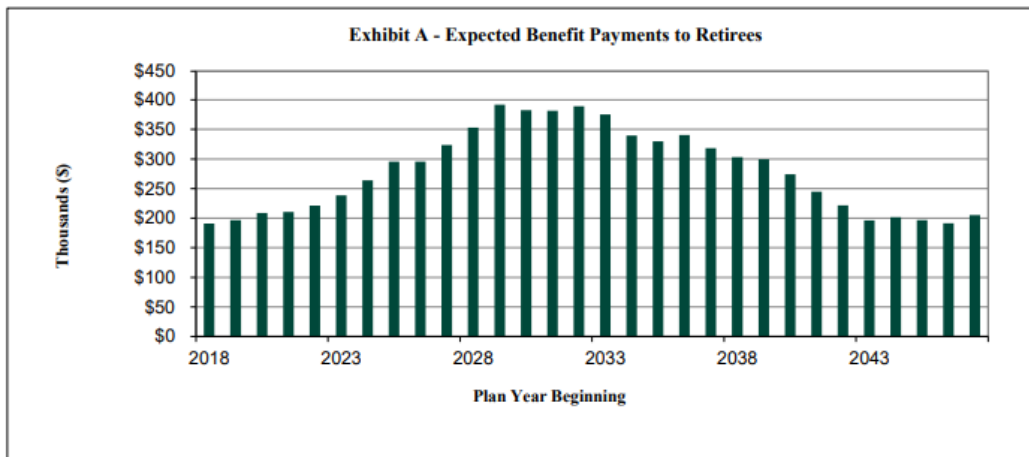


Exhibit B: First 10 Years of Expected Benefit Payments

Plan Year Beginning July 1,	Total Projected Benefits
2018	\$ 191,144
2019	196,708
2020	208,974
2021	210,585
2022	221,053
2023	238,574
2024	263,870
2025	295,846
2026	295,680
2027	323,477

**Treasury Recommendation
Capital Region Airport Authority
OPEB Corrective Action Plan (CAP)
Non-Primary Unit 337500**

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
Tawas Police Authority
Pension Corrective Action Plan (CAP)
Non-Primary Unit 355514**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$629,637	\$1,147,930	54.4%	\$25,127	\$518,670	4.8%	Yes

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by Tawas Police 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 pension system was closed on September 1, 2016 and has only one active employee remaining.
 - All new hires are enrolled into a defined contribution plan.
- Plan Funding:
 - None Listed
- Other Considerations:
 - None Listed

Prospective Changes:

- Modern Plan Design:
 - None Listed
- Plan Funding:
 - The corrective action plan (CAP) notes the Authority will continue to make the annual required contribution to MERS.
 - The Authority also included a funding resolution which requires an additional \$1,000 monthly payment from both the City of Tawas and City of East Tawas towards MERS monthly payment.
- Other Considerations:
 - None Listed

Plan size: 8 members

- Inactive employees or beneficiaries currently receiving benefits: 4
- Inactive employees entitled to but not yet receiving benefits: 3
- Active employees: 1

**Treasury Recommendation
Tawas Police Authority
Pension Corrective Action Plan (CAP)
Non-Primary Unit 355514**

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.

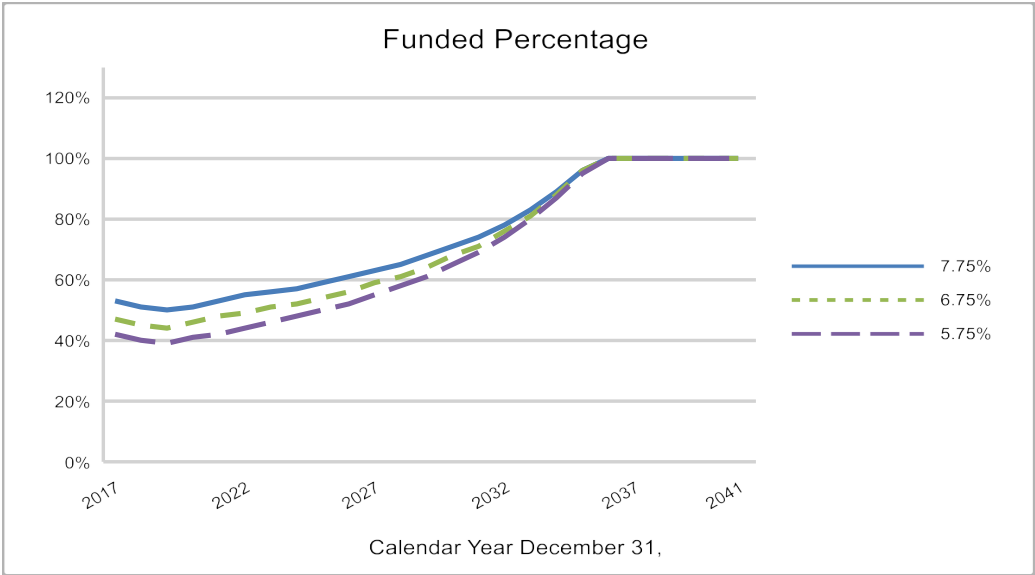
- Reasonable Timeframe:
 - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 60% within a reasonable timeframe (2026).

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

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

Supplemental Information:

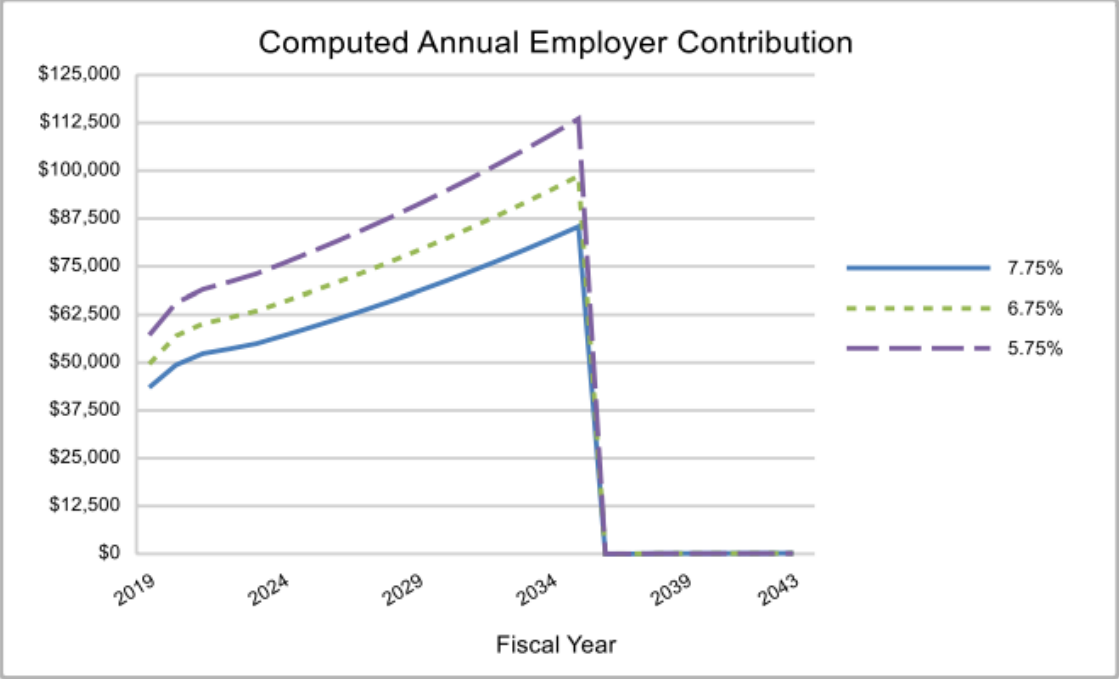
The Authority included the following MERS projection demonstrating the plan anticipates achieving a funding ratio of 60% by FY 2026:



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

**Treasury Recommendation
Tawas Police Authority
Pension Corrective Action Plan (CAP)
Non-Primary Unit 355514**

The City of Tawas also included a MERS projected annual employer contributions graph, showing that from 2019 to 2035, annual required employer contributions increase by roughly \$40,000, or 95%.



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

**Treasury Recommendation
City of Jackson
Pension Corrective Action Plan (CAP)
Primary Unit 382010**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Police and Firemen's Pension	Pension	\$3,273,277	\$7,549,654	43.4%	\$565,463	\$44,412,412	12.6%	Yes
Act 345 Policemen and Firemen System	Pension	\$39,599,297	\$74,506,757	53.1%	\$4,098,288			No
Employees Retirement System	Pension	\$39,184,812	\$48,905,447	80.1%	\$933,208			No
Retiree Health Care Plan	OPEB	\$784,843	\$55,689,665	1.4%	\$3,972,858		8.9%	No
Total		\$82,842,229	\$186,651,523		\$9,569,817	\$44,412,412	21.5%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by the City of Jackson, 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:
 - None Listed
- Plan Funding:
 - None Listed
- Other Considerations:
 - On February 17, 2016, the Plan's Board of Trustees approved a 6.0% assumed rate of return with an 11-year closed level dollar amortization. Actuarial projections (attached) indicate that, using these assumptions, the Plan is expected to be 64.0% funded as of the June 30, 2024 valuation date and completely funded as of June 30, 2028.
 - Noted that this is a closed plan, with only 21 remaining retirees of an average age of 80.2 years as of June 30, 2017.

Prospective Changes:

- Modern Plan Design:
 - None Listed

Treasury Recommendation
City of Jackson
Pension Corrective Action Plan (CAP)
Primary Unit 382010

- Plan Funding:
 - None Listed

- Other Considerations:
 - None Listed

Plan size: N/A members

- Inactive employees or beneficiaries currently receiving benefits: N/A
- Inactive employees entitled to but not yet receiving benefits: N/A
- Active employees: 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 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 (2024).

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

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

Supplemental Information:

City of Jackson included an updated actuarial projection demonstrating the plan will reach 60% funded by FY 2024. The City's projected annual contributions are also included in this chart.

Treasury Recommendation
City of Jackson
Pension Corrective Action Plan (CAP)
Primary Unit 382010

June 30, 2017 – Current Board Approved Policy
10-Year Closed Amortization
6.0% Return on Actuarial Value of Assets
(Net of Expenses)

Valuation Date June 30,	As of June 30, 20XX Valuation Date				During Upcoming Fiscal Year			6.0% Assumed Investment Return
	Actuarial Valuation Assets	Actuarial Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Amortization Years	Projected Contributions	Expected Benefit Payments	
2017	\$ 3,295,481	\$ 7,467,298	\$ 4,171,817	44.1%	10	\$ 567,276	\$ (758,557)	\$ 192,322
2018	3,296,522	7,134,353	3,837,831	46.2%	10	506,251	(747,477)	190,881
2019	3,246,177	6,792,840	3,546,663	47.8%	9	506,251	(734,084)	188,256
2020	3,206,600	6,444,624	3,238,024	49.8%	8	506,251	(718,561)	186,341
2021	3,180,631	6,091,499	2,910,868	52.2%	7	506,251	(701,074)	185,300
2022	3,171,107	5,735,188	2,564,081	55.3%	6	506,251	(681,718)	185,300
2023	3,180,940	5,377,428	2,196,488	59.2%	5	506,251	(660,554)	186,516
2024	3,213,153	5,019,992	1,806,839	64.0%	4	506,251	(637,637)	189,126
2025	3,270,893	4,664,704	1,393,811	70.1%	3	506,251	(612,989)	193,319
2026	3,357,474	4,313,475	956,001	77.8%	2	506,251	(586,615)	199,294
2027	3,476,404	3,968,327	491,923	87.6%	1	506,251	(558,527)	207,260

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
Vicksburg District Library
Pension Corrective Action Plan (CAP)
Non-Primary Unit 398005**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$73,823	\$128,802	57.3%	\$6,248	\$626,937	1.0%	Yes

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by Vicksburg District Library, 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 Library indicates it closed the defined benefit pension plan as of 2017 and moved to a 457 plan for new hires. Treasury could not confirm this in either the 2017 valuation or other information submitted in the corrective action plan.
- Plan Funding:
 - None Listed
- Other Considerations:
 - The Library has included its FY 2018 5572 Pension Report as part of the corrective action plan. We have confirmed the accuracy of this report through review of the FY 2018 audit. The plan is currently 60.1% funded.

Prospective Changes:

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

Plan size: 4 members

- Inactive employees or beneficiaries currently receiving benefits: 2
- Inactive employees entitled to but not yet receiving benefits: 1
- Active employees: 1

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

**Treasury Recommendation
Vicksburg District Library
Pension Corrective Action Plan (CAP)
Non-Primary Unit 398005**

- 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's corrective action plan appears to follow all applicable laws. The actions listed appear reasonable and the corrective action plan has been approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

Supplemental Information:

Vicksburg District Library included the following FY 2018 5572 Annual Pension Report which demonstrates the plan has already reach 60% funded. Treasury has verified this information against the FY 2018 audit. The Library also included a graph showing their projected annual contributions.

Public Act 202 of 2017 Pension Report

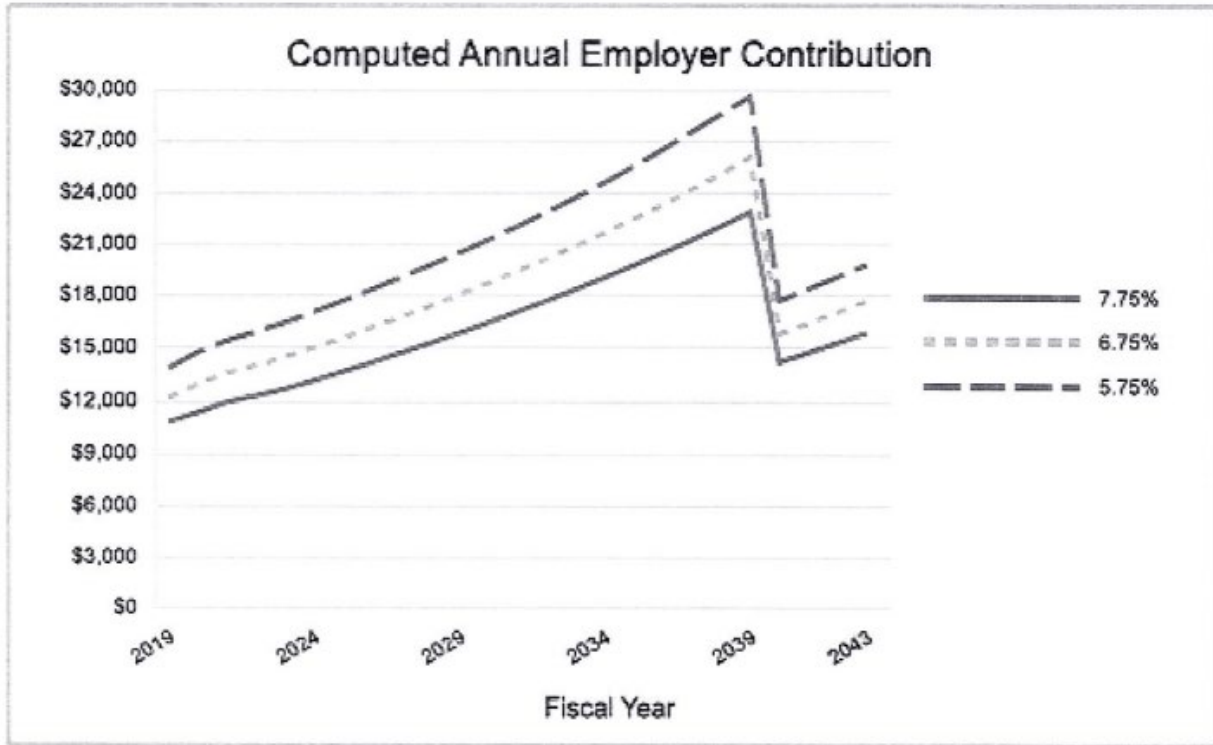
Enter Local Unit Name	Vicksburg District Library	Instructions/Questions: For a list of detailed instructions on how to complete and submit this form, visit michigan.gov/LocalRetirementReporting . For questions, please email LocalRetirementReporting@michigan.gov . Return this original Excel file. Do not submit a scanned image or PDF.
Enter Six-Digit Municode	398005	
Unit Type	Library	
Fiscal Year (four-digit year only, e.g. 2017)	2018	
Contact Name (Chief Administrative Officer)	Eric Hansen	
Title if not CAO	Director	
CAO (or designee) Email Address	ehansen@vicksburglibrary.org	
Contact Telephone Number	269-649-1648	
Pension System Name (not division) 1	Vicksburg District Library	If your pension system is separated by divisions, you would only enter one system. For example, one could have different divisions of the same system for union and non-union employees. However, these would be only one system and should be reported as such on this form.
Pension System Name (not division) 2		
Pension System Name (not division) 3		
Pension System Name (not division) 4		
Pension System Name (not division) 5		

Line	Description	Source of Data	Statute Reference	System 1
1	Provide the name of your retirement pension system	Most Recent Actuarial Valuation Report	Sec. 5(6)	Vicksburg District Library
2	Enter retirement pension system's assets (system fiduciary net position ending)	Most Recent Audit Report	Sec. 5(4)(b)	82,563
3	Enter retirement pension system's liabilities (total pension liability ending)	Most Recent Audit Report	Sec. 5(4)(b)	137,434
4	Date (system year ending) of valuation of system's assets and liabilities (e.g. 12/31/2016)	Most Recent Audit Report	Sec. 5(6)	2/28/18
5	Actuarially Determined Contribution (ADC)	Most Recent Audit Report	Sec. 5(4)(b)	8,620
6	Governmental Fund Revenues	Most Recent Audit Report	Sec. 5(4)(b)	451,825
7	Pension Trigger Summary			
8	Is this unit a primary unit (County, Township, City, Village)?	From Municode		NO
9	Funded ratio	Calculated	Sec. 5(4)(b)	60.1%
10	All systems combined ADC/Governmental fund revenues	Calculated	Sec. 5(4)(b)	1.9%
11	Does this system trigger "underfunded status" as defined by PA 202 of 2017?	Primary units trigger: Less than 60% funded AND greater than 10% ADC/Governmental fund revenues. Non-Primary units trigger: Less than 60% funded	Sec. 5(4)(b)	NO

Notes:

Treasury Recommendation
Vicksburg District Library
Pension Corrective Action Plan (CAP)
Non-Primary Unit 398005

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



The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Center Line
MERS Pension Corrective Action Plan (CAP)
Primary Unit 502010**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Police and Fire Retirement System	Pension	\$11,950,967	\$18,532,982	64.5%	\$759,728	\$10,069,789	10.3%	NO
MERS	Pension	\$3,870,553	\$8,207,153	47.2%	\$273,151			YES
Healthcare	OPEB	\$3,330,297	\$23,270,422	14.3%	\$1,758,188		14.3%	YES
Total		\$19,151,817	\$50,010,557		\$2,791,067	\$10,069,789	24.6%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Denial of the pension corrective action plan submitted by City of Center Line, which was received by the Municipal Stability Board (the Board) on November 14, 2018. If denied, City of Center Line, will receive a detailed letter from the Board listing the reasons for disapproval. City of Center Line 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:
 - AFSCME - Increase employee contributions from 6% to 8% on July 1, 2011
 - AFSCME - Lowered retirement multiplier to 1.5% for all employees hired after October 15, 2011, as well as FAC shall be over 60 months and overtime, unused sick and vacation time will not be folded into final average compensation.
 - GELC - Increased employee contributions from 6% to 8% on July 1, 2011.
 - GELC - Lowered retirement multiplier to 1.5% for all employees hired after October 15, 2011, as well as FAC shall be over 60 months and overtime, unused sick and vacation time will not be folded into final average compensation.
 - GELC – Employees hired after March 1, 2016 shall be provided a MERS Defined Contribution Plan and not be eligible for Defined Benefit plan coverage
- Plan Funding:
 - City Council adopts an accelerated funding plan for defined benefit MERS system.
 - City Council approved a lump sum contribution of \$ 500,000.00.
 - City Council approved a lump sum contribution of \$ 200,000.00.
- Other Considerations:
 - Actuarial Assumptions were revised with the December 31, 2016 Actuarial Valuation.
 - A new Form 5572 (01-18) has been completed using Enterprise revenues combined with our General Governmental Fund revenues for our W&S Employees and Retirees.

Prospective Changes:

- Modern Plan Design:
 - The Center Line City Council adopts a new accelerated funding policy increasing actuarially determined monthly contributions and depositing them into a new "surplus

Treasury Recommendation
City of Center Line
MERS Pension Corrective Action Plan (CAP)
Primary Unit 502010

division" as part of the plan. Anticipated one hundred percent (100%) fully funded plan in twenty (20) years.

- Plan Funding:
 - See governing body policy mentioned above with increased additional contributions above the actuarially required contributions.

- Other Considerations:
 - None noted.

Plan size: 92 members

- Inactive employees or beneficiaries currently receiving benefits: 71
- Inactive employees entitled to but not yet receiving benefits: None noted
- Active employees: 21

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 (2029)

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.

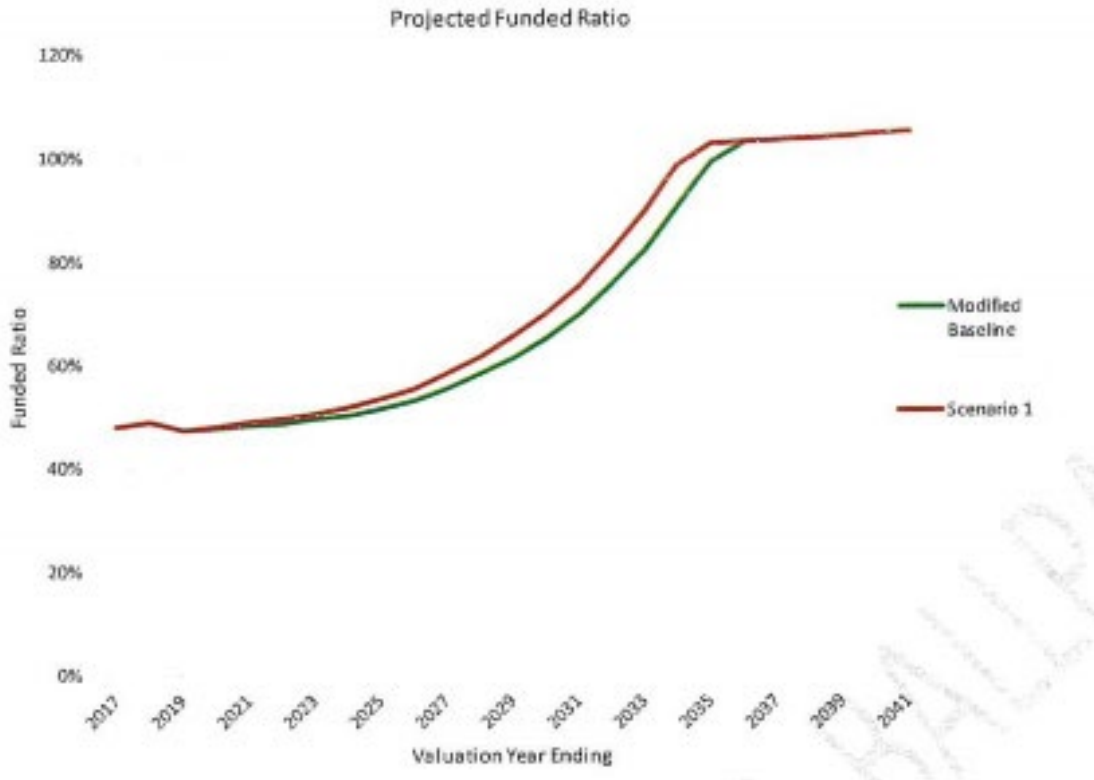
The following corrective action plan approval criteria were not met:

- Legal and Feasible:
 - The local unit failed to attach supporting documentation indicating the corrective action plan was approved by the governing body.

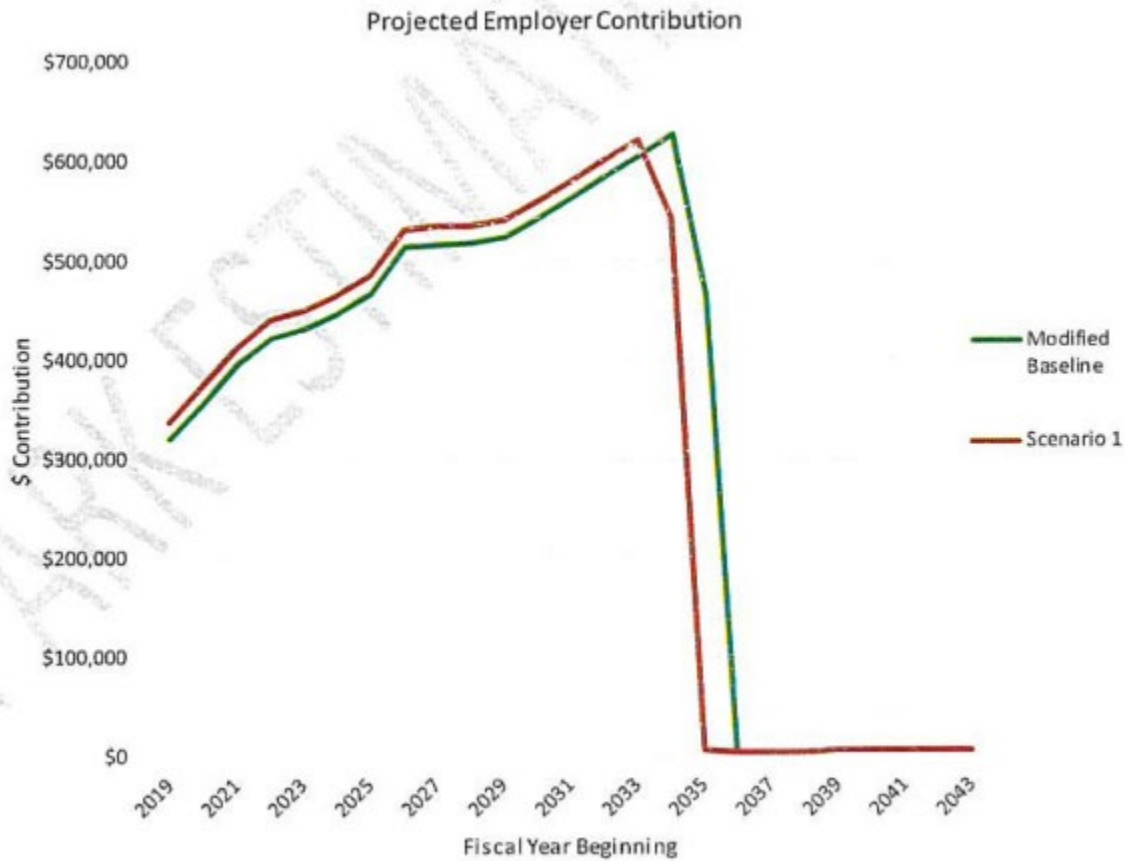
**Treasury Recommendation
City of Center Line
MERS Pension Corrective Action Plan (CAP)
Primary Unit 502010**

Supplemental Information:

The City of Center Line included their actuarial valuation which shows their pension system will reach 60% funded. The city also included a projected employer contributions graph, showing that between 2019 and 2033, annual employer contributions increase by approximately \$300,000, or 100%.



**Treasury Recommendation
City of Center Line
MERS Pension Corrective Action Plan (CAP)
Primary Unit 502010**



The Community Engagement and Finance Division (CEFD) contact:.

- Reached out to City Treasurer/Finance Director Mark Knapp on 12/10/2018 regarding the missing governing body approval. The City indicated that since they had gotten governing body approval for the waiver and other pieces of the Corrective Action Plan, they were under the assumption that additional approval was not required. It was clarified that governing body approval of the plan in its entirety was required. The City noted that they will seek this approval for the next submission should this CAP be denied.

**Treasury Recommendation
City of Center Line
OPEB Corrective Action Plan (CAP)
Primary Unit 502010**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$11,950,967	\$18,532,982	64.5%	\$759,728	\$10,069,789	10.3%	NO
MERS	Pension	\$3,870,553	\$8,207,153	47.2%	\$273,151			YES
Healthcare	OPEB	\$3,330,297	\$23,270,422	14.3%	\$1,758,188		14.3%	YES
Total		\$19,151,817	\$50,010,557		\$2,791,067	\$10,069,789	24.6%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Denial of the OPEB corrective action plan submitted by City of Center Line which was received by the Municipal Stability Board (the Board) on November 14, 2018. If denied, City of Center Line, will receive a detailed letter from the Board listing the reasons for disapproval. City of Center Line 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:
 - On October 15, 2010, OPEB benefits were closed to new hires for AFSCME and GELC Collective Bargaining Units.
 - On September 12, 2011, OPEB benefits were closed to new hires for POAM and COAM Collective Bargaining Units.
 - New hires participate in a Health Savings Account program.
 - Healthcare coverage for retirees mirrors active employees and is coordinated with Medicare.
 - Collective Bargaining Agreement provisions created additional eligibility restrictions for designated spousal and dependent beneficiaries, established non-resident requirements, and created an opt-out provision to pay retirees a lump-sum payment in lieu of coverage
- Plan Funding:
 - Created a qualified trust in June, 2013 to dedicate assets toward the funding of retirement healthcare benefits.
 - City approved an additional \$744,410 contribution in 2013 and an additional \$489,893 contribution in 2014.
- Other Considerations:
 - Created an OPEB board to manage OPEB trust in May 2018.

Prospective Changes:

- Modern Plan Design:
 - None listed
- Plan Funding:

**Treasury Recommendation
City of Center Line
OPEB Corrective Action Plan (CAP)
Primary Unit 502010**

- The City's triennial budget calls for continuing annual contributions above the annual required contribution.
- Looking into the possibility of Public Act 345 millage.
- Other Considerations:
 - Utilizing a conservative investment rate of return of 6%, with a level dollar amortization over a closed period of 24 years.

Plan size: 92 members

- Inactive employees or beneficiaries currently receiving benefits: 71
- Active employees: 21

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 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 (2022).

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:

- Legal and Feasible:
 - The local unit failed to attach supporting documentation indicating the corrective action plan was approved by the governing body.

**Treasury Recommendation
City of Center Line
OPEB Corrective Action Plan (CAP)
Primary Unit 502010**

Supplemental Information:

The City of Center Line included their triennial budget showing budgeted OPEB contributions. The city also included actuarial projections showing the impact of these additional payments. The actuarial analysis provided 4 different scenarios depending on the additional excess contribution (25K, 50K, 75K, or 100K). The city does not indicate which plan they intend to follow beyond the next 3 years that are budgeted, but each plan ends with 40% funding in 2022

TRIENNIAL BUDGET DETAIL

ACCT NO	ACCOUNT TITLE	FY2017	ADOPTED	BUDGETED CHANGE		BUDGET MEMO	
		AMENDED BUDGET	FY2018 BUDGET	\$ CHANGE	% CHANGE	FY2019 FORECAST	FY2020 FORECAST
998.736	OPEB CONTRIBUTION	\$ 35,000	\$ 40,000	\$ 5,000	14%	\$ 50,000	\$ 50,000

Previous

**City of Center Line Retiree Health Care Plan
Projection Schedule
with an Additional \$25,000 Annual Contribution**

Fiscal Year	Actuarial Accrued Liability (AAL) Projection				Market Value of Asset Projection					Unfunded Liability (EOY)	Funded Percentage
	Normal Cost	Benefit Payments	Interest	AAL EOY (a)	Actuarially Computed Employer Contribution [^]	Excess Contribution	Benefit Payments	Interest	Asset Value* EOY (b)		
7/1/2016 - 6/30/2017				\$ 19,979,149					\$ 4,614,471	(c) = (a) - (b)	(d) = (b) / (a)
7/1/2017 - 6/30/2018	\$219,760	\$ 917,717	\$ 1,177,810	20,459,003	\$1,756,866	\$25,000	\$ 917,717	\$ 302,793	5,781,413	\$ 15,364,678	23.10%
7/1/2018 - 6/30/2019	202,240	1,004,361	1,203,477	20,860,359	1,556,339	25,000	1,004,361	364,194	6,722,586	14,137,774	32.23%
7/1/2019 - 6/30/2020	178,496	1,077,640	1,224,647	21,185,862	1,541,549	25,000	1,077,640	418,022	7,629,517	13,556,346	36.01%
7/1/2020 - 6/30/2021	151,830	1,142,189	1,241,441	21,436,945	1,245,144	25,000	1,142,189	461,610	8,219,082	13,217,863	38.34%
7/1/2021 - 6/30/2022	121,925	1,226,495	1,253,080	21,585,454	1,213,086	25,000	1,226,495	493,493	8,724,165	12,861,289	40.42%

[^] Includes payment towards the Normal Cost Accrual and an Amortization Payment.

* Projected values with the exception of the June 30, 2017 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 June 30, 2022.

- Annual excess contributions of \$25,000 begin during the fiscal year ending June 30, 2018;
- The assumed rate of interest was 6.00%;
- The contributions made by the Plan for the years ending June 30, 2018, June 30, 2019 and June 30, 2020 are as established in our December 31, 2014 and December 31, 2016 valuation reports, based on 6.00% interest; and
- Contributions, normal cost accruals, and benefit payments occur halfway through the year.

**Treasury Recommendation
City of Center Line
OPEB Corrective Action Plan (CAP)
Primary Unit 502010**

**City of Center Line Retiree Health Care Plan
Projection Schedule
with an Additional \$50,000 Annual Contribution**

Fiscal Year	Actuarial Accrued Liability (AAL) Projection				Market Value of Asset Projection				Unfunded Liability (EOY)	Funded Percentage	
	Normal Cost	Benefit Payments	Interest	AAL EOY	Actuarially Computed Employer Contribution [^]	Excess Contribution	Benefit Payments	Interest			Asset Value* EOY
				(a)					(b)	(c) = (a) - (b)	(d) = (b) / (a)
7/1/2016 - 6/30/2017				\$ 19,979,149					\$ 4,614,471	\$ 15,364,678	23.10%
7/1/2017 - 6/30/2018	\$219,760	\$ 917,717	\$ 1,177,810	20,459,003	\$1,756,866	\$50,000	\$ 917,717	\$ 303,543	5,807,163	14,651,839	28.38%
7/1/2018 - 6/30/2019	202,240	1,004,361	1,203,477	20,860,359	1,556,339	50,000	1,004,361	366,489	6,775,631	14,084,729	32.48%
7/1/2019 - 6/30/2020	178,496	1,077,640	1,224,647	21,185,862	1,541,549	50,000	1,077,640	421,955	7,711,495	13,474,368	36.40%
7/1/2020 - 6/30/2021	151,830	1,142,189	1,241,441	21,436,945	1,238,532	50,000	1,142,189	467,080	8,324,918	13,112,027	38.83%
7/1/2021 - 6/30/2022	121,925	1,226,495	1,253,080	21,585,454	1,204,350	50,000	1,226,495	500,331	8,853,103	12,732,351	41.01%

[^] Includes payment towards the Normal Cost Accrual and an Amortization Payment.

* Projected values with the exception of the June 30, 2017 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 June 30, 2022.

- Annual excess contributions of \$50,000 begin during the fiscal year ending June 30, 2018;
- The assumed rate of interest was 6.00%;
- The contributions made by the Plan for the years ending June 30, 2018, June 30, 2019 and June 30, 2020 are as established in our December 31, 2014 and December 31, 2016 valuation reports, based on 6.00% interest; and
- Contributions, normal cost accruals, and benefit payments occur halfway through the year.

The Community Engagement and Finance Division (CEFD) contact:

- Reached out to City Treasurer/Finance Director Mark Knapp on 12/10/2018 regarding the missing governing body approval. The City indicated that since they had gotten governing body approval for the waiver and other pieces of the Corrective Action Plan, they were under the assumption that additional approval was not required. It was clarified that governing body approval of the plan in its entirety was required. The City noted that they will seek this approval for the next submission should this CAP be denied.

**Treasury Recommendation
City of St Clair Shores
OPEB General Employees Corrective Action Plan (CAP)
Primary Unit 502090**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
City of St. Clair Shores Police and Fire Retirement System	Pension	\$102,735,661	\$163,603,344	62.8%	\$5,519,497	\$51,603,156	15.6%	No
City of St. Clair Shores Employees Retirement System	Pension	\$39,096,042	\$65,928,071	59.3%	\$2,554,204			No
City of St. Clair Shores Police and Fire Retiree Health Care Plan	OPEB	\$12,494,721	\$103,374,469	12.1%	\$5,901,168		22.2%	Yes
City of St. Clair Shores General Retiree Health Care Plan	OPEB	\$6,287,279	\$61,886,932	10.2%	\$4,509,377			Yes
Total		\$160,613,703	\$394,792,816		\$18,484,246	\$51,603,156	37.8%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the General Employees OPEB corrective action plan submitted by the City of St. Clair Shores, 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:**
 - Established a self-insurance plan pre-1987 for health care to better manage and control costs.
 - Required Medicare as a primary and added an opt-out provision.
 - As of July 2013, the plan was closed to new hires.

**Treasury Recommendation
City of St Clair Shores
OPEB General Employees Corrective Action Plan (CAP)
Primary Unit 502090**

- Retiree benefit levels mirror collective bargaining agreements (CBA) for active employees.
- Switched to a PPO plan.
- Increased prescription co-pays in April 2014.

- Plan Funding:
 - The following additional contributions were made over and above the pay-as-you-go amount. The amount for FY 2017 is \$351,000. The amount for FY 2018 is \$400,070. The amount for FY 2019 is \$403,305.

- Other Considerations:
 - In 2007, a dedicated trust fund was set up with its own board.
 - Updated mortality tables and closed amortization period.
 - Lowered long-term wage base assumption of 4.0% to 3.5%.
 - Changed investment consultants and utilized professional investment manager to maximize ROI & diversification.
 - Initiated cost sharing from some collective bargaining agreements for active employees in 2009.

Prospective Changes:

- Modern Plan Design:
 - City of St Clair Shores received notification from provider in September 2018 of total savings for retiree PDP Medicare plan or EGWP from Humana of \$78,000 (estimated) beginning in current year 2019.

- Plan Funding:
 - The resolution adopted by the City Council authorizes the City Manager to prepare a budget for FY 2020 and subsequent fiscal years that includes pay-as-you-go amounts. Please note that the City has already been making the pay-as-you-go payments, for, well, forever.

- Other Considerations:
 - None Noted.

Plan size: 298 members

- Inactive employees or beneficiaries currently receiving benefits: 212
- Inactive employees entitled to but not yet receiving benefits: 20
- Active employees: 66

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

**Treasury Recommendation
City of St Clair Shores
OPEB General Employees Corrective Action Plan (CAP)
Primary Unit 502090**

- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 40% 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 40% within a reasonable timeframe (2046).

- 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 22.2%. This reflects a significant portion of the local government's budget.

Supplemental Information:

The City of St. Clair Shores included a projection schedule illustrating how and when the local unit will reach the 40% funded ratio (fiscal year 2040). This is based upon continue to pay the pay-go amount and allowing existing trust to grow at 5% rate of return. Pay-go amount grows from \$2.7 million to \$4.4 million in 2035 which is an approximately 60% increase.

**Treasury Recommendation
City of St Clair Shores
OPEB General Employees Corrective Action Plan (CAP)
Primary Unit 502090**

City of St. Clair Shores General Retiree Health Care Plan Projection Schedule

Fiscal Year	Actuarial Accrued Liability (AAL) Projection				Market Value of Asset Projection							Unfunded Liability (EOY)	Funded Percentage
	Normal Cost	Benefit Payments	5.00% Interest	AAL EOY (a)	Pay-Go Employer Contribution ⁽¹⁾	Additional Employer Contribution	Benefit Payments	Administrative Expenses	5.00% Interest	Asset Value EOY ⁽²⁾ (b)			
7/1/2016 - 6/30/2017				\$61,886,932						\$6,287,278	(c) = (a) - (b)	(d) = (b) / (a)	
7/1/2017 - 6/30/2018	\$789,162	\$2,765,348	\$3,045,545	62,956,291	\$2,770,090	\$0	\$2,765,348	\$4,742	\$314,364	6,601,642	\$55,599,654	10.16%	
7/1/2018 - 6/30/2019	734,411	2,966,760	3,092,687	63,816,629	2,971,146	0	2,966,760	4,386	330,082	6,931,724	56,884,905	10.86%	
7/1/2019 - 6/30/2020	684,229	3,081,695	3,131,626	64,550,789	3,085,764	0	3,081,695	4,069	346,586	7,278,310	57,272,479	11.28%	
7/1/2020 - 6/30/2021	640,317	3,231,686	3,163,545	65,122,965	3,235,500	0	3,231,686	3,814	363,916	7,642,226	57,480,739	11.74%	
7/1/2021 - 6/30/2022	601,573	3,373,804	3,187,688	65,538,422	3,377,388	0	3,373,804	3,584	382,111	8,024,337	57,514,085	12.24%	
7/1/2022 - 6/30/2023	560,642	3,491,628	3,204,540	65,811,976	3,494,928	0	3,491,628	3,300	401,217	8,425,554	57,386,422	12.80%	
7/1/2023 - 6/30/2024	522,769	3,635,080	3,213,740	65,913,405	3,638,097	0	3,635,080	3,017	421,278	8,846,832	57,066,573	13.42%	
7/1/2024 - 6/30/2025	479,446	3,787,510	3,213,977	65,819,318	3,790,268	0	3,787,510	2,758	442,342	9,289,174	56,530,144	14.11%	
7/1/2025 - 6/30/2026	432,988	3,906,438	3,205,189	65,551,057	3,908,939	0	3,906,438	2,501	464,459	9,753,633	55,797,424	14.88%	
7/1/2026 - 6/30/2027	389,381	3,995,728	3,188,494	65,133,204	3,997,979	0	3,995,728	2,251	487,682	10,241,315	54,891,889	15.72%	
7/1/2027 - 6/30/2028	347,078	4,098,530	3,164,018	64,545,770	4,100,533	0	4,098,530	2,003	512,066	10,753,381	53,792,389	16.66%	
7/1/2028 - 6/30/2029	308,707	4,128,498	3,132,958	63,858,937	4,130,282	0	4,128,498	1,784	537,669	11,291,050	52,567,887	17.68%	
7/1/2029 - 6/30/2030	276,046	4,184,514	3,096,427	63,046,896	4,186,116	0	4,184,514	1,602	564,553	11,855,603	51,191,293	18.80%	
7/1/2030 - 6/30/2031	241,869	4,269,540	3,052,881	62,072,106	4,270,942	0	4,269,540	1,402	592,780	12,448,383	49,623,723	20.05%	
7/1/2031 - 6/30/2032	202,946	4,311,245	3,002,151	60,965,958	4,312,413	0	4,311,245	1,168	622,419	13,070,802	47,895,156	21.44%	
7/1/2032 - 6/30/2033	167,487	4,335,110	2,945,378	59,743,713	4,336,073	0	4,335,110	963	653,540	13,724,342	46,019,371	22.97%	
7/1/2033 - 6/30/2034	139,436	4,386,939	2,882,293	58,378,503	4,387,748	0	4,386,939	809	686,217	14,410,559	43,967,944	24.68%	
7/1/2034 - 6/30/2035	115,327	4,421,767	2,812,577	56,884,640	4,422,439	0	4,421,767	672	720,528	15,131,087	41,753,553	26.60%	
7/1/2035 - 6/30/2036	91,386	4,413,473	2,737,498	55,300,051	4,414,004	0	4,413,473	531	756,554	15,887,641	39,412,410	28.73%	
7/1/2036 - 6/30/2037	68,637	4,399,026	2,658,063	53,627,725	4,399,427	0	4,399,026	401	794,382	16,682,023	36,945,702	31.11%	
7/1/2037 - 6/30/2038	50,616	4,387,390	2,574,289	51,865,240	4,387,689	0	4,387,390	299	834,101	17,516,124	34,349,116	33.77%	
7/1/2038 - 6/30/2039	37,529	4,346,923	2,486,841	50,042,687	4,347,147	0	4,346,923	224	875,806	18,391,930	31,650,757	36.75%	
7/1/2039 - 6/30/2040	27,375	4,267,023	2,397,436	48,200,475	4,267,188	0	4,267,023	165	919,597	19,311,527	28,888,948	40.07%	
7/1/2040 - 6/30/2041	19,724	4,179,265	2,307,304	46,348,238	4,179,384	0	4,179,265	119	965,576	20,277,103	26,071,135	43.75%	
7/1/2041 - 6/30/2042	13,643	4,110,648	2,216,236	44,467,469	4,110,731	0	4,110,648	83	1,013,855	21,290,958	23,176,511	47.88%	
7/1/2042 - 6/30/2043	8,648	4,027,070	2,124,138	42,573,185	4,027,124	0	4,027,070	54	1,064,548	22,355,506	20,217,679	52.51%	
7/1/2043 - 6/30/2044	5,320	3,920,075	2,031,984	40,690,414	3,920,110	0	3,920,075	35	1,117,775	23,473,281	17,217,133	57.69%	
7/1/2044 - 6/30/2045	3,130	3,808,407	1,940,549	38,825,686	3,808,428	0	3,808,407	21	1,173,664	24,646,945	14,178,741	63.48%	
7/1/2045 - 6/30/2046	1,947	3,707,549	1,849,774	36,969,858	3,707,562	0	3,707,549	13	1,232,347	25,879,292	11,090,566	70.00%	

⁽¹⁾ Includes benefit payments and administrative expenses.

⁽²⁾ Projected values with the exception of the June 30, 2017 value.

Assuming all actual 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 June 30, 2040.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of St Clair Shores
OPEB Police and Fire Corrective Action Plan (CAP)
Primary Unit 502090**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
City of St. Clair Shores Police and Fire Retirement System	Pension	\$102,735,661	\$163,603,344	62.8%	\$5,519,497	\$51,603,156	15.6%	No
City of St. Clair Shores Employees Retirement System	Pension	\$39,096,042	\$65,928,071	59.3%	\$2,554,204			No
City of St. Clair Shores Police and Fire Retiree Health Care Plan	OPEB	\$12,494,721	\$103,374,469	12.1%	\$5,901,168		22.2%	Yes
City of St. Clair Shores General Retiree Health Care Plan	OPEB	\$6,287,279	\$61,886,932	10.2%	\$4,509,377			Yes
Total		\$160,613,703	\$394,792,816		\$18,484,246	\$51,603,156	37.8%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the Police and Fire OPEB corrective action plan submitted by the City of St. Clair Shores, 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:
 - Established a self-insurance plan pre-1987 for health care to better manage and control costs.
 - Required Medicare as a primary and added an opt-out provision.

**Treasury Recommendation
City of St Clair Shores
OPEB Police and Fire Corrective Action Plan (CAP)
Primary Unit 502090**

- Retiree benefit levels mirror collective bargaining agreements (CBA) for active employees.
- Switched to a PPO plan and increased prescription co-pays in July 2015.
- Plan Funding:
 - The following additional contributions were made over and above the pay-as-you-go amount. The amount for FY 2018 (Actual) is \$656,960. The amount for FY 2019 (approved; plus additional \$127,200 for new hires) is \$813,392.
- Other Considerations:
 - In 2000, a dedicated trust fund was set up with its own board.
 - Updated mortality tables and closed amortization period.
 - Utilized professional investment manager to maximize ROI & diversification.
 - Initiated cost sharing for active employees in 2011.

Prospective Changes:

- Modern Plan Design:
 - City of St Clair Shores received notification from provider in September 2018 of total savings for retiree PDP Medicare plan or EGWP from Humana of \$78,000 (estimated) beginning in current year 2019.
- Plan Funding:
 - The resolution adopted by the City Council authorizes the City Manager to prepare a budget for FY 2020 and subsequent fiscal years that includes pay-as-you-go amounts. Please note that the City has already been making the pay-as-you-go payments, for, well, forever.
- Other Considerations:
 - None Noted.

Plan size: 336 members

- Inactive employees or beneficiaries currently receiving benefits: 204
- Inactive employees entitled to but not yet receiving benefits: 2
- Active employees: 130

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 projection found in the corrective

**Treasury Recommendation
City of St Clair Shores
OPEB Police and Fire Corrective Action Plan (CAP)
Primary Unit 502090**

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 (2038).

- 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 22.2%. This reflects a significant portion of the local government's budget.

Supplemental Information:

The City of St. Clair Shores included a projection schedule illustrating how and when the local unit will reach the 40% funded ratio (fiscal year 2038). This is based upon continue to pay the pay-go amount and allowing existing trust to grow at 6% rate of return. Pay-go amount grows from \$3.1 million to \$7.9 million in 2043 which is an approximately 154% increase.

**Treasury Recommendation
City of St Clair Shores
OPEB Police and Fire Corrective Action Plan (CAP)
Primary Unit 502090**

City of St. Clair Shores Police and Fire Retiree Health Care Plan Projection Schedule

Fiscal Year	Actuarial Accrued Liability (AAL) Projection				Market Value of Asset Projection							Unfunded Liability (EOY)	Funded Percentage
	Normal Cost	Benefit Payments	6.00% Interest	AAL EOY	Employee Contribution	Pay-Go Employer Contribution ⁽¹⁾	Additional Employer Contribution	Benefit Payments	Administrative Expenses	6.00% Interest	Asset Value EOY ⁽²⁾		
	(a)				(b)							(c) = (a) - (b)	(d) = (b) / (a)
7/1/2016 - 6/30/2017				\$78,421,990							\$12,494,721	\$65,927,269	15.93%
7/1/2017 - 6/30/2018	\$1,496,345	\$3,136,165	\$4,656,841	81,439,011	\$111,759	\$3,141,571	\$0	\$3,136,165	\$5,406	\$752,987	13,359,467	68,079,544	16.40%
7/1/2018 - 6/30/2019	1,459,154	3,421,875	4,828,317	84,304,607	109,616	3,427,106	0	3,421,875	5,231	804,809	14,273,892	70,030,715	16.93%
7/1/2019 - 6/30/2020	1,409,559	3,688,427	4,990,906	87,016,645	107,243	3,693,435	0	3,688,427	5,008	859,604	15,240,739	71,775,906	17.51%
7/1/2020 - 6/30/2021	1,363,296	3,964,596	5,144,096	89,559,441	106,084	3,969,399	0	3,964,596	4,803	917,581	16,264,404	73,295,037	18.16%
7/1/2021 - 6/30/2022	1,316,911	4,250,118	5,286,852	91,913,086	105,468	4,254,718	0	4,250,118	4,600	978,982	17,348,854	74,564,232	18.88%
7/1/2022 - 6/30/2023	1,279,946	4,550,424	5,418,100	94,060,708	105,303	4,554,868	0	4,550,424	4,444	1,044,044	18,498,201	75,562,507	19.67%
7/1/2023 - 6/30/2024	1,249,933	4,792,246	5,538,921	96,057,316	105,249	4,796,576	0	4,792,246	4,330	1,113,004	19,716,454	76,340,862	20.53%
7/1/2024 - 6/30/2025	1,211,000	5,012,865	5,651,044	97,906,495	105,182	5,017,053	0	5,012,865	4,188	1,186,097	21,007,733	76,898,762	21.46%
7/1/2025 - 6/30/2026	1,164,779	5,214,293	5,754,674	99,611,655	104,792	5,218,316	0	5,214,293	4,023	1,263,562	22,376,087	77,235,568	22.46%
7/1/2026 - 6/30/2027	1,111,892	5,379,907	5,850,524	101,194,164	103,551	5,383,744	0	5,379,907	3,837	1,345,626	23,825,264	77,368,900	23.54%
7/1/2027 - 6/30/2028	1,058,540	5,537,283	5,939,245	102,654,666	102,475	5,540,936	0	5,537,283	3,653	1,432,545	25,360,284	77,294,382	24.70%
7/1/2028 - 6/30/2029	1,025,643	5,684,732	6,021,543	104,017,120	102,536	5,688,271	0	5,684,732	3,539	1,524,648	26,987,468	77,029,652	25.95%
7/1/2029 - 6/30/2030	997,585	5,802,507	6,098,979	105,311,177	102,839	5,805,947	0	5,802,507	3,440	1,622,288	28,712,595	76,598,582	27.26%
7/1/2030 - 6/30/2031	967,223	5,859,402	6,174,043	106,593,041	103,063	5,862,729	0	5,859,402	3,327	1,725,803	30,541,461	76,051,580	28.65%
7/1/2031 - 6/30/2032	938,886	5,926,498	6,248,134	107,853,563	103,490	5,929,722	0	5,926,498	3,224	1,835,547	32,480,498	75,373,065	30.12%
7/1/2032 - 6/30/2033	913,102	6,044,574	6,319,512	109,041,603	104,135	6,047,702	0	6,044,574	3,128	1,951,908	34,536,541	74,505,062	31.67%
7/1/2033 - 6/30/2034	864,848	6,218,561	6,384,224	110,072,114	101,273	6,221,509	0	6,218,561	2,948	2,075,186	36,713,000	73,359,114	33.85%
7/1/2034 - 6/30/2035	783,365	6,371,073	6,439,137	110,923,543	93,214	6,373,719	0	6,371,073	2,646	2,205,536	39,011,750	71,911,793	35.17%
7/1/2035 - 6/30/2036	694,027	6,518,531	6,483,223	111,582,262	83,942	6,520,852	0	6,518,531	2,321	2,343,187	41,438,879	70,143,383	37.14%
7/1/2036 - 6/30/2037	575,440	6,725,999	6,513,107	111,944,810	69,900	6,727,887	0	6,725,999	1,888	2,488,399	43,997,178	67,947,632	39.30%
7/1/2037 - 6/30/2038	443,032	6,983,103	6,523,344	111,928,083	52,832	6,984,511	0	6,983,103	1,408	2,641,393	46,691,403	65,236,680	41.72%
7/1/2038 - 6/30/2039	342,306	7,200,406	6,512,939	111,582,922	39,896	7,201,457	0	7,200,406	1,051	2,802,664	49,533,963	62,048,959	44.39%
7/1/2039 - 6/30/2040	255,881	7,396,174	6,483,887	110,926,516	28,850	7,396,928	0	7,396,174	754	2,972,891	52,535,704	58,390,812	47.36%
7/1/2040 - 6/30/2041	175,895	7,574,285	6,436,872	109,964,998	19,186	7,574,783	0	7,574,285	498	3,152,709	55,707,599	54,257,399	50.66%
7/1/2041 - 6/30/2042	116,441	7,721,530	6,373,071	108,732,980	12,498	7,721,853	0	7,721,530	323	3,342,825	59,062,922	49,670,058	54.32%
7/1/2042 - 6/30/2043	75,689	7,819,646	6,295,044	107,284,067	7,933	7,819,850	0	7,819,646	204	3,544,010	62,614,865	44,669,202	58.36%
7/1/2043 - 6/30/2044	48,578	7,878,236	6,205,576	105,659,985	4,944	7,878,362	0	7,878,236	126	3,757,038	66,376,847	39,283,138	62.82%
7/1/2044 - 6/30/2045	30,971	7,925,526	6,106,212	103,871,642	3,053	7,925,604	0	7,925,526	78	3,982,701	70,362,601	33,509,041	67.74%
7/1/2045 - 6/30/2046	19,035	7,924,546	5,998,588	101,964,719	1,812	7,924,592	0	7,924,546	46	4,221,810	74,586,223	27,378,496	73.15%

⁽¹⁾ Includes benefit payments and administrative expenses.

⁽²⁾ Projected values with the exception of the June 30, 2017 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 June 30, 2038.

- The discount rate and the assumed rate of investment return on assets are 6.00%;
- Contributions, normal cost accruals, benefit payments, and administrative expenses occur halfway through the year; and
- The projections above do not include participants hired after June 30, 2016.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
Village of Romeo
OPEB Corrective Action Plan (CAP)
Primary Unit 503040**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$4,894,580	\$8,044,411	60.8%	\$284,428	\$3,910,373	7.3%	No
Healthcare	OPEB	\$0	\$7,184,188	0%	\$655,105		16.8%	Yes
Total		\$4,894,580	\$15,228,599		\$939,533	\$3,910,373	24.1%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Denial of the OPEB corrective action plan submitted by the Village of Romeo, which was received by the Municipal Stability Board (the Board) on November 14th, 2018. If denied, the Village of Romeo, will receive a detailed letter from the Board listing the reasons for disapproval. The Village of Romeo will have 60 days from the date of the notification to address the reason for disapproval and resubmit a corrective action plan for approval.

Changes Made:

- Modern Plan Design:
 - In 2016, the Village changed their retirement health care provider to Benister, thus reducing costs. Treasury was unable to confirm.
- Plan Funding:
 - The Village of Romeo Retirement Health Benefit System (the System) will be placed in a previously budgeted OPEB Trust fund. They will contribute: \$400,000 in 2018, \$400,000 in 2019, \$175,000 annually through 2020-2022 and \$100,000 annually through 2023-2037.
- Other Considerations:
 - None noted.

Prospective Changes:

- Modern Plan Design:
 - The Village is in its third year of five collective bargaining agreements with AFSCME. The Village Council will review the guidelines and mandates from the State during the next collective bargaining agreements.
- Plan Funding:
 - The budgeted and scheduled funding will be placed into the OPEB Trust fund. Any additional contributions to the OPEB trust Fund will be reviewed and approved by the Village Council annually.
 - The OPEB Trust fund schedule set in place by the CAP will allow the Village to be 40% funded by FY 2037.

Treasury Recommendation
Village of Romeo
OPEB Corrective Action Plan (CAP)
Primary Unit 503040

- Other Considerations:
 - None noted.

Plan size: N/A

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 Village 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 Village 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 maybe 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 2037; however, the Village did not provide clear documentation that demonstrates this. Based on other information presented in the corrective action plan, we have determined the local government maybe able to achieve the 40% funded ratio within this timeframe.
- Affordable:
 - The Village 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 Village's annual required contribution as a percentage of general fund operating revenues is 24.1%. This reflects a significant portion of the local government's budget.

Supplemental Information:

The Village of Romeo included an internal analysis which showed their OPEB Trust fund achieving a 40% funded ratio by 2037. The projected funded ratio is based on the actuarial accrued liability (AAL) from the 2016 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. The village projects to be at 40% funded within 20 years (whereas the Board's approval criteria is 30 years for severely underfunded systems). The Village states it will review the annual contribution annually;

**Treasury Recommendation
Village of Romeo
OPEB Corrective Action Plan (CAP)
Primary Unit 503040**

however, the current plan of reaching 40% funded in 20 years is unlikely based on the information submitted in the corrective action plan.

OPEB TRUST FUND SCHEDULE

FUNDING YEARS	FUNDING	TOTAL DEPOSIT	FUNDING %
2018 YEAR 1	400,000.00	400,000.00	5.59
2019 YEAR 2	400,000.00	800,000.00	11.14
2020 YEAR 3	175,000.00	975,000.00	13.54
2021 YEAR 4	175,000.00	1,150,000.00	16.01
2022 YEAR 5	175,000.00	1,325,000.00	18.45
2023 YEAR 6	110,000.00	1,435,000.00	19.98
2024 YEAR 7	110,000.00	1,545,000.00	21.51
2025 YEAR 8	110,000.00	1,655,000.00	23.04
2026 YEAR 9	110,000.00	1,765,000.00	24.57
2027 YEAR 10	110,000.00	1,875,000.00	26.1
2028 YEAR 11	110,000.00	1,985,000.00	27.63
2029 YEAR 12	110,000.00	2,095,000.00	29.16
2030 YEAR 13	110,000.00	2,205,000.00	30.69
2031 YEAR 14	110,000.00	2,315,000.00	32.63
2032 YEAR 15	110,000.00	2,425,000.00	33.76
2033 YEAR 16	110,000.00	2,535,000.00	35.29
2034 YEAR 17	110,000.00	2,645,000.00	36.82
2035 YEAR 18	110,000.00	2,755,000.00	38.35
2036 YEAR 19	110,000.00	2,865,000.00	39.88
2037 YEAR 20	110,000.00	2,975,000.00	41.41

40% FUNDING BY YEAR 20

2038-2047 FUNDING YEARS TO BE DETERMINED

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
41B District Court
OPEB Corrective Action Plan (CAP)
Non-Primary Unit 507536**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$6,789,304	\$9,258,796	73.3%	\$212,884	\$5,517,588	3.9%	No
Healthcare	OPEB	\$2,446,651	\$8,939,225	27.4%	\$467,646		8.5%	Yes
Total		\$9,235,955	\$18,198,021		\$680,530	\$5,517,588	12.3%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by 41B District Court, 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:
 - None noted
- Plan Funding:
 - The 41 District Court created a separate Trust Fund with MERS in 2008 and has funded it every year based on the ARC in their actuarial reports
 - The fund has grown to a balance of \$3,215,786.77 as of 9/30/2018 which results in a 41.5% funded ratio
- Other Considerations:
 - The information provided on the Form 5572 from the audit used old actuarial data from 2015; the updated actuarial valuation for 2017 shows the funded ratio has improved to 41.5% as indicated on page 4
 - The 41B District Court's governing body approved a fiduciary fund and will continue to fund the ARC and monitor the funding level

Prospective Changes:

- Modern Plan Design:
 - None noted
- Plan Funding:
 - None noted
- Other Considerations:
 - The information provided on the Form 5572 from the audit used old actuarial data from 2015; the updated actuarial valuation for 2017 shows the funded ratio has improved to 41.5%

Plan size: 71 members

**Treasury Recommendation
41B District Court
OPEB Corrective Action Plan (CAP)
Non-Primary Unit 507536**

- Inactive employees or beneficiaries currently receiving benefits: 45
- Inactive employees entitled to but not yet receiving benefits: 3
- Active employees: 23

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:
 - 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:

41B District Court included a summary of valuation results in their actuarial valuation showing the local unit has already reached the 40% threshold for funded status:

**Treasury Recommendation
41B District Court
OPEB Corrective Action Plan (CAP)
Non-Primary Unit 507536**

SUMMARY OF VALUATION RESULTS

Valuation Date	12/31/2017
Participant Data	
Active plan members	23
Inactive not receiving payments	3
Inactive currently receiving payments (and spouses)	45
Total	<u>71</u>
Total OPEB Liability	
Active plan members	\$ 2,531,532
Inactive not receiving payments	565,634
Inactive currently receiving payments (and spouses)	4,523,309
Total	<u>7,620,475</u>
Fiduciary Net Position	<u>3,160,994</u>
Net OPEB Liability (Asset)	<u>\$ 4,459,481</u>
FNP as a % of TOL	<u>41.48%</u>

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Midland
Pension Corrective Action Plan (CAP)
Primary Unit 562020**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$77,290,283	\$141,414,757	54.7%	\$5,950,113	\$64,446,539	13.2%	Yes
Police and Fire	Pension	\$62,397,197	\$85,840,652	72.7%	\$2,575,684			No
Retiree Health Care Plan	OPEB	\$40,317,063	\$91,458,225	44.1%	\$5,055,234		7.8%	No
Total		\$180,004,543	\$318,713,634		\$13,581,031	\$64,446,539	21.0%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the Pension corrective action plan submitted by the City of Midland, 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 MERS defined benefit plan was closed to most new entrants as of 7/1/05, but the “Attorney” and “City Manager” divisions remain open. New hires are placed into a Hybrid plan with a 1.0X multiplier for the DB portion, with total benefit cost capped at 12% of the employee’s eligible compensation.
 - The City has bridged benefits to a reduced multiplier, increased employee contributions, and excluded accumulated paid-time-off from the FAC calculation for active employees.
- Plan Funding:
 - In recent years, the City has made contributions in excess of the annual required contribution.
- Other Considerations:
 - The City notes that 40% of the system’s liability is associated with proprietary fund types.

Prospective Changes:

- Modern Plan Design:
 - The City does not anticipate pursuing additional pension concessions when collective bargaining agreements re-open in 2019, but the City notes that it will consider

**Treasury Recommendation
City of Midland
Pension Corrective Action Plan (CAP)
Primary Unit 562020**

modifying benefits again if economic conditions require such changes.

- Plan Funding:
 - The City will continue to pay more than the ARC for the current and future years. This will provide approximately \$7 million of additional payments through the 2024/25 fiscal year. Based upon the most recent actuarial valuation, the plan should become 60% funded in 2020/21 as a result of the additional funding.

- Other Considerations:
 - None Listed

Plan size: 449 members

- Inactive employees or beneficiaries currently receiving benefits: 326
- Inactive employees entitled to but not yet receiving benefits: 22
- Active employees: 101

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the internal analysis 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 (2020).

- Legal and Feasible:
 - The local unit's corrective action plan appears to follow all applicable laws. The actions listed appear reasonable and the corrective action plan has been approved by the governing body.

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

Supplemental Information:

The City of Midland included an internal analysis showing the impact of their intended additional funding on their funded ratio, showing them reaching 60% in 2020. Additionally, they provided data from their MERS valuation showing their funded ratio projection based on their current funding policy,

**Treasury Recommendation
City of Midland
Pension Corrective Action Plan (CAP)
Primary Unit 562020**

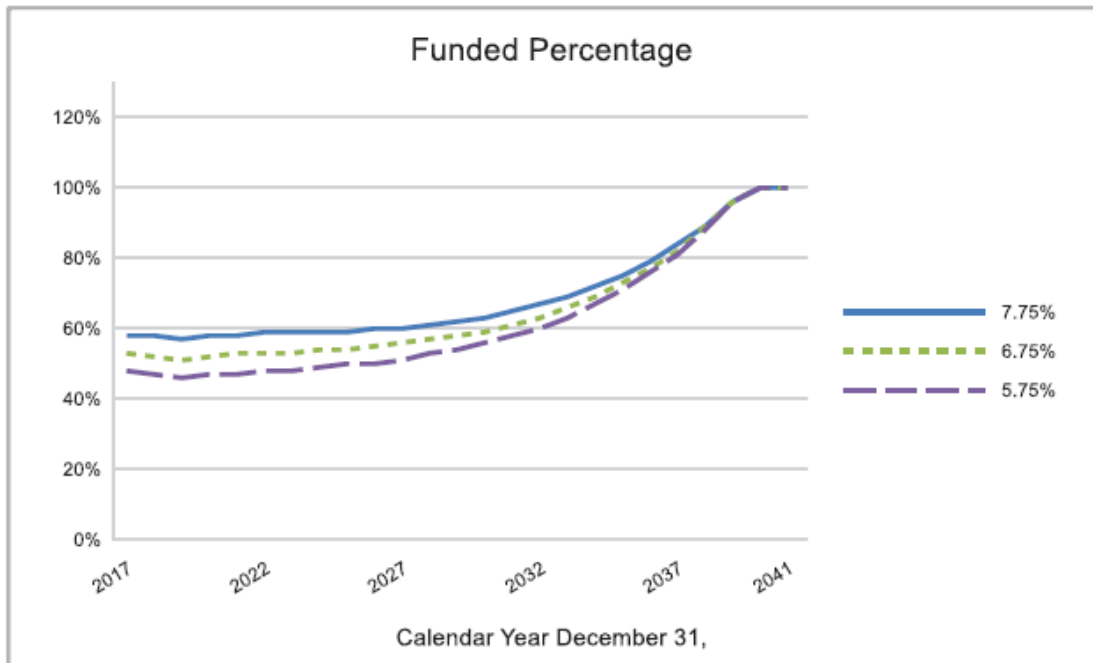
showing them reach 60% in 2022/23. They also include a MERS annual employer contribution graph, which demonstrates that between 2019 and 2039, the annual employer contribution increases by approximately \$4,500,000, or 90%. Finally, the city claimed in their Prior Modern Plan Design section in the CAP form that all divisions were closed, but the attached document shows the City Manager and Attorney divisions still open.

- Internal Analysis

Valuation Year Ending	Fiscal Year Beginning	Normal Cost	Amortized Unfunded Liability	Funded %	Total Annual Required Contribution	City's Contributions	Revised Funded %
12/31/2015	7/1/2017	1,048,776	5,682,792	57%	6,731,568	6,925,486	57%
12/31/2016	7/1/2018	846,000	4,683,408	58%	5,529,408	6,483,018	58%
12/31/2017	7/1/2019	776,292	3,932,604	58%	4,708,896	6,500,000	59%
12/31/2018	7/1/2020	-	-	58%	5,150,000	6,500,000	60%
12/31/2019	7/1/2021	-	-	57%	5,580,000	6,500,000	60%
12/31/2020	7/1/2022	-	-	58%	5,680,000	6,500,000	61%
12/31/2021	7/1/2023	-	-	58%	5,790,000	6,500,000	62%
12/31/2022	7/1/2024	-	-	58%	5,970,000	6,500,000	63%

- MERS Valuation Analysis

Attachment 2f - MERS graph of projections from 2017 Valuation

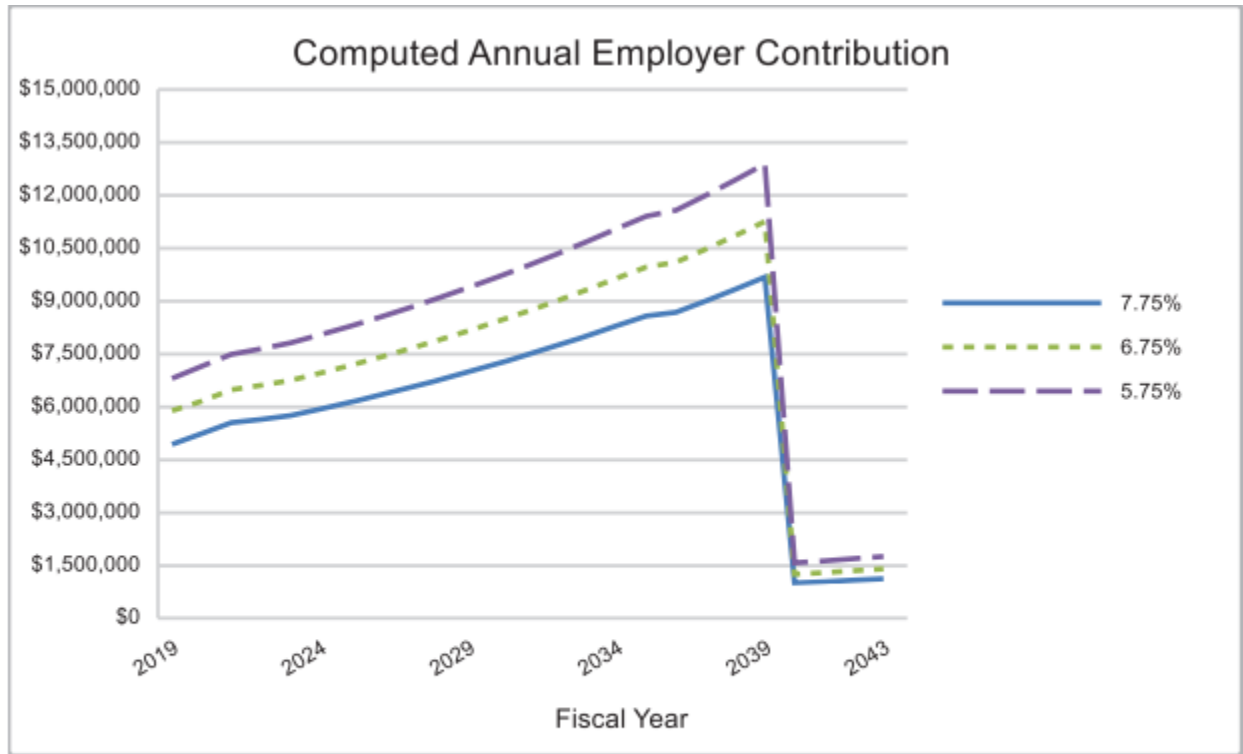


Notes:

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

**Treasury Recommendation
City of Midland
Pension Corrective Action Plan (CAP)
Primary Unit 562020**

- MERS Computed Annual Employer Contribution Graph



Notes:

All projected contributions are shown with no phase-in.

The above required annual employer contribution does not reflect future changes in the employee contribution rates due to the impact of a cap, if any, on employer contributions.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Norton Shores
Pension Corrective Action Plan (CAP)
Primary Unit 61-2-050**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$21,243,536	\$45,372,303	46.8%	\$1,793,736	\$17,366,218	10.3%	Yes
Healthcare	OPEB	\$2,149,662	\$26,190,104	8.2%	\$0		0%	No
Total		\$4,393,198	\$71,562,407		\$1,793,736	\$17,366,218	10.3%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by City of Norton Shores, 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 City closed all divisions to defined benefit plan in 2017 and replaced it with a defined contribution plan.
 - In 2006, employee contributions were implemented for new hires (2% of wages).
 - In 2009, the cost of living adjustment for current retirees was suspended indefinitely.
 - In 2010, employee contributions were increased for new hires (3% of wages).
 - In 2010, a reduced benefit pension plan was introduced for new hires with lower FAC multipliers, higher retirement age, and a lower FAC calculation period.
 - In 2017, the city established employee contributions and rates ranging from 2.5% - 4.0% depending on division.
 - In 2017, auto allowance was excluded from the Final Average Compensation (FAC) Calculation
- Plan Funding:
 - From FY 1998 through FY 2019, the City has made additional contributions above the ARC totaling \$3.4 million.
- Other Considerations:
 - None Listed

Prospective Changes:

- Modern Plan Design:
 - None Listed
- Plan Funding:
 - The City will continue to budget adequate funding in the amount exceeding the ARC in future years. This practice is evidenced by the past payments referred to above.

**Treasury Recommendation
City of Norton Shores
Pension Corrective Action Plan (CAP)
Primary Unit 61-2-050**

- Other Considerations:
 - The City anticipates being 60% funded by FY2028 and 100% funded by FY2040.
 - The most recent valuation shows the City's funded ratio has improved 1 percentage point.

Plan size: 213 members

- Inactive employees or beneficiaries currently receiving benefits: 107
- Inactive employees entitled to but not yet receiving benefits: 12
- Active employees: 94

Corrective Action Plan Criteria:

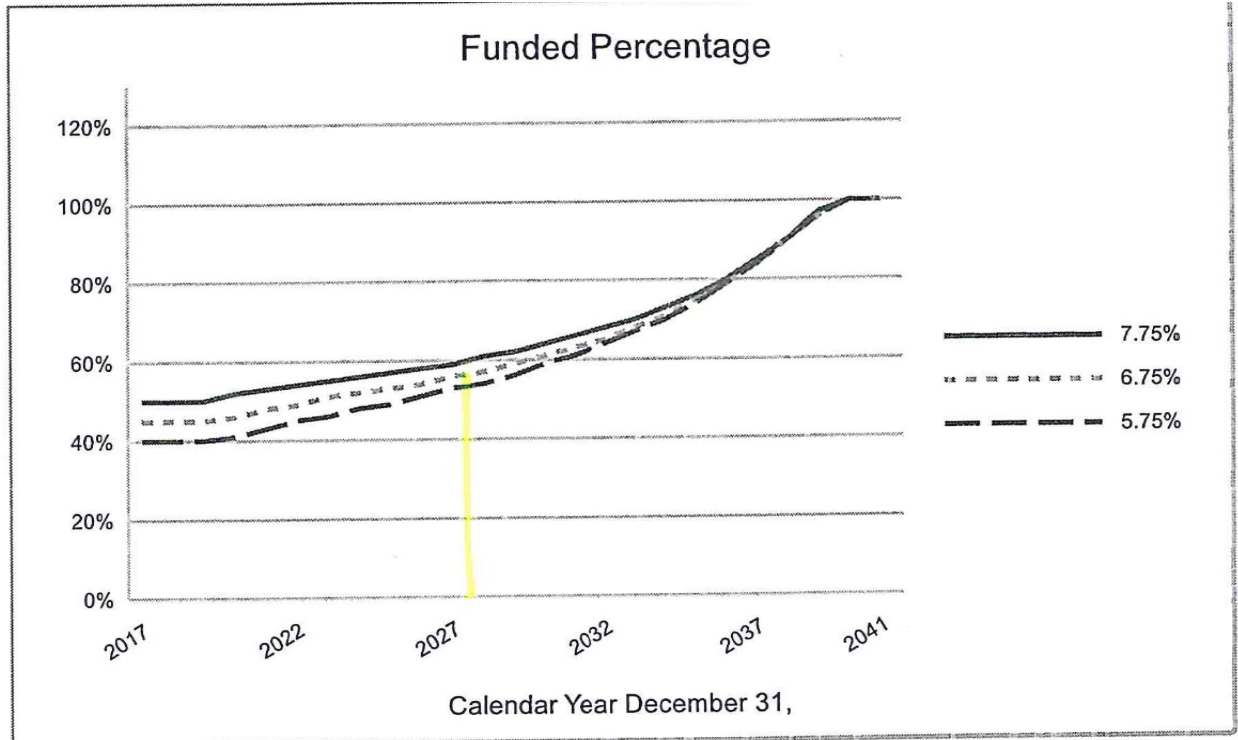
The following corrective action plan approval criteria are met:

- 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 (2028).
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

**Treasury Recommendation
City of Norton Shores
Pension Corrective Action Plan (CAP)
Primary Unit 61-2-050**

Supplemental Information:

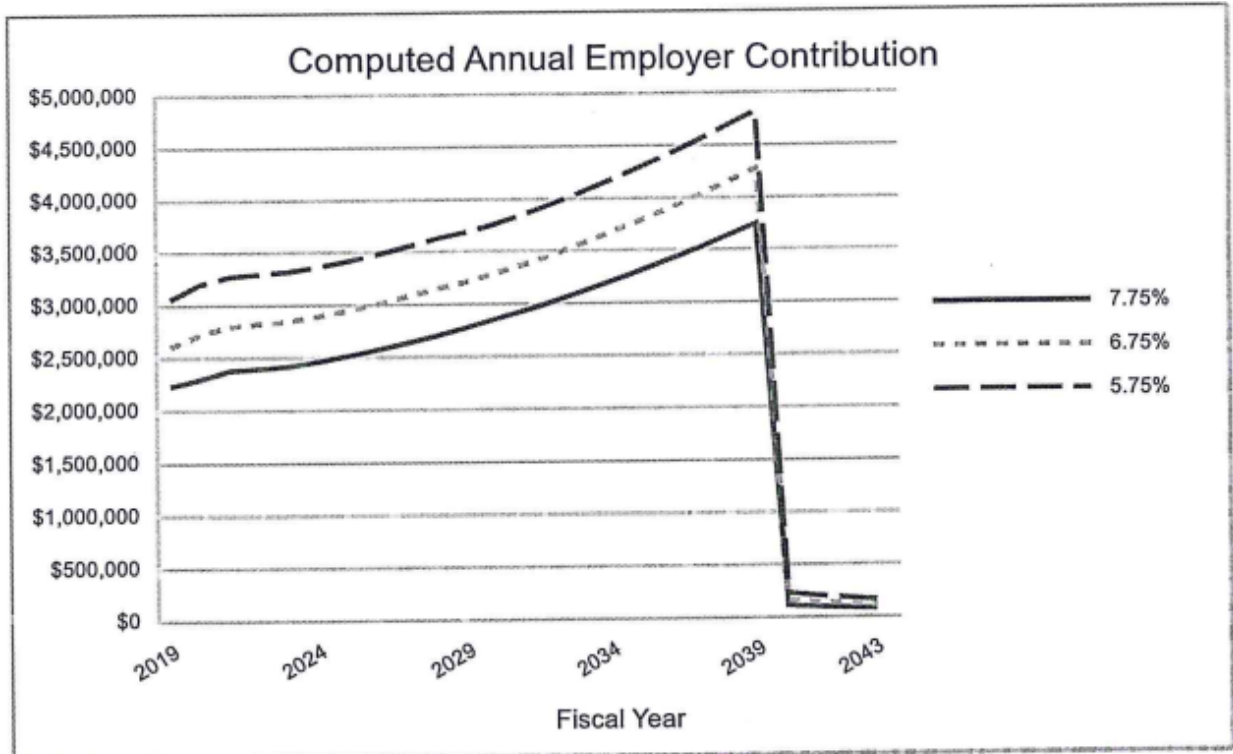
City of Norton Shores included a CBIZ Retirement Plan Services graph showing them getting to 60% funded in 2028. They also provided a graph of computed annual employer contributions, showing that between 2019 and 2039, annual contributions increase by approximately \$1,500,000 or 66%.



Notes:

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

Treasury Recommendation
City of Norton Shores
Pension Corrective Action Plan (CAP)
Primary Unit 61-2-050



Notes:

All projected contributions are shown with no phase-in.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
Charter Township of Bloomfield
OPEB Corrective Action Plan (CAP)
Primary Unit 631030**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$209,875,152	\$215,308,703	97.5%	\$ 0	\$55,327,842	0%	No
Healthcare	OPEB	\$5,437,023	\$157,390,635	3.5%	\$13,238,120		23.9%	Yes
Total		\$215,312,175	\$372,699,338		\$13,328,120	\$55,327,842	23.9%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Denial of the OPEB corrective action plan submitted by Charter Township of Bloomfield, which was received by the Municipal Stability Board (the Board) on November 14, 2018. If denied, Charter Township of Bloomfield, will receive a detailed letter from the Board listing the reasons for disapproval. Charter Township of Bloomfield 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:
 - On 1/1/2010, the local unit moved all active employees from a PPO plan to a high-deductible health reimbursement account (HRA) plan.
 - On 5/1/2011, the local unit enacted a Retirement Health Savings (RHS) Plan for all new hires.
 - On 4/1/2013, the local unit enacted two changes to the retirees who were on PPO plans - Mandatory generic and step therapy, which had already existed in the HRA plan.

- Plan Funding:
 - On 3/14/2005, the Trust was created but funding it was not substantial until more recent years.
 - The local unit has voluntarily contributed \$7,167,620 between 2012 and March 2017. This was in lieu of letting those funds close to the fund balances or spend them in other areas. Treasury could not confirm this claim. We also note that assets currently in trust show \$5,437,023.

- Other Considerations:
 - None Noted.

Prospective Changes:

- Modern Plan Design:
 - None Noted.

- Plan Funding:
 - None Noted.

- Other Considerations:

**Treasury Recommendation
Charter Township of Bloomfield
OPEB Corrective Action Plan (CAP)
Primary Unit 631030**

- The Board began a strategic plan that includes the assistance of outside consultants. Over the next 6 to 9 months, there will be several meetings to discuss these actions. Reducing expenditures will require reduction of services, but it will be analyzed. Analysis of possible revenue increases will take place, including the pros and cons of issuing debt. One or more of these actions would allow additional funding to go into the OPEB Trust. The action will be put before the residents for a vote.

Plan size: 532 members

- Inactive employees or beneficiaries currently receiving benefits: 337
- Inactive employees entitled to but not yet receiving benefits: 7
- Active employees: 188

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Legal and Feasible:
 - The local unit's corrective action plan appears to follow all applicable laws. The actions listed appear reasonable and the corrective action plan has been approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast.

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 corrective action plan does not demonstrate when the retirement system will reach 40% funded.

Supplemental Information:

Charter Township of Bloomfield does not include any documentation that the Charter Township of Bloomfield will reach 40% funded.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Berkley
OPEB Corrective Action Plan (CAP)
Primary Unit 632010**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$11,414,846	\$20,915,484	54.6%	\$528,385	\$14,203,634	8.7%	No
Public Safety	Pension	\$18,505,881	\$23,489,258	78.8%	\$713,669		8.7%	No
Healthcare	OPEB	\$2,223,325	\$27,663,815	8.0%	\$2,512,485		17.7%	Yes
Total		\$32,144,052	\$72,068,557		\$3,754,539	\$14,203,634	26.5%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by City of Berkley, 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 City of Berkley closed its retiree healthcare plan effective July 1, 2005 & July 1, 2015. Most were closed by July 1, 2008 with the Command Officers closing July 1, 2015. All current full-time employees are allowed to participate in a retiree health care savings plan administered by MERS (a defined contribution plan).
 - As of July 1, 2018 the city changed from a traditional Blue Cross plan to a self-insured Blue Cross Plan. The traditional plan premiums were forecasted to increase 29.63%.
- Plan Funding:
 - The system created a retiree health funding vehicle with MERS for the now-closed city of Berkley retiree healthcare plan during the quarter ended September 30, 2008, a decade ago. The account is now valued at \$5,007,973.
- Other Considerations:
 - The information required to be provided on the Form 5572 from the audit used actuarial data from 2012. Berkley included in its CAP an updated actuarial valuation as of 2017 that shows their funded ratio has improved to 19.78%.

Prospective Changes:

- Modern Plan Design:
 - None Noted.
- Plan Funding:
 - Berkley City Council chose a pay-as-you-go up to a cap of \$1.2 M per year (starting with FY 2023) with the excess benefit payments being paid out of the trust assets. The plan projects to reach 40% funding by 2043 and 100% funding by 2052. The city picked this

Treasury Recommendation
City of Berkley
OPEB Corrective Action Plan (CAP)
Primary Unit 632010

strategy because (1) it meets the state requirement of 40% funding within 30 years, (2) meets the criteria of affordability, (3) provides flexibility to increase contributions when available, (4) additional sums will be considered annually through the budget cycle, and (5) with a closed plan, retiree attrition will result in expedited achievement of 100% funding.

- The City will consider additional contribution annually through the budget cycle.

- Other Considerations:
 - None Noted.

Plan size: 169 members

- Inactive employees or beneficiaries currently receiving benefits: 100
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 69

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 projection/ actuarial valuation found in the corrective action plan.

- Reasonable Timeframe:
 - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 40% within a reasonable timeframe (2043).

- 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 26.4%. This reflects a significant portion of the local government's budget

**Treasury Recommendation
City of Berkley
OPEB Corrective Action Plan (CAP)
Primary Unit 632010**

Supplemental Information:

The city of Berkley evaluated four scenarios for the actuary. They have chosen to implement version one, which has them paying their pay go amount until 2023 when it reaches \$1.2 million. From that date forward, they would continue to pay \$1.2 million and benefit payments over this contribution would be paid out of the trust. This analysis shows them reaching 40% funded by 2043. It also lists their projected city contribution.

Fiscal Year	Projected Retiree Health Trust Revenue and Expense						AAL EOY	Funded Percent
	Asset Value BOY	City Contribution	Extra City Contribution	Benefit Payments	Interest	Asset Value EOY		
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(f)/(g)
7/1/2018 - 6/30/2019	\$ 5,007,973	\$1,058,941	\$0	\$1,058,941	\$ 181,289	\$ 5,189,262	\$ 25,186,127	20.6%
7/1/2019 - 6/30/2020	5,189,262	1,105,990	0	1,105,990	187,851	5,377,113	25,299,395	21.3%
7/1/2020 - 6/30/2021	5,377,113	1,147,886	0	1,147,886	194,651	5,571,764	25,358,403	22.0%
7/1/2021 - 6/30/2022	5,571,764	1,186,875	0	1,186,875	201,698	5,773,462	25,359,587	22.8%
7/1/2022 - 6/30/2023	5,773,462	1,200,000	0	1,259,768	207,927	5,921,621	25,254,536	23.4%
7/1/2023 - 6/30/2024	5,921,621	1,200,000	0	1,301,501	212,542	6,032,662	25,065,036	24.1%
7/1/2024 - 6/30/2025	6,032,662	1,200,000	0	1,348,916	215,711	6,099,457	24,786,333	24.6%
7/1/2025 - 6/30/2026	6,099,457	1,200,000	0	1,429,635	216,681	6,086,503	24,389,804	25.0%
7/1/2026 - 6/30/2027	6,086,503	1,200,000	0	1,458,910	215,687	6,043,280	23,932,287	25.3%
7/1/2027 - 6/30/2028	6,043,280	1,200,000	0	1,478,691	213,767	5,978,356	23,426,094	25.5%
7/1/2028 - 6/30/2029	5,978,356	1,200,000	0	1,511,746	210,824	5,877,434	22,857,588	25.7%
7/1/2029 - 6/30/2030	5,877,434	1,200,000	0	1,524,215	206,947	5,760,166	22,244,735	25.9%
7/1/2030 - 6/30/2031	5,760,166	1,200,000	0	1,515,148	202,865	5,647,883	21,607,503	26.1%
7/1/2031 - 6/30/2032	5,647,883	1,200,000	0	1,510,857	198,877	5,535,902	20,941,491	26.4%
7/1/2032 - 6/30/2033	5,535,902	1,200,000	0	1,483,061	195,322	5,448,164	20,263,552	26.9%
7/1/2033 - 6/30/2034	5,448,164	1,200,000	0	1,465,582	192,459	5,375,041	19,560,170	27.5%
7/1/2034 - 6/30/2035	5,375,041	1,200,000	0	1,478,854	189,574	5,285,761	18,802,596	28.1%
7/1/2035 - 6/30/2036	5,285,761	1,200,000	0	1,483,676	186,256	5,188,341	17,999,647	28.8%
7/1/2036 - 6/30/2037	5,188,341	1,200,000	0	1,469,654	182,981	5,101,668	17,172,392	29.7%
7/1/2037 - 6/30/2038	5,101,668	1,200,000	0	1,462,628	179,969	5,019,008	16,315,545	30.8%
7/1/2038 - 6/30/2039	5,019,008	1,200,000	0	1,448,590	177,229	4,947,647	15,438,058	32.0%
7/1/2039 - 6/30/2040	4,947,647	1,200,000	0	1,398,631	175,542	4,924,558	14,577,384	33.8%
7/1/2040 - 6/30/2041	4,924,558	1,200,000	0	1,360,177	175,396	4,939,777	13,723,283	36.0%
7/1/2041 - 6/30/2042	4,939,777	1,200,000	0	1,322,339	176,625	4,994,063	12,876,056	38.8%
7/1/2042 - 6/30/2043	4,994,063	1,200,000	0	1,246,372	179,953	5,127,644	12,074,890	42.5%
7/1/2043 - 6/30/2044	5,127,644	1,181,429	0	1,181,429	185,621	5,313,265	11,310,421	47.0%
7/1/2044 - 6/30/2045	5,313,265	1,124,029	0	1,124,029	192,340	5,505,605	10,576,361	52.1%
7/1/2045 - 6/30/2046	5,505,605	1,056,921	0	1,056,921	199,303	5,704,908	9,883,794	57.7%
7/1/2046 - 6/30/2047	5,704,908	1,003,045	0	1,003,045	206,518	5,911,426	9,220,870	64.1%
7/1/2047 - 6/30/2048	5,911,426	938,686	0	938,686	213,994	6,125,419	8,599,357	71.2%
7/1/2048 - 6/30/2049	6,125,419	880,320	0	880,320	221,740	6,347,159	8,014,707	79.2%
7/1/2049 - 6/30/2050	6,347,159	830,793	0	830,793	229,767	6,576,927	7,459,267	88.2%
7/1/2050 - 6/30/2051	6,576,927	754,217	0	754,217	238,085	6,815,011	6,961,638	97.9%
7/1/2051 - 6/30/2052	6,815,011	176,263	0	705,053	237,217	6,523,439	6,496,014	100.4%
7/1/2052 - 6/30/2053	6,523,439	0	0	664,084	224,235	6,083,591	6,055,260	100.5%
7/1/2053 - 6/30/2054	6,083,591	0	0	623,750	209,036	5,668,878	5,639,460	100.5%
7/1/2054 - 6/30/2055	5,668,878	0	0	592,513	194,584	5,270,948	5,240,465	100.6%
7/1/2055 - 6/30/2056	5,270,948	0	0	562,636	180,715	4,889,027	4,857,441	100.7%

Of note, this projection uses a discount rate of 3.62% (Treasury Bill rate). The City notes it is using a more aggressive investment strategy and it was determined that they actuary could have used a 6%

**Treasury Recommendation
City of Berkeley
OPEB Corrective Action Plan (CAP)
Primary Unit 632010**

assumed rate of investment return. The City's auditors agreed with this approach. Using a 6% discount rate, the City's funded level is now 26.3% and could achieve a funded ratio of 40% sooner than the above projection shows.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Clawson
Pension Corrective Action Plan (CAP)
Primary Unit 632040**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$9,975,949	\$24,393,064	40.9%	\$1,493,316	\$11,859,217	13.2%	YES
Clawson Fire Department Defined Benefit Plan	Pension	\$3,548,204	\$3,548,204	96.3%	\$73,000			NO
Clawson Retiree Health Plan	OPEB	\$0	\$14,093,576	0.0%	\$1,009,825		8.5%	NO
Total		\$13,524,153	\$38,486,640		\$2,576,141		21.7%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension/OPEB corrective action plan submitted by **City of Clawson**, which was received by the Municipal Stability Board (the Board) on 11/14/2018. 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:
 - System closed to new hires.
- Plan Funding:
 - The City of Clawson completed Act 34 Pension Obligation Bonds with the Michigan Department of Treasury, and sold bonds in May 2018. Pension fund is now 100% funded.
- Other Considerations
 - None Listed

Prospective Changes:

- Modern Plan Design:
 - None Listed
- Plan Funding:
 - Local unit plans to provide additional funding above the ADC if their funding drops below 100%
- Other Considerations
 - None Listed

Plan size: 77 members

- Inactive employees or beneficiaries currently receiving benefits: 61

**Treasury Recommendation
City of Clawson
Pension Corrective Action Plan (CAP)
Primary Unit 632040**

- Inactive employees entitled to but not yet receiving benefits: 3
- Active employees: 13

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 PA202 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's corrective action plan appears to follow all applicable laws. The actions listed appear reasonable and the corrective action plan has been approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast.

Supplemental Information:

- MERS account statement

**Treasury Recommendation
City of Clawson
Pension Corrective Action Plan (CAP)
Primary Unit 632040**



1134 Municipal Way
Lansing, MI 48917
(800) 767-6377

Mark Pollock
City of Clawson
425 N Main St
Clawson, MI 48017

**Statement of Fiduciary Net Position
For the Quarter Ended 06/30/2018**

Customer Number: 630501

Reserve for Employee Contributions						
Bargaining Unit	Balance as of 3/31/2018	Invoiced & Other Contributions	Transfers	EE Refunds	Interest on EE Balance	Balance as of 6/30/2018
63050102	\$348,037.03	\$4,506.79	\$0.00	\$0.00	\$0.00	\$352,543.82
Total	\$348,037.03	\$4,506.79	\$0.00	\$0.00	\$0.00	\$352,543.82

Reserve for Employer Contributions and Benefit Payments							
Bargaining Unit	Balance as of 3/31/2018	Invoiced & Other Contributions	Transfers & Fees	Benefits Paid	Net Investment Income	Admin Expenses	Balance as of 6/30/2018
63050101	\$2,526,599.54	\$2,997,283.00	\$0.00	(\$116,437.56)	\$32.40	(\$1,282.51)	\$5,406,194.87
63050102	\$5,033,587.60	\$7,855,345.00	\$0.00	(\$208,391.93)	\$71.10	(\$2,814.41)	\$12,677,797.36
63050110	\$2,933,770.71	\$3,745,968.00	\$0.00	(\$151,570.08)	\$37.88	(\$1,498.95)	\$6,526,707.56
Total	\$10,493,957.85	\$14,598,596.00	\$0.00	(\$476,399.57)	\$141.38	(\$5,595.87)	\$24,610,699.79

Combined Reserves							
	Balance as of 3/31/2018	Invoiced & Other Contributions	Transfers	Benefits Paid	Net Investment Income	Admin Expenses	Balance as of 6/30/2018
Total	\$10,841,994.88	\$14,603,102.79	\$0.00	(\$476,399.57)	\$141.38	(\$5,595.87)	\$24,963,243.61

The Community Engagement and Finance Division (CEFD) contact:

- The City of Clawson scheduled a call with CEFD using the Local Retirement Calendar on 8/30/2018. Their prospective CAP was discussed.

**Treasury Recommendation
City of Hazel Park
Pension Corrective Action Plan (CAP)
Primary Unit 632070**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$31,488,429	\$64,640,242	48.7%	\$2,106,236	\$19,099,285	11.0%	Yes
City of Hazel Park Retiree Health Care Plan	OPEB	\$0	\$70,219,751	0.0%	\$5,155,021		27.0%	Yes
Total		\$31,488,429	\$134,859,993		\$7,261,257	\$19,099,285	38.0%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by The City of Hazel Park, 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 2006, the City moved to the Municipal Employees' Retirement System (MERS) as a means to strengthen the City's funding position and create a more consistent return on investment.
 - For all new hires hired in after July 1, 2006, with additional modifications in July 2011, the system's multipliers change for various unions; from 3.0 to 2.0 for Police; 2.8 to 2.0 for Fire; 2.2 to 2.0 for Clerical, which reduces to 1.5 when combined with social security; 2.2 to 2.0, which reduces to 1.5 when combined with social security for Teamsters; and 2.2 to 1.5 for Dispatchers.
 - Additionally, the City lengthened the required number of years worked for vested employees, mandating an age-minimum for retirement for Clerical and Teamsters unions.
 - Finally, the City has moved various employees to defined contribution and hybrid plans when possible. In the supplemental attachment section below is a graph showing that the City will be 60% funded under various rates of return by fiscal year 2032 and continues to increase in funding percentage until approximately 2041 when the City reaches 100%.

- Plan Funding:
 - None listed.

- Other Considerations:

**Treasury Recommendation
City of Hazel Park
Pension Corrective Action Plan (CAP)
Primary Unit 632070**

- The City meets all required obligations as determined by the Municipal Employees' Retirement System (MERS). All payments are made timely and in-full.

Prospective Changes:

- Modern Plan Design:
 - None listed.
- Plan Funding:
 - None listed.
- Other Considerations:
 - The City of Hazel Park continues to create innovative ways to raise revenues, while controlling expenditures. The City has proactively embraced the State's position on medical marijuana, and in the spring of 2018, began to create ordinances and regulations to allow for aspects of the medical marijuana industry to be performed within city limits.
 - This has and will continue to bring in additional revenues to the City that the administration has indicated can be earmarked for additional pension payments, when appropriate and needed to meet funding requirements. This will allow the City to reach required funding status before the predicted fiscal year 2032.
 - **Note:** The City of Hazel Park did not include supportive documentation (e.g. resolution) to commit future marijuana revenue to pension payments.
 - Additionally, the City meets with MERS representatives and union groups yearly to discuss creative ways to mitigate the growing pension costs, including bridging of benefits. The City holds the right to open any union contract to negotiate potential changes to the pension system.

Plan size: 278 members

- Inactive employees or beneficiaries currently receiving benefits: 164
- Inactive employees entitled to but not yet receiving benefits: 15
- Active employees: 99

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 Hazel Park
Pension Corrective Action Plan (CAP)
Primary Unit 632070**

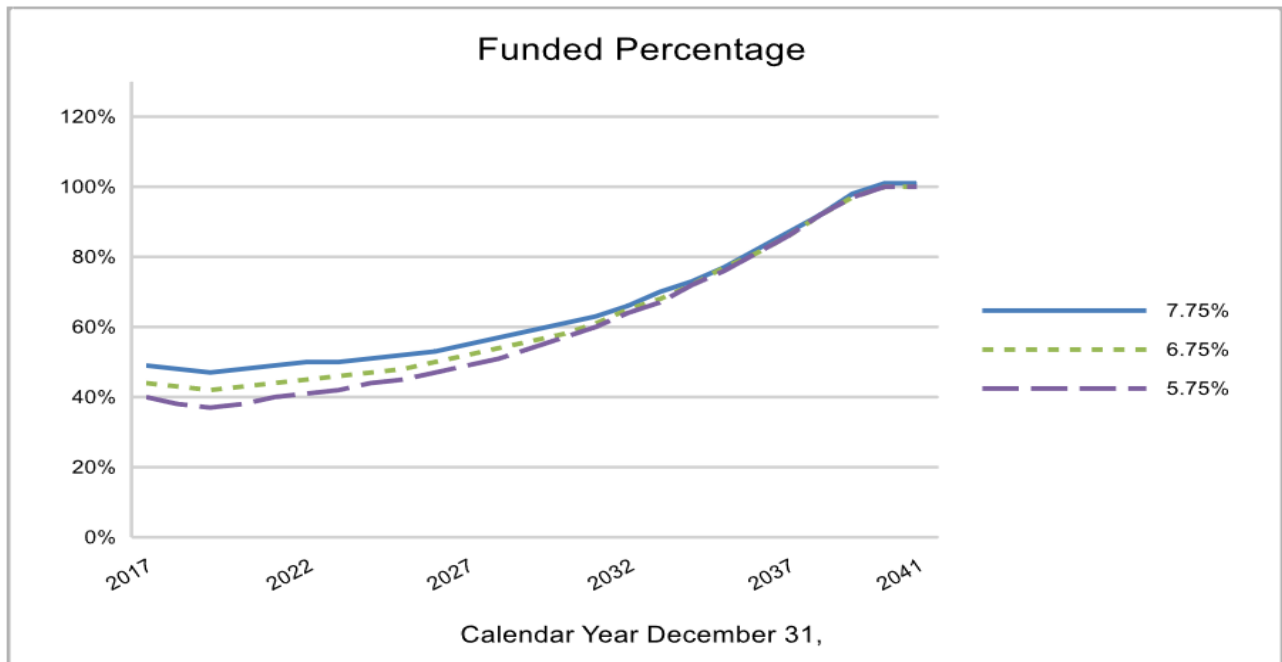
- The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 60% within a reasonable timeframe (2032).
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan 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 38%. This reflects a significant portion of the local government's budget.

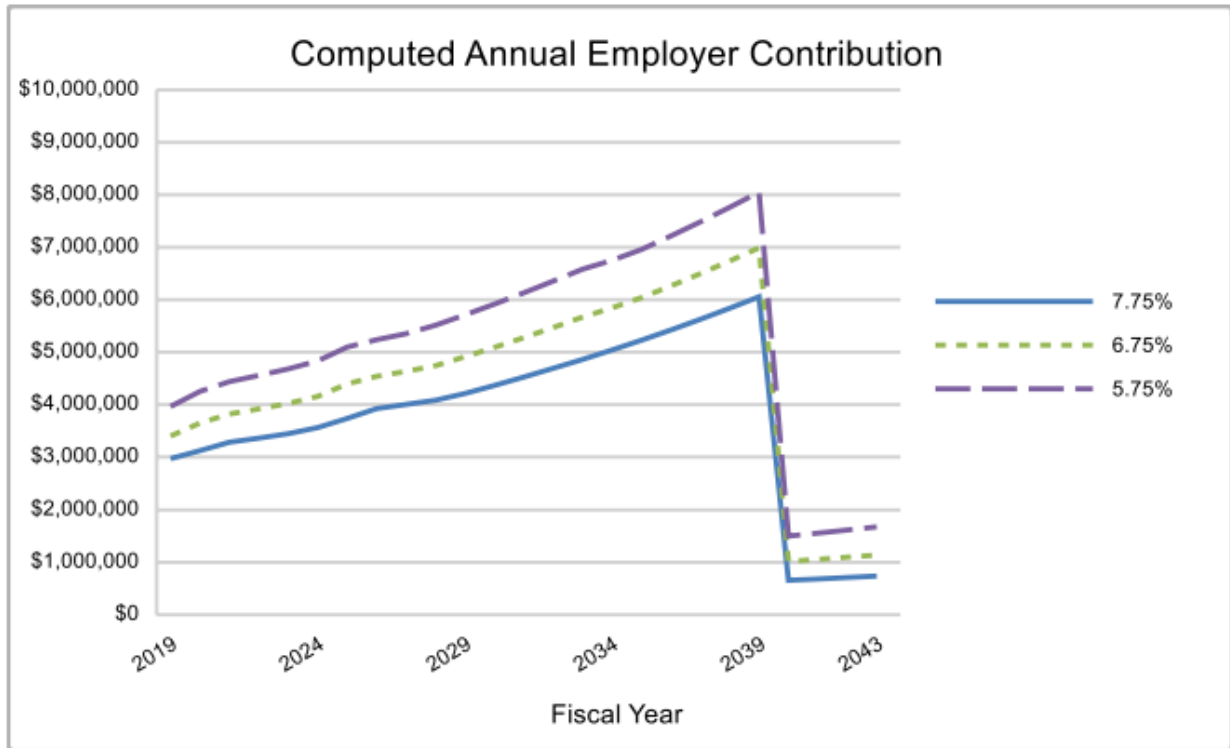
Supplemental Information:

The City of Hazel Park included the funded percentage graph from their MERS valuation showing them reaching 60% funded in 2032. Additionally, they provided the computed annual contribution graph, showing that from 2019 to 2039, their annual contribution increases approximately \$3,000,000, or 100%.



Notes:

**Treasury Recommendation
City of Hazel Park
Pension Corrective Action Plan (CAP)
Primary Unit 632070**



Notes:

All projected contributions are shown with no phase-in.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Hazel Park
OPEB Corrective Action Plan (CAP)
Primary Unit 632070**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$31,488,429	\$64,640,242	48.7%	\$2,106,236	\$19,099,285	11.0%	Yes
City of Hazel Park Retiree Health Care Plan	OPEB	\$0	\$70,219,751	0.0%	\$5,155,021		27.0%	Yes
Total		\$31,488,429	\$134,859,993		\$7,261,257	\$19,099,285	38.0%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by City of Hazel Park, 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:
 - Effective in 2006, all City employees hired after July 1, 2006 no longer receive retiree health benefits, but rather were placed in a Health Care Savings Plan. This structure allows for a finite term of OPEB costs the City will incur in the future, as all employees are required to obtain Medicare Parts A and B upon eligibility, with the last employee receiving benefits reaching Medicare primary age in approximately 27 years. At that point, the city will see a significant drop-off in OPEB related costs.
 - In 2008, the City changed the drug cards for retirees, going from \$2 prescriptions, to a \$0/\$15, which resulted in savings of over approximately \$300,000 per year. Yearly, the City modifies the prescription formularies, eliminating some and monitoring generic options.
 - In 2018, the City opened the MILife Health and Wellness clinic that offers healthcare and prescriptions at a lower cost to both the City and employees.
 - In October of 2018, the City moved to the Medicare Advantage program. While the projection (see below in supplemental information) does **not** take into account this move, considerable yearly savings are expected with little change to the benefits the retirees receive.
 - See the supplemental information section for a chart from GRS Retirement Consulting showing the City of Hazel Park reaching a 40% funded level in FY2045.

- Plan Funding:
 - None listed.

**Treasury Recommendation
City of Hazel Park
OPEB Corrective Action Plan (CAP)
Primary Unit 632070**

- Other Considerations:
 - The City is pay-go for retiree health. Currently, the City has \$1,500,000 of unrestricted net position in its proprietary internal service fund that relates to healthcare costs, and that can be used to continue to meet obligations incurred. The City meets all required obligations as determined by the healthcare provider Blue Cross Blue Shield, and has sufficient net position in its internal service fund to continue meeting those obligations.

Prospective Changes:

- Modern Plan Design:
 - None listed.
- Plan Funding:
 - The City will create a qualified trust to receive, invest, and accumulate assets for the retiree health plan. The City will create the trust upon receiving approval of the corrective action plan, no later than 180 days from receiving approval.
 - Per the chart in the supplemental information section below, the City commits to creating a trust, as well as contributing \$150,000 annually above pay-go to achieve a 40% funded status in 27 years, by fiscal year 2045.
 - **Note:** The actuarial projection utilizes a **7.00%** investment return assumption.
 - As mentioned previously, the chart in the supplemental information section below does not take into account the additional savings achieved from switching to Medicare Advantage. Additionally, this projection ends in 27 years when funded status is achieved, which is also the point when the last employee receiving retiree health benefits will become Medicare primary age.
- Other Considerations:
 - The City holds the right to reopen any union contract at any time to negotiate possible changes to retiree health benefits if needed.

Plan size: 203 members

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 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 (2045).

Treasury Recommendation
City of Hazel Park
OPEB Corrective Action Plan (CAP)
Primary Unit 632070

- 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 all of the plan’s annual required contributions as a percentage of general fund operating revenues is 38%. This reflects a significant portion of the local government’s budget.

Supplemental Information: The City of Hazel Park included the following chart from GRS Actuarial Consulting showing them reaching 40% funded in 2045. Additionally, this chart demonstrates that from 2019 to 2033, the annual pay-go contribution amount increases approximately \$1,400,000, or 62%.

Fiscal Year	Years Since First Funding	Actuarial Accrued Liability (AAL) Projection				Market Value of Asset Projection				Unfunded Liability (EOY)	Funded Percentage	
		Normal Cost	Benefit Payments	Interest	AAL End of Year (EOY)	Pay-Go Contribution	Additional Contribution	Benefit Payments	Interest			Asset Value* EOY
		(a)				(b)				(c) = (a) - (b)	(d) = (b) / (a)	
7/1/2017 - 6/30/2018	0				\$ 45,871,170					\$ -	\$ 45,871,170	0.00%
7/1/2018 - 6/30/2019	1	\$ 293,506	\$ 2,521,316	\$ 3,133,009	46,776,369	\$2,521,316	\$150,000	\$2,521,316	\$5,250	155,250	46,621,119	0.33%
7/1/2019 - 6/30/2020	2	272,098	2,671,516	3,190,366	47,567,317	2,671,516	150,000	2,671,516	16,118	321,368	47,245,949	0.68%
7/1/2020 - 6/30/2021	3	249,230	2,836,892	3,239,144	48,218,799	2,836,892	150,000	2,836,892	27,746	499,114	47,719,685	1.04%
7/1/2021 - 6/30/2022	4	225,681	3,032,004	3,277,095	48,689,571	3,032,004	150,000	3,032,004	40,188	689,302	48,000,269	1.42%
7/1/2022 - 6/30/2023	5	201,738	3,189,348	3,303,704	49,005,665	3,189,348	150,000	3,189,348	53,501	892,803	48,112,862	1.82%
7/1/2023 - 6/30/2024	6	177,190	3,326,220	3,320,181	49,176,816	3,326,220	150,000	3,326,220	67,746	1,110,549	48,066,267	2.26%
7/1/2024 - 6/30/2025	7	152,990	3,529,948	3,324,184	49,124,042	3,529,948	150,000	3,529,948	82,988	1,343,537	47,780,505	2.73%
7/1/2025 - 6/30/2026	8	131,018	3,712,569	3,313,329	48,855,820	3,712,569	150,000	3,712,569	99,298	1,592,855	47,262,985	3.26%
7/1/2026 - 6/30/2027	9	112,173	3,787,187	3,291,282	48,472,088	3,787,187	150,000	3,787,187	116,748	1,859,583	46,612,505	3.84%
7/1/2027 - 6/30/2028	10	94,960	3,855,123	3,261,440	47,973,365	3,855,123	150,000	3,855,123	135,421	2,145,004	45,828,361	4.47%
7/1/2028 - 6/30/2029	11	78,809	3,930,628	3,223,322	47,344,868	3,930,628	150,000	3,930,628	155,400	2,450,404	44,894,464	5.18%
7/1/2029 - 6/30/2030	12	64,414	3,950,509	3,178,127	46,636,900	3,950,509	150,000	3,950,509	176,778	2,777,182	43,859,718	5.95%
7/1/2030 - 6/30/2031	13	52,409	3,996,782	3,126,530	45,819,057	3,996,782	150,000	3,996,782	199,653	3,126,835	42,692,222	6.82%
7/1/2031 - 6/30/2032	14	42,803	4,072,299	3,066,302	44,855,863	4,072,299	150,000	4,072,299	224,128	3,500,963	41,354,900	7.80%
7/1/2032 - 6/30/2033	15	35,050	4,087,969	2,998,058	43,801,002	4,087,969	150,000	4,087,969	250,317	3,901,280	39,899,722	8.91%
7/1/2033 - 6/30/2034	16	28,554	4,065,405	2,924,780	42,688,931	4,065,405	150,000	4,065,405	278,340	4,329,620	38,359,311	10.14%
7/1/2034 - 6/30/2035	17	22,728	4,029,075	2,848,003	41,530,587	4,029,075	150,000	4,029,075	308,323	4,787,943	36,742,644	11.53%
7/1/2035 - 6/30/2036	18	17,664	3,970,999	2,768,774	40,346,026	3,970,999	150,000	3,970,999	340,406	5,278,349	35,067,677	13.08%
7/1/2036 - 6/30/2037	19	13,657	3,939,321	2,686,824	39,107,186	3,939,321	150,000	3,939,321	374,734	5,803,083	33,304,103	14.84%
7/1/2037 - 6/30/2038	20	10,523	3,925,658	2,600,473	37,792,524	3,925,658	150,000	3,925,658	411,466	6,364,549	31,427,975	16.84%
7/1/2038 - 6/30/2039	21	8,033	3,868,052	2,510,376	36,442,881	3,868,052	150,000	3,868,052	450,768	6,965,317	29,477,564	19.11%
7/1/2039 - 6/30/2040	22	6,071	3,796,342	2,418,342	35,070,952	3,796,342	150,000	3,796,342	492,822	7,608,139	27,462,813	21.69%
7/1/2040 - 6/30/2041	23	4,557	3,709,716	2,325,286	33,691,079	3,709,716	150,000	3,709,716	537,820	8,295,959	25,395,120	24.62%
7/1/2041 - 6/30/2042	24	3,418	3,587,475	2,232,934	32,339,956	3,587,475	150,000	3,587,475	585,967	9,031,926	23,308,030	27.93%
7/1/2042 - 6/30/2043	25	2,527	3,473,486	2,142,313	31,011,310	3,473,486	150,000	3,473,486	637,485	9,819,411	21,191,899	31.66%
7/1/2043 - 6/30/2044	26	1,822	3,375,312	2,052,720	29,690,540	3,375,312	150,000	3,375,312	692,609	10,662,020	19,028,520	35.91%
7/1/2044 - 6/30/2045	27	1,304	3,277,245	1,963,680	28,378,279	3,277,245	150,000	3,277,245	751,591	11,563,611	16,814,668	40.75%

* Projected values with the exception of the June 30, 2018 value.
There may be cases where the schedule does not add due to rounding.

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 June 30, 2045.

**Treasury Recommendation
City of Hazel Park
OPEB Corrective Action Plan (CAP)
Primary Unit 632070**

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Madison Heights
Police and Fire Pension Corrective Action Plan (CAP)
Primary Unit 632110**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
General Employees MERS System	Pension	\$39,446,823	\$39,563,402	99.7%	\$1,175,689	\$31,789,005	11.5%	No
Police & Fire Pension System	Pension	\$42,364,918	\$78,198,411	54.2%	\$2,473,171			Yes
General Employees OPEB Trust	OPEB	\$9,886,708	\$37,824,307	26.1%	\$2,177,595		16.9%	Yes
Police & Fire OPEB Trust	OPEB	\$13,300,964	\$60,778,946	21.9%	\$3,200,413			Yes
Total		\$104,999,413	\$216,365,066		\$9,026,868	\$31,789,005	28.4%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the Police and Fire Pension System corrective action plan submitted by City of Madison Heights, 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:
 - For members hired after July 1, 2009, they shall receive a pension of 2.5% (reduced from 2.8%) of FAC calculated on base wage only, plus 1% of FAC for years in excess of 25.
 - Effective September 12, 2011, required employee contributions increased to 8.9%. FAC will be base wage only.
- Plan Funding:
 - None Listed
- Other Considerations:
 - The City reduced the expected rate of return to 7.0% for June 30, 2018

**Treasury Recommendation
City of Madison Heights
Police and Fire Pension Corrective Action Plan (CAP)
Primary Unit 632110**

Prospective Changes:

- Modern Plan Design:
 - The City is currently negotiating with Police & Fire unions with current proposals:
 - Elimination of annually withdrawal on contributions made after June 30, 2018
 - Reduce FAC for employees hired before July 1, 2009 from 2.8% to 2.25 as of June 30, 2018
 - Reduce FAC for employees hired after July 1, 2009 from 2.25% to 2.25% as of June 30, 2018
 - For all members, FAC includes base pay and longevity only.
- Plan Funding:
 - The City will make the actuarial required contribution and projects to increase this amount by an average of 1% per year to increase funding level to 60% within 8 years.
- Other Considerations:
 - None Listed

Plan size: 212 members

- Inactive employees or beneficiaries currently receiving benefits: 135
- Inactive employees entitled to but not yet receiving benefits: 5
- Active employees: 72

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the internal analysis found in the corrective action plan.
- Reasonable Timeframe:
 - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 60% within a reasonable timeframe (2026).
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.

**Treasury Recommendation
City of Madison Heights
Police and Fire Pension Corrective Action Plan (CAP)
Primary Unit 632110**

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 28.4%. This reflects a significant portion of the local government's budget.

Supplemental Information:

The City of Madison Heights included an internal analysis of estimated net pension liability and related ratios.

Police and Fire Employees Pension												
Estimated Net Pension Liability and Related Ratios												
as of October 19, 2018												
	Actual		Estimate									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Total Pension Liability												
Service cost	1,221,339	1,021,457	1,002,517	982,467	952,993	933,933	924,593	929,216	938,509	957,479	976,424	995,953
Interest	5,759,221	5,661,628	5,403,970	5,628,132	5,526,976	5,627,292	5,658,177	5,592,577	5,457,016	5,441,628	5,523,202	5,588,159
Changes in Benefits	-	-	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	480,722	2,222,080	(4,800,000)	-	-	-	-	-	-	-	-	-
Changes in assumptions	(2,339,247)	1,636,099	-	-	-	-	-	-	-	-	-	-
Benefit Payments	(6,205,145)	(6,441,460)	(6,699,118)	(6,732,614)	(6,867,266)	(6,901,603)	(6,905,053)	(6,974,104)	(7,078,715)	(7,078,715)	(6,937,141)	(6,940,610)
Net Change	(1,083,110)	4,099,804	(5,092,632)	(122,015)	(387,298)	(340,378)	(322,283)	(452,310)	(683,190)	(679,509)	(437,515)	(356,497)
Total Pension Begin	79,281,521	78,198,411	82,298,215	77,205,583	77,083,568	76,696,270	76,355,892	76,033,610	75,581,299	74,898,109	74,218,300	73,780,786
Total Pension Ending	78,198,411	82,298,215	77,205,583	77,083,568	76,696,270	76,355,892	76,033,610	75,581,299	74,898,109	74,218,300	73,780,786	73,424,288
Plan Fiduciary Net Position												
Contribution - Employer	2,830,764	3,074,446	3,014,141	3,044,282	3,074,725	3,105,472	3,136,527	3,167,892	3,199,571	3,231,567	3,263,883	3,296,522
Contribution - Members	510,712	500,066	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Net Investment Income	3,818,238	3,379,805	3,665,446	3,690,253	3,722,595	3,742,904	3,762,244	3,789,483	3,818,502	3,837,147	3,849,449	3,884,960
Administrative expenses	(196,670)	(203,667)	(205,000)	(205,000)	(205,000)	(205,000)	(205,000)	(205,000)	(205,000)	(205,000)	(205,000)	(205,000)
Benefit payments	(6,205,145)	(6,441,460)	(6,699,118)	(6,732,614)	(6,867,266)	(6,901,603)	(6,905,053)	(6,974,104)	(7,078,715)	(7,078,715)	(6,937,141)	(6,940,610)
Other	800	(3,568)	-	-	-	-	-	-	-	-	-	-
Net Change in Plan Net Position	758,699	289,622	276,469	296,922	225,053	241,774	288,717	278,272	234,358	284,999	471,191	535,872
Plan Fiduciary Net Position - Beginning of year	41,606,219	42,364,918	42,664,540	42,941,009	43,237,930	43,462,984	43,704,758	43,993,475	44,271,747	44,506,105	44,791,104	45,262,294
Plan Fiduciary Net position - End of year	42,364,918	42,664,540	42,941,009	43,237,930	43,462,984	43,704,758	43,993,475	44,271,747	44,506,105	44,791,104	45,262,294	45,798,166
NET Pension Liability - Ending	35,833,493	35,633,675	34,264,575	33,845,638	33,233,287	32,651,134	32,040,134	31,309,553	30,392,004	29,427,196	28,518,491	27,626,122
Plan Fiduciary Net Position as a % of Total Pension Liability	54.18%	51.84%	55.62%	56.09%	56.67%	57.24%	57.86%	58.58%	59.42%	60.35%	61.35%	62.37%

The Community Engagement and Finance Division (CEFD) contact:

- Treasury staff contacted the City inquiring about the resolution approving the Corrective Action Plan (CAP). Received the minutes approving the CAP via email December 6, 2018.

**Treasury Recommendation
City of Madison Heights
OPEB General Employees Corrective Action Plan (CAP)
Primary Unit 632110**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
General Employees MERS System	Pension	\$39,446,823	\$39,563,402	99.7%	\$1,175,689	\$31,789,005	11.5%	No
Police & Fire Pension System	Pension	\$42,364,918	\$78,198,411	54.2%	\$2,473,171			Yes
General Employees OPEB Trust	OPEB	\$9,886,708	\$37,824,307	26.1%	\$2,177,595		16.9%	Yes
Police & Fire OPEB Trust	OPEB	\$13,300,964	\$60,778,946	21.9%	\$3,200,413			Yes
Total		\$104,999,413	\$216,365,066		\$9,026,868	\$31,789,005	28.4%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by the City of Madison Heights, 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 for the General Employees OPEB Trust.

Changes Made:

- **Modern Plan Design:**
 - The City eliminated retiree health care for retirees as late as September 28, 2009 (varies by union)
 - For Members hired before September 28, 2009, members must be 55.
 - Benefit levels mirror prescription benefits of actives.
 - Members must enroll in Medicare when eligible.

- **Plan Funding:**
 - In 2007, the City established a VEBA, regularly making contributions to this trust in addition to paying retiree health care premiums.
 - It is anticipated that they are currently 31.94% funded due to continued contributions to the trust.

- **Other Considerations:**
 - None listed

**Treasury Recommendation
City of Madison Heights
OPEB General Employees Corrective Action Plan (CAP)
Primary Unit 632110**

Prospective Changes:

- Modern Plan Design:
 - The City is currently negotiating with all groups in the City.
 - Settled agreement with Department of Public Services employees with current proposals:
 - Members retiring after November 2, 2018 – upon Medicare age, members shall be provided with \$300 stipend per month per contract at which point the City's obligation shall cease
 - Benefits will mirror actives – not only prescriptions
 - Voluntary “buy-out” program of \$3,000 per year of services to completely opt-out of future retiree health care benefits

- Plan Funding:
 - City is Committed to status quo funding for OPEB Trust, while not 100% of ARC, they state they are making forward progress on funding and will reach 40% in ten years.
 - Projects changes to benefits currently being negotiated and voluntarily opt-out program will reduce the liability, increasing the funding level sooner.

- Other Considerations:
 - The City has been paying retiree health care premiums in addition to making more than the normal cost contributions for over seven years.

Plan size: 113 members

- Inactive employees or beneficiaries currently receiving benefits: 64
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 49

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.

**Treasury Recommendation
City of Madison Heights
OPEB General Employees Corrective Action Plan (CAP)
Primary Unit 632110**

- Reasonable Timeframe:
 - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 40% within a reasonable timeframe (2028).

The following corrective action plan approval criteria are partially met:

- 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 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 28.4%. This reflects a significant portion of the local government's budget

Supplemental Information:

The City of Madison Heights included an internal analysis of estimated net OPEB liability and related ratios. This shows on-going funding of \$849,323 plus the pay-go amount. This additional payment above the ADC shows reaching 40% funding by approximately 2028. During this same period of time, this analysis also showing that the annual benefit payment increases by approximately \$1,000,000, or 115%. No formal funding policy adopted by the Board.

General Employees OPEB Estimated Net OPEB Liability and Related Ratios as of October 19, 2018	Actual		Estimate									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Total OPEB Liability											
Service cost	292,159	287,951	282,612	274,133	265,909	255,273	245,062	232,809	221,169	207,898	195,425	191,801
Interest	2,435,322	2,552,025	2,483,859	2,478,406	2,472,516	2,466,155	2,459,286	2,451,867	2,443,854	2,435,200	2,425,854	2,415,761
Changes in Benefits												
Benefit Payments	(1,007,802)	(852,076)	(920,242)	(993,861)	(1,073,370)	(1,159,240)	(1,251,979)	(1,352,138)	(1,460,309)	(1,577,133)	(1,703,304)	(1,839,568)
Net Change	1,719,679	1,987,900	1,846,229	1,758,678	1,665,055	1,562,188	1,452,369	1,332,538	1,204,714	1,065,966	917,975	767,993
Total OPEB Begin	37,824,307	39,543,986	41,531,886	43,378,115	45,136,792	46,801,847	48,364,036	49,816,405	51,148,943	52,353,657	53,419,622	54,337,597
Total OPEB Ending	39,543,986	41,531,886	43,378,115	45,136,792	46,801,847	48,364,036	49,816,405	51,148,943	52,353,657	53,419,622	54,337,597	55,105,591
Plan Fiduciary Net Position												
Contribution - Employer	2,169,478	849,323	849,323	849,323	849,323	849,323	849,323	849,323	849,323	849,323	849,323	849,323
Net Investment Income	1,207,938	1,010,577	1,052,360	1,126,214	1,200,497	1,274,859	1,348,897	1,422,145	1,494,070	1,564,064	1,631,433	1,695,393
Benefit payments	(1,007,802)	(852,076)	(920,242)	(993,861)	(1,073,370)	(1,159,240)	(1,251,979)	(1,352,138)	(1,460,309)	(1,577,133)	(1,703,304)	(1,839,568)
Net Change in Plan Net Position	2,369,614	1,007,824	981,441	981,676	976,450	964,942	964,241	919,330	883,084	836,253	777,452	705,148
Plan Fiduciary Net Position - Beginning of year	9,886,708	12,256,322	13,264,146	14,245,587	15,227,262	16,203,712	17,168,654	18,114,895	19,034,225	19,917,310	20,753,563	21,531,015
Plan Fiduciary Net position - End of year	12,256,322	13,264,146	14,245,587	15,227,262	16,203,712	17,168,654	18,114,895	19,034,225	19,917,310	20,753,563	21,531,015	22,236,164
NET OPEB Liability - Ending	27,287,664	28,267,740	29,132,528	29,909,530	30,598,136	31,195,382	31,701,510	32,114,718	32,436,347	32,666,059	32,806,582	32,869,427
Plan Fiduciary Net Position as a % of Total OPEB Liability	30.99%	31.94%	32.84%	33.74%	34.62%	35.50%	36.36%	37.21%	38.04%	38.85%	39.62%	40.35%

**Treasury Recommendation
City of Madison Heights
OPEB General Employees Corrective Action Plan (CAP)
Primary Unit 632110**

The Community Engagement and Finance Division (CEFD) contact:

- Treasury staff contacted the City inquiring about the resolution approving the Corrective Action Plan (CAP). Received the minutes approving the CAP via email December 6, 2018.
- Confirmed that for Section 7, regarding the Corrective Action Plan Criteria for the plan, the City inadvertently missed checking the box for being “Legal and Feasible” and indicated over the phone that this was an oversight and should have been marked.

**Treasury Recommendation
City of Madison Heights
OPEB Police and Fire Corrective Action Plan (CAP)
Primary Unit 632110**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
General Employees MERS System	Pension	\$39,446,823	\$39,563,402	99.7%	\$1,175,689	\$31,789,005	11.5%	No
Police & Fire Pension System	Pension	\$42,364,918	\$78,198,411	54.2%	\$2,473,171			Yes
General Employees OPEB Trust	OPEB	\$9,886,708	\$37,824,307	26.1%	\$2,177,595		16.9%	Yes
Police & Fire OPEB Trust	OPEB	\$13,300,964	\$60,778,946	21.9%	\$3,200,413			Yes
Total		\$104,999,413	\$216,365,066		\$9,026,868	\$31,789,005	28.4%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB Police and Fire corrective action plan submitted by the City of Madison Heights, 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 for the Police & Fire OPEB Trust.

Changes Made:

- **Modern Plan Design:**
 - The City eliminated retiree health care for all employees hired after July 1,2009
 - Members must have 25 years of service to be eligible
 - Members must enroll in Medicare when they become eligible

- **Plan Funding:**
 - In 2007, the City established a VEBA, regularly making contributions to this trust in addition to paying retiree health care premiums.

- **Other Considerations:**
 - None listed

Prospective Changes:

- **Modern Plan Design:**

**Treasury Recommendation
City of Madison Heights
OPEB Police and Fire Corrective Action Plan (CAP)
Primary Unit 632110**

- The City is currently negotiating with all groups with current proposals:
 - Members retiring after July 1, 2018 – upon Medicare age, members shall be provided with \$300 stipend per month per contract at which point the City’s obligation shall cease
 - Benefits will mirror actives – not only prescriptions
 - Voluntary “buy-out” program of \$4,000 per year of services to completely opt-out of future retiree health care benefits.
- Plan Funding:
 - City is Committed to status quo funding for OPEB Trust, while not 100% of ARC, they state they are making forward progress on funding and will reach 40% in five years.
 - Projects changes to benefits currently being negotiated and voluntarily opt-out program will reduce the liability, increasing the funding level sooner.
- Other Considerations:
 - The City has been paying retiree health care premiums in addition to making more than the normal cost contributions for over seven years.

Plan size: 150 members

- Inactive employees or beneficiaries currently receiving benefits: 104
- 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:

- 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 (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

**Treasury Recommendation
City of Madison Heights
OPEB Police and Fire Corrective Action Plan (CAP)
Primary Unit 632110**

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

The following corrective action plan approval criteria were partially met:

- **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 retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast. However, Treasury staff contacted the City and it was confirmed this was inadvertently missed and should have been marked.
 - Our review indicates all of the local unit's annual required contribution as a percentage of general fund operating revenues is 28.4%. This reflects a significant portion of the local government's budget.

Supplemental Information:

The City of Madison Heights included an internal analysis of estimated net OPEB liability and related ratios. This shows on-going funding of \$2.4 million plus the pay-go amount. This additional payment above the ADC shows reaching 40% funding by approximately 2023. No formal funding policy adopted by the Board. Using this same analysis, it also shows that from 2018 to 2028, the annual pay-go payment increases by approximately \$2,000,000, or 117%.

	Actual		Estimate									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Police and Fire Employees OPEB Estimated Net OPEB Liability and Related Ratios as of October 19, 2018												
Total OPEB Liability												
Service cost	507,002	489,003	479,936	465,538	451,572	433,509	416,168	395,360	375,592	353,056	331,873	325,719
Interest	3,924,938	4,114,003	2,413,551	2,402,473	2,390,509	2,377,588	2,363,633	2,348,562	2,332,285	2,314,705	2,295,720	2,275,215
Changes in Benefits												
Benefit Payments	(1,297,566)	(1,730,921)	(1,869,395)	(2,018,946)	(2,180,462)	(2,354,899)	(2,543,291)	(2,746,754)	(2,965,494)	(3,203,814)	(3,460,119)	(3,736,929)
Net Change	3,134,374	2,872,085	1,024,092	849,065	661,619	456,198	236,511	(2,832)	(258,618)	(536,052)	(832,526)	(1,135,994)
Total OPEB Begin	60,778,946	63,913,320	66,785,405	67,809,497	68,658,562	69,320,181	69,776,379	70,012,890	70,010,058	69,751,440	69,215,388	68,382,862
Total OPEB Ending	63,913,320	66,785,405	67,809,497	68,658,562	69,320,181	69,776,379	70,012,890	70,010,058	69,751,440	69,215,388	68,382,862	67,246,868
Plan Fiduciary Net Position												
Contribution - Employer	2,887,125	2,413,374	2,413,374	2,413,374	2,413,374	2,413,374	2,413,374	2,413,374	2,413,374	2,413,374	2,413,374	2,413,374
Net investment income	1,463,640	1,436,553	1,592,916	1,752,967	1,914,591	2,077,126	2,239,806	2,401,741	2,561,908	2,719,135	2,872,085	3,019,236
Benefit payments	(1,297,566)	(1,730,921)	(1,869,395)	(2,018,946)	(2,180,462)	(2,354,899)	(2,543,291)	(2,746,754)	(2,966,494)	(3,203,814)	(3,460,119)	(3,736,929)
Net Change in Plan Net Position	3,053,199	2,119,006	2,136,895	2,147,395	2,147,503	2,135,601	2,109,889	2,068,361	2,008,787	1,928,695	1,825,340	1,695,681
Plan Fiduciary Net Position - Beginning of year	13,300,964	16,354,163	18,473,169	20,610,064	22,757,459	24,904,961	27,040,563	29,150,452	31,218,812	33,227,600	35,156,295	36,981,635
Plan Fiduciary Net position - End of year	16,354,163	18,473,169	20,610,064	22,757,459	24,904,961	27,040,563	29,150,452	31,218,812	33,227,600	35,156,295	36,981,635	38,677,316
NET OPEB Liability - Ending	47,559,157	48,312,236	47,199,434	45,901,104	44,415,220	42,735,817	40,862,438	38,791,245	36,523,840	34,059,093	31,401,227	28,569,552
Plan Fiduciary Net Position as a % of Total OPEB Liability	25.59%	27.66%	30.39%	33.15%	35.93%	38.75%	41.64%	44.59%	47.64%	50.79%	54.08%	57.52%

The Community Engagement and Finance Division (CEFD) contact:

- Treasury staff contacted the City inquiring about the resolution approving the Corrective Action Plan (CAP). Received the minutes approving the CAP via email December 6, 2018.
- Confirmed with the City that section 5, making minimum ARC, was inadvertently missed being checked completing the CAP. The City indicates it has made its minimum premium payment each month as well as additional amounts to increase its funding level.

**Treasury Recommendation
City of Pontiac
OPEB Corrective Action Plan (CAP)
Primary Unit 632170**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
General Employees Retirement System	Pension	\$466,152,032	\$264,641,819	176.1%	\$0		4.1%	No
Police and Fire Retirement System	Pension	\$223,057,297	\$250,798,054	88.9%	\$2,041,923			No
Police and Fire Retirement System VEBA	OPEB	\$39,309,233	\$37,477,414	104.9%	\$0	\$49,613,970	14.0%	No
City of Pontiac Retiree Health Care Plan	OPEB	\$0	\$84,764,641	0.0%	\$6,967,528			Yes
Total		\$728,518,562	\$637,681,928		\$9,009,451	\$49,613,970	18.1%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by the City of Pontiac, 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 non-VEBA retiree health care plan was closed to new hires effective August 22, 1996.
 - On April 4, 2017 a tentative agreement was reached between the City and the City of Pontiac Retired Employees Association (CPREA) regarding the lawsuit filed by CPREA against the City related to an Emergency Manager order eliminating retiree health, dental, and optical benefits in 2012.
 - Under this agreement, plan assets between the four retirement systems will be moved into a new structure. More information on the old plans and new plan structure can be found in the supplemental information section of this review.
 - This agreement has been approved by the CPREA membership and the Pontiac City Council in 2017. [U.S. District Court Judge Avern Cohn](#) gave approval of the agreement on November 19, 2018.
 - The agreement is now contingent upon IRS approval.

**Treasury Recommendation
City of Pontiac
OPEB Corrective Action Plan (CAP)
Primary Unit 632170**

- Plan Funding:
 - None Noted.
- Other Considerations:
 - None Noted.

Prospective Changes:

- Modern Plan Design:
 - The new VEBA plan will cover everyone vested from the 3 retiree groups with full coverage for health, dental, and vision benefits.
- Plan Funding:
 - Under the agreement between the City of Pontiac and the CPREA, the city will be required to make a one-time down payment to the new VEBA not to exceed \$4.25 million.
 - Thereafter, the City will be required to contribute \$1.5 million or the actuarial required contribution to the VEBA annually, whichever is less.
- Other Considerations:
 - None Noted

Plan size: 716 members

- Inactive employees or beneficiaries currently receiving benefits: 716

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 (fiscal year 2019).
 - **Note:** This timeframe is contingent upon IRS approval.
- 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.

**Treasury Recommendation
City of Pontiac
OPEB Corrective Action Plan (CAP)
Primary Unit 632170**

The following corrective action plan approval criteria are partially met:

- Legal and Feasible:
 - The local unit indicated its corrective action plan was legal and feasible in Section 7 of the corrective action plan template; however, this plan is still awaiting IRS approval.

Supplemental Information:

The City provided the following information regarding the CPREA tentative agreement system design change. If approved by the IRS, the OPEB plan will be over 100% funded. They also provided an actuarially estimated employer-paid contributions chart and graph.

Current plans: Actuarial Balances as of 6/30/18

Retiree Groups System Name	GERS & PF Pre-96 GERS Pension System	PF Post-96 P&F Pension System	PF Post-96 P&F VEBA	GERS & PF Pre-96 Pontiac Retiree Health Plan	Total all plans
Total Assets	\$ 506,436,676	\$ 232,221,141	\$ 40,952,046	2 \$ -	\$ 779,609,865
Total Liabilities	\$ (267,204,399) 1	\$ (247,226,144)	\$ (47,032,505) 3	\$ (80,432,528) 4	\$ (641,895,568)
Net Assets	\$ 239,232,277	\$ (15,005,003)	\$ (6,080,459)	\$ (80,432,528)	\$ 137,714,287
Funding Ratio	190%	94%	87%	0%	121%

CPREA Agreement: System Design - creation of new GERS pension system and new VEBA

Retiree Groups System Name	GERS & PF Pre-96 New GERS Pension System	PF Post-96 P&F Pension System	GERS, PF Pre-96 & PF Post-96 New VEBA	Total all plans
Total Assets	\$ 506,436,676	\$ 232,221,141	\$ 40,952,046 2	\$ 779,609,863
Total Liabilities	\$ (267,204,399) 1	\$ (247,226,144)	\$ (127,465,033) 3+4	\$ (641,895,576)
Contribution to new VEBA	\$ (159,070,957)	\$ -	\$ 159,070,957	\$ -
Net Assets	\$ 80,161,320	\$ (15,005,003)	\$ 72,557,970	\$ 137,714,287
Funding Ratio	130%	94%	157%	121%

City Contribution to newly created VEBA

Retiree Groups System Name	GERS, PF Pre-96 & PF Post-96 New VEBA
Total Assets	\$ 200,023,003
Total Liabilities	\$ (127,465,033)
City Contribution to new VEBA	\$ 4,250,000
Net Assets	\$ 76,807,970
Funding Ratio	160%

**Treasury Recommendation
City of Pontiac
OPEB Corrective Action Plan (CAP)
Primary Unit 632170**

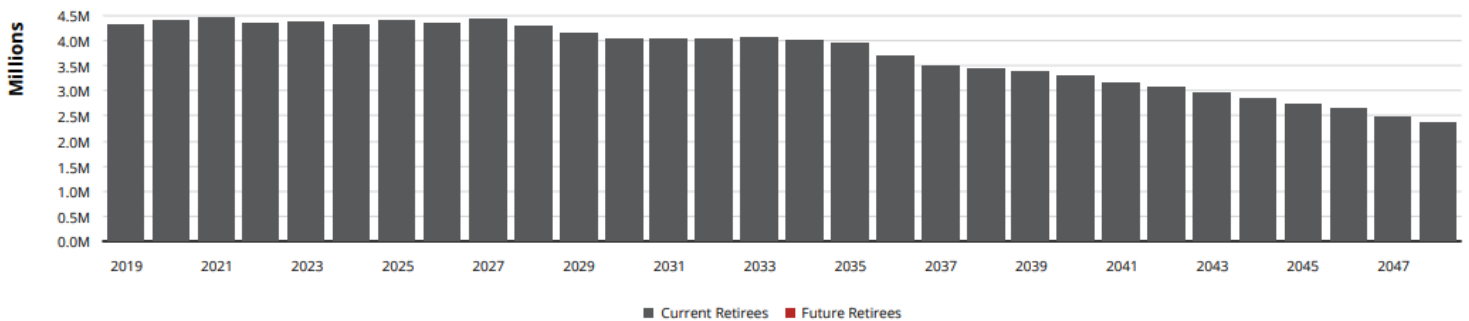
Cash Flow Projections

City of Pontiac OPEB for General and non-VEBA Police & Fire Retirees GASB 75 Valuation for Fiscal Year Ending June 30, 2018

The below projections show the actuarially estimated employer-paid contributions for retiree health benefits for the next thirty years. Results are shown separately for a closed group of current/future retirees. These projections include explicit and implicit subsidies.

FYE	Current Retirees	Future Retirees*	Total	FYE	Current Retirees	Future Retirees*	Total	FYE	Current Retirees	Future Retirees*	Total
2019	\$ 4,325,000	\$ 0	\$ 4,325,000	2029	\$ 4,159,733	\$ 0	\$ 4,159,733	2039	\$ 3,368,540	\$ 0	\$ 3,368,540
2020	\$ 4,411,426	\$ 0	\$ 4,411,426	2030	\$ 4,034,372	\$ 0	\$ 4,034,372	2040	\$ 3,288,874	\$ 0	\$ 3,288,874
2021	\$ 4,462,892	\$ 0	\$ 4,462,892	2031	\$ 4,032,945	\$ 0	\$ 4,032,945	2041	\$ 3,166,808	\$ 0	\$ 3,166,808
2022	\$ 4,336,817	\$ 0	\$ 4,336,817	2032	\$ 4,035,417	\$ 0	\$ 4,035,417	2042	\$ 3,081,633	\$ 0	\$ 3,081,633
2023	\$ 4,375,463	\$ 0	\$ 4,375,463	2033	\$ 4,053,289	\$ 0	\$ 4,053,289	2043	\$ 2,935,200	\$ 0	\$ 2,935,200
2024	\$ 4,299,077	\$ 0	\$ 4,299,077	2034	\$ 3,990,682	\$ 0	\$ 3,990,682	2044	\$ 2,843,425	\$ 0	\$ 2,843,425
2025	\$ 4,419,012	\$ 0	\$ 4,419,012	2035	\$ 3,929,234	\$ 0	\$ 3,929,234	2045	\$ 2,736,514	\$ 0	\$ 2,736,514
2026	\$ 4,347,750	\$ 0	\$ 4,347,750	2036	\$ 3,679,334	\$ 0	\$ 3,679,334	2046	\$ 2,638,499	\$ 0	\$ 2,638,499
2027	\$ 4,444,539	\$ 0	\$ 4,444,539	2037	\$ 3,508,928	\$ 0	\$ 3,508,928	2047	\$ 2,468,587	\$ 0	\$ 2,468,587
2028	\$ 4,291,298	\$ 0	\$ 4,291,298	2038	\$ 3,430,475	\$ 0	\$ 3,430,475	2048	\$ 2,358,633	\$ 0	\$ 2,358,633

Projected Employer Pay-go Cost



The Community Engagement and Finance Division (CEFD) contact:

- None Noted.

**Treasury Recommendation
Village of Holly
Pension Corrective Action Plan (CAP)
Primary Unit 633050**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$6,858,874	\$13,924,151	49.3%	\$459,643	3,742,925	12.3%	Yes
Retiree Healthcare Benefits	OPEB	\$378,000	\$902,088	41.9%	\$100,924		2.7%	No
Total		\$7,236,874	\$14,826,239		\$560,567	\$3,742,925	15.0%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by Village of Holly, 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:
 - None listed
- Plan Funding:
 - None listed
- Other Considerations:
 - None listed

Prospective Changes:

- Modern Plan Design:
 - None listed
- Plan Funding:
 - Beginning in fiscal year 2018/2019, the Village of Holly will provide a lump sum payment of \$75,000 to the Employees' Retirement System every year for five (5) years. 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 60% by 2024. Please see supplemental information section.
- Other Considerations
 - None listed

Plan size: 64 members

- Inactive employees or beneficiaries currently receiving benefits: 34
- Inactive employees entitled to but not yet receiving benefits: 8

**Treasury Recommendation
Village of Holly
Pension Corrective Action Plan (CAP)
Primary Unit 633050**

- Active employees: 22

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 (valuation year FY 2024).
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

Supplemental Information:

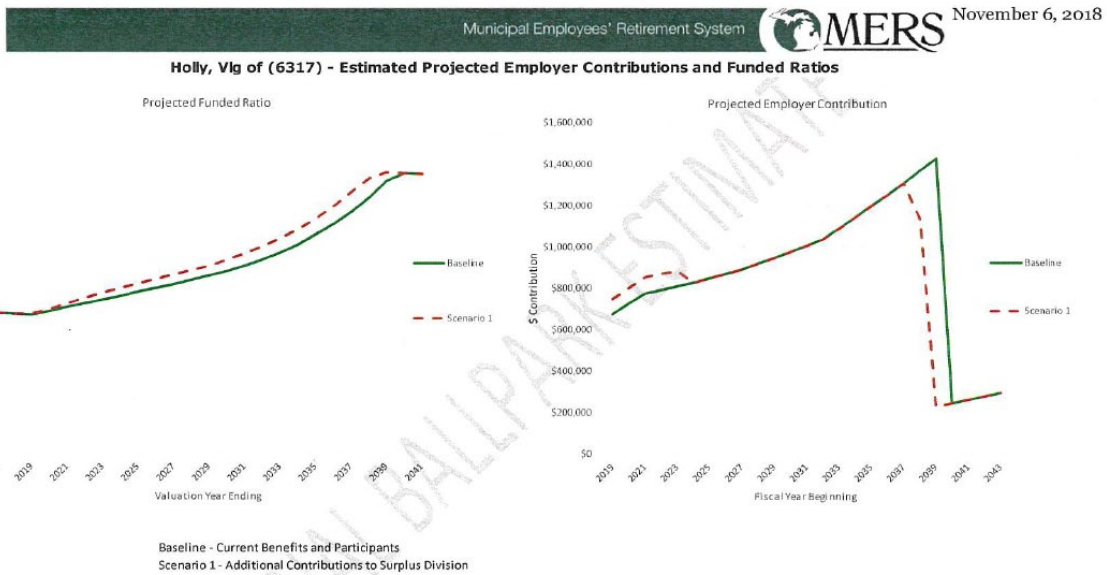
Village of Holly included MERS Estimated Projected Funded Ratio Charts that includes a scenario for additional employer contributions of \$75,000 for each of the next five years in addition to the pay-go amount. Based on this projection, the Village anticipates being 60% funded by FY 2024 (valuation year). The Village of Holly also included their ballpark estimation showing their projected employer contributions. This estimation shows that from 2019 to 2037, projected annual employer contributions increase by approximately \$575,000, or 77%.

**Treasury Recommendation
Village of Holly
Pension Corrective Action Plan (CAP)
Primary Unit 633050**

Holly, Vlg of (6317) - Estimated Projected Employer Contributions and Funded Ratios

Valuation Year Ending 12/31	Fiscal Year Beginning in Year	Baseline - Current Benefits and Participants				Scenario 1 - Additional Contributions to Surplus Division					
		Actuarial Accrued Liability	Valuation Assets	Funded Ratio	Total Annual Employer Contribution	Actuarial Accrued Liability	Valuation Assets (Including Surplus)	Funded Ratio	Required Annual Employer Contribution	Additional Annual Employer Contribution	Total Annual Employer Contribution
2017	2019	14,532,992	7,381,828	51%	\$673,404	14,532,992	7,381,828	51%	\$673,404	\$75,000	\$748,404
2018	2020	14,829,197	7,472,463	50%	\$725,724	14,829,197	7,472,463	50%	\$725,724	\$75,000	\$800,724
2019	2021	15,142,562	7,562,837	50%	\$775,836	15,142,562	7,601,025	50%	\$775,836	\$75,000	\$850,836
2020	2022	15,470,373	7,938,318	51%	\$791,604	15,470,373	8,052,092	52%	\$791,604	\$75,000	\$866,604
2021	2023	15,812,257	8,364,302	53%	\$806,460	15,812,257	8,571,233	54%	\$806,460	\$75,000	\$881,460
2022	2024	16,163,489	8,762,398	54%	\$827,100	16,163,489	9,063,218	56%	\$827,100	\$0	\$827,100
2023	2025	16,507,311	9,169,083	56%	\$848,172	16,507,311	9,571,069	58%	\$848,172	\$0	\$848,172
2024	2026	16,828,293	9,573,184	57%	\$869,184	16,828,293	10,045,250	60%	\$869,184	\$0	\$869,184
2025	2027	17,113,887	9,966,877	58%	\$892,104	17,113,887	10,475,528	61%	\$892,104	\$0	\$892,104
2026	2028	17,350,668	10,339,282	60%	\$918,288	17,350,668	10,887,353	63%	\$918,288	\$0	\$918,288
2027	2029	17,539,272	10,693,116	61%	\$945,888	17,539,272	11,283,663	64%	\$945,888	\$0	\$945,888
2028	2030	17,688,913	11,041,612	62%	\$973,968	17,688,913	11,677,926	66%	\$973,968	\$0	\$973,968
2029	2031	17,807,494	11,398,457	64%	\$1,004,544	17,807,494	12,084,085	68%	\$1,004,544	\$0	\$1,004,544
2030	2032	17,893,455	11,765,673	66%	\$1,037,856	17,893,455	12,504,437	70%	\$1,037,856	\$0	\$1,037,856
2031	2033	17,955,995	12,156,359	68%	\$1,087,584	17,955,995	12,952,378	72%	\$1,087,584	\$0	\$1,087,584
2032	2034	18,008,851	12,589,827	70%	\$1,143,528	18,008,851	13,447,537	75%	\$1,143,528	\$0	\$1,143,528
2033	2035	18,057,405	13,084,680	72%	\$1,198,824	18,057,405	14,008,863	78%	\$1,198,824	\$0	\$1,198,824
2034	2036	18,109,380	13,664,808	75%	\$1,249,404	18,109,380	14,660,615	81%	\$1,249,404	\$0	\$1,249,404
2035	2037	18,174,426	14,348,433	79%	\$1,306,752	18,174,426	15,421,415	85%	\$1,306,752	\$0	\$1,306,752
2036	2038	18,256,028	15,142,721	83%	\$1,365,900	18,256,028	16,298,859	89%	\$1,365,900	\$0	\$1,365,900
2037	2039	18,351,394	16,052,784	87%	\$1,425,768	18,351,394	17,298,523	94%	\$229,668	\$0	\$229,668
2038	2040	18,478,417	17,108,422	93%	\$246,264	18,478,417	18,330,824	99%	\$246,264	\$0	\$246,264
2039	2041	18,640,010	18,322,164	98%	\$263,268	18,640,010	18,898,628	101%	\$263,268	\$0	\$263,268
2040	2042	18,842,558	19,066,377	101%	\$281,124	18,842,558	19,066,545	101%	\$281,124	\$0	\$281,124
2041	2043	19,090,683	19,283,221	101%	\$298,080	19,090,683	19,283,221	101%	\$298,080	\$0	\$298,080

Notes: The phase-in was reflected for the purpose of displaying a truer estimate of short term cost.
 The amortization schedule in the proposed scenario is the same as the baseline. A description of the amortization policy can be found on page 24 of the annual valuation appendix:
<http://www.mersofmich.com/Portals/0/Assets/Resources/AAV-Appendix/MERS-2017AnnualActuarialValuation-Appendix.pdf>
 The assumed annual market return and discount rate is 7.75%.



The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
Ogemaw County Road Commission
OPEB Corrective Action Plan (CAP)
Non-Primary Unit 650100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$5,530,502	\$9,735,511	56.8%	\$493,619	\$6,508,774	7.6%	No
Healthcare	OPEB	\$21,052	\$719,652	2.9%	\$69,163		0.3%	Yes
Total		\$5,551,554	\$10,455,163		\$562,782	\$6,508,774	7.9%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Ogemaw 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 2012 the Road Commission implemented health care according to PA 152. Effective 2012, the Employer contribution for retiree health care is limited to the single subscriber amount. The Road Commission provides single-subscription coverage for employees who retire at age 55 or older with at least 25 years of service, coverage will terminate when the retiree reaches 65. Employees & retirees are required to cost share in premiums over the hard cap.
- Plan Funding:
 - The Road Commission created a qualified trust in 2009 investing \$10,000 to receive, invest, and accumulate assets for retirement healthcare.
- Other Considerations:
 - The Road Commission requires that Medicare be primary insurance for retirees 65 and older. Retirees and active employees are encouraged to use health plans under spouses versus with the Road Commission. Beginning in 2012, the Road Commission started reviewing health plan options to evaluate benefit offerings and carriers within the market. Retirees receive the same plans as active employees.

Prospective Changes:

- Modern Plan Design:
 - Beginning fall of 2018, the Road Commission is seeking to revise Collective Bargaining Agreements with Steelworkers to focus on more affordable premiums for health care for active and retiree members.

**Treasury Recommendation
Ogemaw County Road Commission
OPEB Corrective Action Plan (CAP)
Non-Primary Unit 650100**

- Plan Funding:
 - The Road Commission has changed its funding methodology in 2018 to increase funding within the trust. Additionally, the Road Commission has committed to contributing \$25,000 in 2018. The Road Commission will review upcoming audits and focus on future contributions based on ARC findings in efforts to bring funding to 40% by 2028.

- Other Considerations:
 - Beginning fiscal year 2019, the Road Commission will dedicate yearly general fund interest income revenue toward OPEB funding and review annual budgets in efforts for further additional funding in order to reduce the unfunded liability and allow for potential increased earnings of interest on investment income.

Plan size: 62 members

- Inactive employees or beneficiaries currently receiving benefits: 30
- Inactive employees entitled to but not yet receiving benefits: 2
- Active employees: 30

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria are partially met:

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

- Affordable:
 - The local unit 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 may

**Treasury Recommendation
Ogemaw County Road Commission
OPEB Corrective Action Plan (CAP)
Non-Primary Unit 650100**

not allow Ogemaw County Road Commission to make the retiree premium payment as well as the normal cost payments.

Supplemental Information:

Ogemaw County Road Commission included:

Valuation of Assets Fiscal Year 2017	\$	21,052
Actuarial Accrued Liability	\$	719,652
Annual Required Contribution	\$	69,163
Funded Percentage		2.93%
Long Term Expected Rate of Return		5.75%

Fiscal Year	Beginning Balance	Additional Contribution	Interest	Ending Balance	Percent Funded
2017	21,052			21,052	2.93%
2018	21,052		5,744	26,796	3.72%
2019	26,796	25,000	2,978	54,774	7.61%
2020	54,774	25,000	4,587	84,361	11.72%
2021	84,361	25,000	6,288	115,650	16.07%
2022	115,650	25,000	8,087	148,737	20.67%
2023	148,737	25,000	9,990	183,727	25.53%
2024	183,727	25,000	12,002	220,729	30.67%
2025	220,729	25,000	14,129	259,858	36.11%
2026	259,858	25,000	16,379	301,237	41.86%
2027	301,237	25,000	18,759	344,996	47.94%
2028	344,996	25,000	21,275	391,271	54.37%
2029	391,271	25,000	23,936	440,206	61.17%
2030	440,206	25,000	26,749	491,956	68.36%
2031	491,956	25,000	29,725	546,681	75.96%
2032	546,681	25,000	32,872	604,552	84.01%
2033	604,552	25,000	36,199	665,751	92.51%
2034	665,751	25,000	39,718	730,470	101.50%

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Rogers City
Pension Corrective Action Plan (CAP)
Primary Unit 712020**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$5,165,576	\$10,992,314	47.0%	\$301,987	\$2,147,660	14.1%	Yes
Self funded	OPEB	\$0	\$648,725	0%	\$86,098		4.0%	No
Total		\$5,165,576	\$11,641,039		\$388,085	\$2,147,660	18.1%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by City of Rogers City, 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:
 - 7/1/2015 created caps for the Final Average Compensation (FAC) for all three MERS divisions.
 - The City of Rogers City increased employee contributions in 2 out of 3 divisions.
- Plan Funding:
 - None noted.
- Other Considerations:
 - The City paid MERS to conduct six supplemental valuations prior to negotiation the FAC caps, showing that this change only brought short term relief.

Prospective Changes:

- Modern Plan Design:
 - Beginning with spring 2019 contracts, the City will seek to close the plan by having all new hires in a defined contribution plan.
- Plan Funding:
 - The city would like to issue a pension obligation bond and contribute an additional \$750,000 to MERS in 2019 to bring the assets up to \$12,000,000, giving them an 100% funding ratio. Currently Roger cannot legally issue pension obligation bonds because their bond rating does not meet the statutory requirements. Additionally, the legislation authorizing expires at the end of 2018. Note that a bill has been introduced that would extend the sunset and lower the authorized bonding has been introduced. The city cannot legally issue pension obligation bonds in the next year. There is a sunset provision of December 2018.

**Treasury Recommendation
City of Rogers City
Pension Corrective Action Plan (CAP)
Primary Unit 712020**

- Other Considerations:
 - The City Council commits to working with the State legislature toward action that would allow for pension obligation bonds, because it is a vital component of the City's plan to address its underfunded status.

Plan size: 55 members

- Inactive employees or beneficiaries currently receiving benefits: 27
- Inactive employees entitled to but not yet receiving benefits: 9
- Active employees: 19

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 annual required contribution payment according to the long-term budget forecast.

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
 - The local unit did not provide clear documentation that demonstrates the retirement system will reach 60% funded. Based on other information presented in the corrective action plan, we have determined the plan maybe 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 2020; 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 maybe able to achieve the 60% funded ratio within approximately 15 years.
- Legal and Feasible:
 - The local unit indicated its corrective action plan was legal and feasible in Section 7 of the corrective action plan template; however, Treasury notes that currently the city cannot legally issue pension obligation bonds in the next year. There is a sunset provision of December 2018.

Supplemental Information:

The city of Rogers City has made plan design changes that resulted in saving \$100,000 off their annual required contribution. They have evaluated multiple other options to reduce their required annual employer contribution (ARC), these are provided as supplementation valuations in the CAP. Per

**Treasury Recommendation
City of Rogers City
Pension Corrective Action Plan (CAP)
Primary Unit 712020**

documents provided with no changes (baseline) their ARC could increase from \$400,260 in 2018 to \$1,052,712 in 2039 or an increase of 163%.

Their CAPS show that they will reach 60% funding by 2020, but this appears to be contingent upon being able to bond, make benefit changes, and making additional contributions. Currently Rogers City is not able to bond, unless legislative changes are made.

City of Rogers City (7102) - Total of Divisions 01, 02, 10

Valuation Year Ending 12/31	Fiscal Year Beginning in Year	Baseline - Open, Standard Assumptions, Phase-in				Proposed - DB to DC for New Hires (1% DC Employer Contribution), 2% Increasing Payroll, Phase-in					
		Actuarial Accrued Liability	Valuation Assets	Funded %	Required Annual Employer Contribution	Actuarial Accrued Liability	Valuation Assets	Funded %	Required DB Employer Contribution	Required DC Employer Contribution	Total Annual Employer Contribution
2016	2018	11,266,342	5,563,815	49%	400,260	11,266,342	5,563,815	49%	396,372	553	396,925
2017	2019	11,452,874	5,498,428	48%	451,392	11,450,804	5,502,762	48%	455,448	1,016	456,464
2018	2020	11,633,454	5,421,605	47%	496,860	11,642,885	5,426,792	47%	514,824	1,514	516,338
2019	2021	11,854,951	5,375,937	45%	543,648	11,827,438	5,371,182	45%	580,632	2,092	582,724
2020	2022	12,053,892	5,515,005	46%	563,388	11,999,441	5,505,536	46%	598,128	2,791	600,919
2021	2023	12,239,580	5,682,675	46%	583,980	12,147,015	5,679,469	47%	616,416	3,516	619,932
2022	2024	12,414,045	5,870,821	47%	605,460	12,269,225	5,875,004	48%	635,520	4,208	639,728
2023	2025	12,567,481	6,058,350	48%	627,444	12,353,698	6,062,218	49%	655,428	4,888	660,316
2024	2026	12,707,196	6,255,097	49%	650,364	12,406,901	6,247,421	50%	676,308	5,548	681,856
2025	2027	12,836,233	6,466,696	50%	674,052	12,430,554	6,436,602	52%	698,100	6,202	704,302
2026	2028	12,952,469	6,693,523	52%	698,204	12,421,062	6,629,436	53%	721,164	6,855	728,019
2027	2029	13,054,503	6,936,919	53%	725,304	12,375,661	6,826,587	55%	745,308	7,464	752,772
2028	2030	13,146,496	7,204,435	55%	752,460	12,296,420	7,034,372	57%	770,568	8,097	778,665
2029	2031	13,232,052	7,503,312	57%	780,828	12,185,195	7,259,028	60%	796,764	8,867	805,631
2030	2032	13,316,664	7,842,819	59%	810,324	12,046,228	7,509,253	62%	823,860	9,718	833,578
2031	2033	13,394,586	8,221,445	61%	841,260	11,870,384	7,781,408	66%	852,324	10,512	862,836
2032	2034	13,452,167	8,629,896	64%	873,588	11,639,599	8,063,282	69%	882,444	11,221	893,665
2033	2035	13,505,579	9,089,315	67%	907,032	11,367,453	8,374,329	74%	914,076	11,894	925,970
2034	2036	13,566,834	9,617,419	71%	941,676	11,064,512	8,731,558	79%	946,956	12,555	959,511
2035	2037	13,644,043	10,228,356	75%	977,100	10,736,266	9,147,954	85%	1,14,264	13,191	127,455
2036	2038	13,738,346	10,929,592	80%	1,014,252	10,380,731	9,629,418	93%	117,552	13,786	131,338
2037	2039	13,853,400	11,731,358	85%	1,052,712	9,898,153	9,734,306	97%	122,004	14,328	136,332
2038	2040	13,999,388	12,651,177	90%	100,980	9,594,870	9,426,476	98%	2,628	14,830	17,458
2039	2041	14,188,468	13,709,509	97%	104,964	9,179,495	9,118,584	99%	2,258	15,303	17,571
2040	2042	14,435,304	14,414,772	100%	111,324	8,762,451	8,758,413	100%	2,136	15,744	17,880

*Notes: The phase-in was excluded for ballpark and comparison purposes.
The overall employer normal cost (as a percent of pay) for new hires ranges from: 4.25%-4.57% in the baseline and the employer DC rate in the proposed scenario.
The amortization schedule in the proposed scenario was changed to Option B for Divisions 01 and 10 (as the preferred schedule for Div. 10). A description of the amortization policy can be found on page 2*

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Saginaw
Pension Corrective Action Plan (CAP)
Primary Unit 073202**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$172,861,032	\$334,484,884	51.7%	\$24,998,362	\$50,807,603	49.2%	Yes
Healthcare	OPEB	\$0	\$272,539,089	0.0%	\$21,883,599		43.1%	Yes
Total		\$172,861,032	\$607,023,973		\$46,881,961	\$50,807,603	92.3%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by the City of Saginaw, 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 City has closed the pension system to new hires on January 1, 2000.
 - On July 1, 2016, the City opened a Hybrid plan for all new hires. This extended the amortization schedule in all divisions, which lowered the City's annual required contribution (ARC).
 - The police and fire unions transferred their pension assets to MERS in 2015 and 2016, respectively; thus, reducing administrative expenses associated with the former police and fire pension system while creating a higher net return on investment.
- **Plan Funding:**
 - On January 8, 2018, the City established a surplus division within MERS.
 - The City has also sent additional contributions to MERS in excess of the ARC between 2016 through 2018. Of note, additional contributions for FY 2018 & FY 2019 total \$3 million.
- **Other Considerations:**
 - In 2017, the City moved to a fixed amortization schedule to fully fund the system.

Prospective Changes:

- **Modern Plan Design:**
 - The City will seek to negotiate changes, such as freezing current plants, lower multipliers, and decreasing other compensation currently calculated in the FAC.
- **Plan Funding:**
 - The City notes it will continue to make ARC payments as outlined in the updated valuation to the extent future budgets support said contributions.
- **Other Considerations:**
 - None Noted.

**Treasury Recommendation
City of Saginaw
Pension Corrective Action Plan (CAP)
Primary Unit 073202**

Plan size: 1,085 members

- Inactive employees or beneficiaries currently receiving benefits: 857
- Inactive employees entitled to but not yet receiving benefits: 17
- Active employees: 211

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 (2030).
- 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.

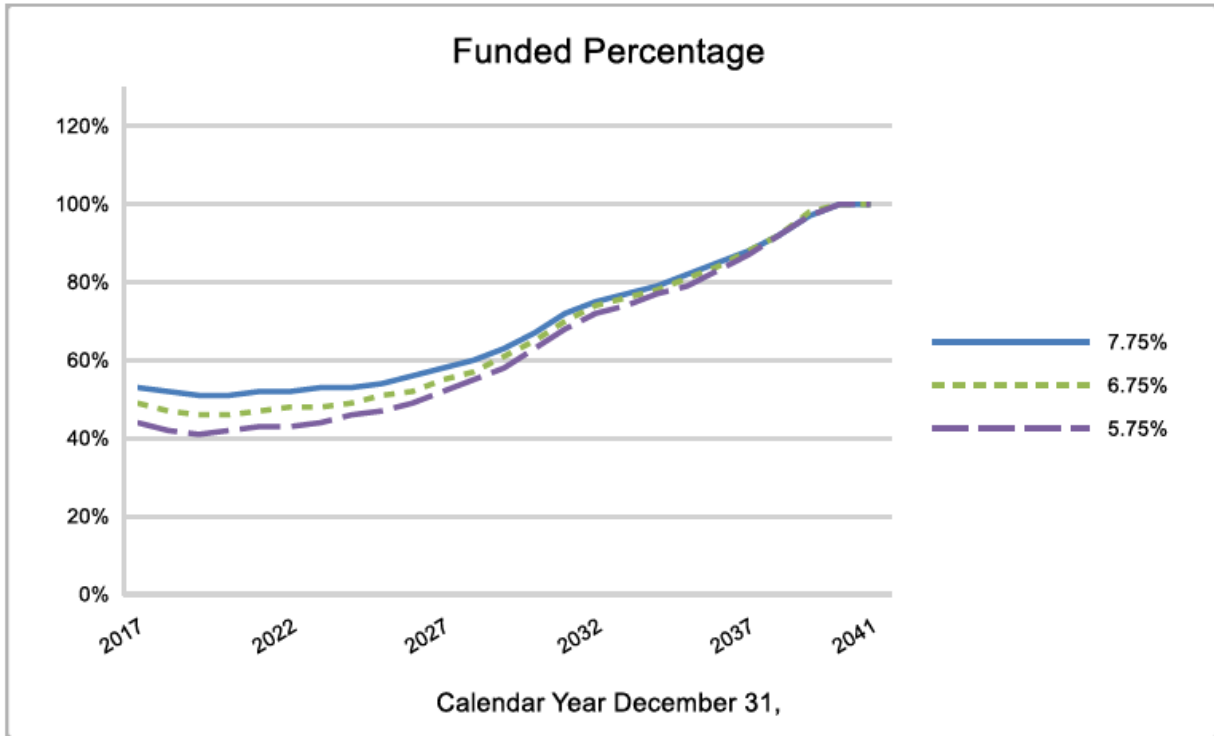
The following corrective action plan approval criteria are partially met:

- 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 ARC payment according to the long-term budget forecast. The City's 2017 valuation indicates the ARC has been reduced to \$14,091,492 for FY 2017 as a result of the City's noted design and funding changes. Recalculated ARC as a percentage of general fund operating revenue is 27.8%. This reflects a significant portion of the local government's budget.

**Treasury Recommendation
City of Saginaw
Pension Corrective Action Plan (CAP)
Primary Unit 073202**

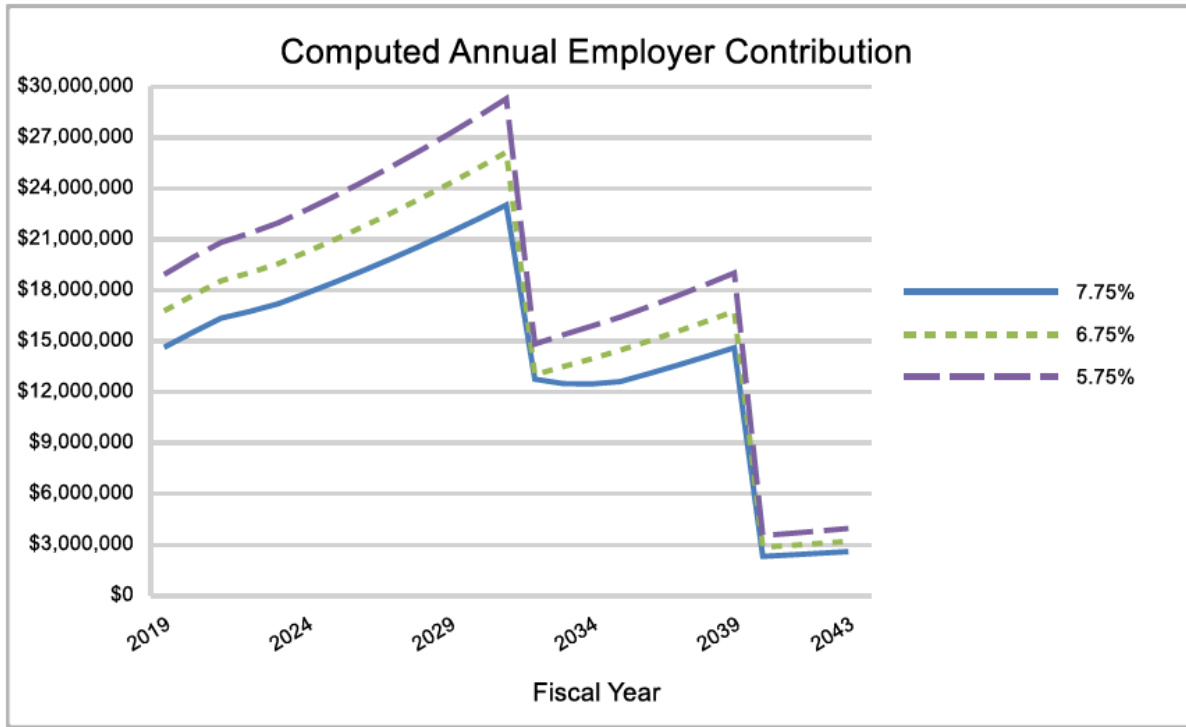
Supplemental Information:

The City included the following MERS funding percentage graph that demonstrate the City anticipating reaching 60% funded by FY 2030.



The City also included the following MERS Computed Annual Employer Contribution graph that demonstrates the City's anticipated annual payments. This chart shows that from 2019 to 2033, the computed annual employer contribution increases approximately \$8,000,000, or 53%.

**Treasury Recommendation
City of Saginaw
Pension Corrective Action Plan (CAP)
Primary Unit 073202**



Notes:

All projected contributions are shown with no phase-in.

The above required annual employer contribution does not reflect future changes in the employee contribution rates due to the impact of a cap, if any, on employer contributions.

The Community Engagement and Finance Division (CEFD) contact:

- None Noted.

**Treasury Recommendation
City of Saginaw
OPEB Corrective Action Plan (CAP)
Primary Unit 073202**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$172,861,032	\$334,484,884	51.7%	\$24,998,362	\$50,807,603	49.2%	Yes
Healthcare	OPEB	\$0	\$272,539,089	0.0%	\$21,883,599		43.1%	Yes
Total		\$172,861,032	\$607,023,973		\$46,881,961	\$50,807,603	92.3%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by the City of Saginaw, 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 2009, the City closed the retiree healthcare plan for all new hires. The plan was replaced with a health care savings plan (DC plan), with a \$1,500 annual contribution.
 - In 2009, the City changed healthcare plans for all active employees that included deductibles, co-pays on medical and RX, and employee contributions.
 - In 2012, the City changed healthcare plans for all active employees that included increasing deductibles, co-pays on medical and RX, and employee contributions.
 - In 2017, after a three-year legal dispute with the Saginaw retirees regarding changes to the 20 different retirement programs, the city negotiated a settlement that resulted in two plans. The estimated reduction in costs was \$3 million per year.
- Plan Funding:
 - The city reserved \$250,000 during FY 2018 to pay for future retiree healthcare costs.
- Other Considerations:
 - In 2017, the city changed actuaries as a due diligence and had all assumptions reevaluated and amended.

Prospective Changes:

- Modern Plan Design:
 - During contract negotiations for labor contracts expiring on June 30, 2019, the City will continue to seek changes in future healthcare benefits, including increased employee cost sharing and alternative lower cost benefit plans.
- Plan Funding:
 - The City is creating a qualified trust to invest and accumulate assets for retirement healthcare. The City will open the trust with \$973,430 funding the fiscal year ending FY 2019.
 - To the extent the budget will allow, the City will continue to contribute up to \$973,430 annually.

**Treasury Recommendation
City of Saginaw
OPEB Corrective Action Plan (CAP)
Primary Unit 073202**

- Other Considerations:
 - None Noted.

Plan size: 1,335 members

- Inactive employees or beneficiaries currently receiving benefits: 1,152
- Active employees: 183

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 local unit's corrective action plan appears to follow all applicable laws. The actions listed appear reasonable and the corrective action plan has been approved by the governing body.

The following corrective action plan approval criteria are partially met:

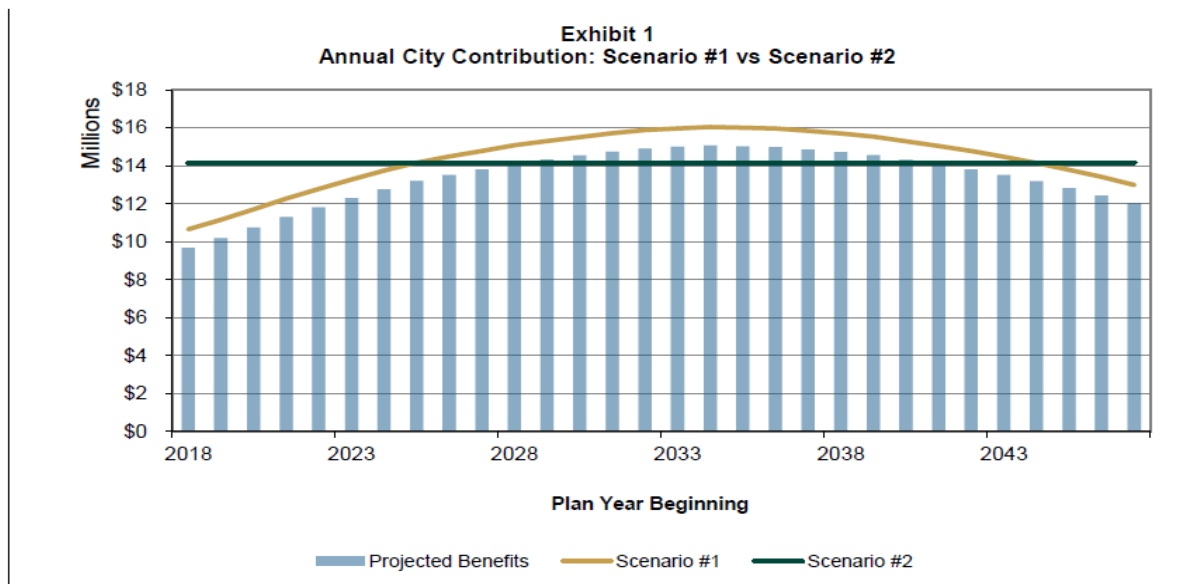
- Underfunded Status:
 - The local unit did not provide clear documentation that demonstrates the retirement system will reach 40% funded. Based on other information presented in the corrective action plan, we have determined the plan may be able to reach a funded ratio of 40% if the plan's assumptions remain accurate. Please see the supplemental information section for additional discussion.
- 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 an actuarial letter illustrating the minimum contribution strategy included in the corrective action plan (page 46 of PDF), 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 43.1%. This reflects a significant portion of the local government's budget.

**Treasury Recommendation
City of Saginaw
OPEB Corrective Action Plan (CAP)
Primary Unit 073202**

Supplemental Information:

The City included the actuarial projection listed below, which was prepared by the plan’s actuary. The projection is based on a discount rate of 3.2% (the municipal bond rate). Based on the materials submitted in the corrective action plan, we believe the City has chosen to fund the system based on the first scenario outlined in the chart. This scenario includes the City providing an additional contribution of \$973,430 above the pay-as-you-go amount. Of note, the City’s corrective action plan states to the extent the budget will allow, additional contributions of up to \$973,430 will be added to this trust annually. Under this approach, if assumptions are too aggressive and result in actuarial losses, the City may need to contribute more under this plan. Further, this actuarial projection only shows the City’s expected annual contributions and does not clearly show the plan will reach 40% funded; however, the plan’s actuary does state it will reach 40% funded in 30 years if assumptions are met (page 46 of PDF). Finally, the graph shows that between 2018 and 2035, the annual employer contribution increases by approximately \$5,000,000, or 50%.

Annual City Contributions vs Projected Benefit Payments



The Community Engagement and Finance Division (CEFD) contact:

- None Noted.

**Treasury Recommendation
City of Marine City
OPEB Corrective Action Plan (CAP)
Primary Unit 742020**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
City of Marine City Employees Retirement System	Pension	\$5,042,689	\$6,949,032	72.6%	\$189,645	\$3,254,359	5.8%	No
Healthcare	OPEB	\$172,980	\$14,409,192	1.2%	\$569,428		17.5%	Yes
Total		\$5,215,669	\$21,358,224		\$759,073	\$3,254,359	23.3%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Marine City, 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:
 - Marine City closed the plan 12/31/2007 to new hires.
 - Marine City added copays, switched to a high deductible plan, discontinued funding individual Health Savings Accounts (HSA), and requiring participation in Medicare parts A and B. Treasury was unable to confirm these changes.
 - Marine City does not allow deferred vested retirees to receive healthcare benefits. Treasury was unable to confirm this statement.
- Plan Funding:
 - None noted.
- Other Considerations:
 - None noted.

Prospective Changes:

- Modern Plan Design:
 - None noted.
- Plan Funding:
 - Marine City plans on funding an additional \$12,000 a year beginning in fiscal year 2018-2019 to achieve a 40% funding status by 6/30/2042 and an 100% funded status by 6/30/2049.
- Other Considerations:
 - None noted.

**Treasury Recommendation
City of Marine City
OPEB Corrective Action Plan (CAP)
Primary Unit 742020**

Plan size: 28 members

- Inactive employees or beneficiaries currently receiving benefits: 19
- Inactive employees entitled to but not yet receiving benefits: 4
- Active employees: 5

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 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 (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 23.3%. This reflects a significant portion of the local government's budget.

Supplemental Information:

Using a discount rate of 7.0%, but only funded at 1.2%. This may significantly understate total liabilities. Marine City included their OPEB Funding Projections which includes the local unit putting in an additional \$12,000 a year in addition to their annual costs.

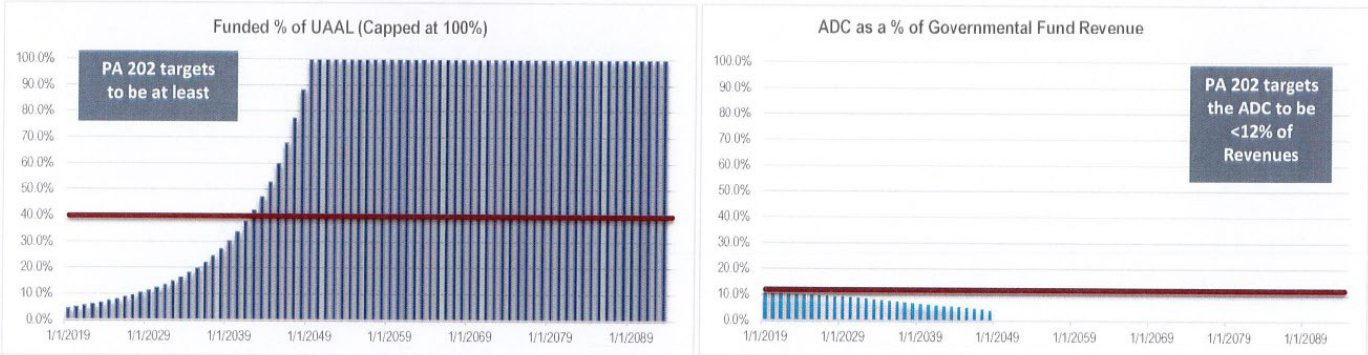
Treasury Recommendation City of Marine City OPEB Corrective Action Plan (CAP) Primary Unit 742020

Client Inputs

Will the City contribute pay-as-you-go costs?	Yes
Pre-funding City Contributions (in addition to pay-go)	\$ 12,000
What is the City's Total Governmental Fund Revenues?	\$ 3,143,528 as of 6/30/2018
Expected Annual Increase on Total Governmental Fund Revenue	2.50%

Results Summary

Projected Year of 40% Funding of UAAL 6/30/2042
 Projected Year of ADC < 12% of GOR 6/30/2019



Marine City also included their projected Actuarially Determined Contributions (ADC). This chart shows that from 2019 to 2032, the ADC increases by approximately \$50,000, or 15%.

Projected Actuarially Determined Contribution (ADC)

Actuarial liabilities in these projections follow the uniform assumptions as prescribed by PA 202 unless otherwise specified.

FYE	Actuarial Liability (AAL)	FNP	Unfunded AAL	Funded %	Normal Cost	Amortization period	Amort UAAL	Actuarially Determined Contribution (ADC)	Total Governmental Fund Revenue	ADC as % of Total Governmental Fund Revenue
						1				
6/30/2019	\$4,091,477	\$186,097	\$3,905,380	4.5%	\$14,032	30	\$294,131	\$329,735	\$3,143,528	10.5%
6/30/2020	\$4,169,891	\$209,611	\$3,960,280	5.0%	\$13,645	29	\$301,457	\$337,160	\$3,222,116	10.5%
6/30/2021	\$4,237,800	\$234,529	\$4,003,271	5.5%	\$12,625	28	\$308,259	\$343,346	\$3,302,669	10.4%
6/30/2022	\$4,284,457	\$260,933	\$4,023,524	6.1%	\$11,898	27	\$313,706	\$348,396	\$3,385,236	10.3%
6/30/2023	\$4,311,667	\$288,912	\$4,022,755	6.7%	\$10,761	26	\$317,914	\$351,683	\$3,469,867	10.1%
6/30/2024	\$4,337,804	\$318,560	\$4,019,244	7.3%	\$9,491	25	\$322,330	\$355,049	\$3,556,613	10.0%
6/30/2025	\$4,364,438	\$349,977	\$4,014,461	8.0%	\$9,271	24	\$327,119	\$359,937	\$3,645,529	9.9%
6/30/2026	\$4,378,353	\$383,268	\$3,995,085	8.8%	\$9,086	23	\$331,233	\$364,142	\$3,736,667	9.7%
6/30/2027	\$4,388,091	\$418,545	\$3,969,546	9.5%	\$8,901	22	\$335,392	\$368,394	\$3,830,083	9.6%
6/30/2028	\$4,384,191	\$455,926	\$3,928,265	10.4%	\$7,862	21	\$338,818	\$370,948	\$3,925,836	9.4%
6/30/2029	\$4,368,473	\$495,538	\$3,872,935	11.3%	\$7,296	20	\$341,661	\$373,384	\$4,023,981	9.3%
6/30/2030	\$4,346,795	\$537,513	\$3,809,282	12.4%	\$5,436	19	\$344,448	\$374,376	\$4,124,581	9.1%
6/30/2031	\$4,303,725	\$581,991	\$3,721,734	13.5%	\$4,349	18	\$345,782	\$374,641	\$4,227,695	8.9%
6/30/2032	\$4,239,846	\$629,124	\$3,610,722	14.8%	\$3,558	17	\$345,635	\$373,636	\$4,333,388	8.6%
6/30/2033	\$4,155,307	\$679,067	\$3,476,240	16.3%	\$3,028	16	\$343,913	\$371,227	\$4,441,723	8.4%
6/30/2034	\$4,075,681	\$731,991	\$3,343,690	18.0%	\$2,264	15	\$343,102	\$369,542	\$4,552,766	8.1%
6/30/2035	\$3,975,616	\$788,071	\$3,187,545	19.8%	\$1,531	14	\$340,635	\$366,118	\$4,666,585	7.8%
6/30/2036	\$3,855,563	\$847,497	\$3,008,066	22.0%	\$910	13	\$336,372	\$360,891	\$4,783,249	7.5%
6/30/2037	\$3,715,898	\$910,468	\$2,805,430	24.5%	\$286	12	\$330,102	\$353,515	\$4,902,831	7.2%
6/30/2038	\$3,587,639	\$977,196	\$2,610,443	27.2%	\$129	11	\$325,346	\$348,259	\$5,025,401	6.9%
6/30/2039	\$3,447,031	\$1,047,904	\$2,399,127	30.4%	\$63	10	\$319,235	\$341,649	\$5,151,036	6.6%
6/30/2040	\$3,325,088	\$1,122,831	\$2,202,257	33.8%	\$12	9	\$315,903	\$338,029	\$5,279,812	6.4%
6/30/2041	\$3,195,753	\$1,202,227	\$1,993,526	37.6%	\$4	8	\$312,011	\$333,856	\$5,411,808	6.2%
6/30/2042	\$3,059,855	\$1,286,360	\$1,773,495	42.0%	\$1	7	\$307,549	\$329,079	\$5,547,103	5.9%
6/30/2043	\$2,918,270	\$1,375,512	\$1,542,758	47.1%	\$1	6	\$302,490	\$323,665	\$5,685,780	5.7%
6/30/2044	\$2,771,956	\$1,469,983	\$1,301,973	53.0%	\$0	5	\$296,766	\$317,539	\$5,827,925	5.4%
6/30/2045	\$2,621,947	\$1,570,089	\$1,051,858	59.9%	\$0	4	\$290,223	\$310,538	\$5,973,623	5.2%
6/30/2046	\$2,469,342	\$1,676,167	\$793,175	67.9%	\$0	3	\$282,468	\$302,241	\$6,122,964	4.9%
6/30/2047	\$2,315,277	\$1,788,573	\$526,704	77.3%	\$0	2	\$272,258	\$291,316	\$6,276,038	4.6%
6/30/2048	\$2,160,885	\$1,907,685	\$253,200	88.3%	\$0	1	\$253,200	\$270,924	\$6,432,939	4.2%
6/30/2049	\$2,007,278	\$2,033,902	(\$26,624)	100.0%	\$0	1	-\$26,624	\$0	\$6,593,762	0.0%
6/30/2050	\$1,855,544	\$2,167,649	(\$312,105)	100.0%	\$0	1	-\$312,105	\$0	\$6,758,606	0.0%
6/30/2051	\$1,706,734	\$2,309,375	(\$602,641)	100.0%	\$0	1	-\$602,641	\$0	\$6,927,571	0.0%
6/30/2052	\$1,561,839	\$2,459,556	(\$897,717)	100.0%	\$0	1	-\$897,717	\$0	\$7,100,761	0.0%

**Treasury Recommendation
City of Marine City
OPEB Corrective Action Plan (CAP)
Primary Unit 742020**

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Marysville
Pension Corrective Action Plan (CAP)
Primary Unit 742030**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
General City Employee Retirement System	Pension	\$15,501,114	\$26,286,823	59.0%	\$480,103	\$10,721,282	4.5%	No
Police Officers and Firefighters Retirement System	Pension	\$12,771,017	\$24,937,758	51.2%	\$635,516		5.9%	Yes
Healthcare	OPEB	\$14,099,553	\$23,945,569	58.9%	\$810,015		7.6%	No
Total		\$42,371,684	\$75,170,150		\$1,925,634	\$10,721,282	18.0%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by the City of Marysville, 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:
 - None noted
- Plan Funding:
 - The City of Marysville provided a lump sump payment of \$413,125 to the Police Officers and Firefighters Retirement System for the fiscal year ending June 30, 2018. This is in addition to the actuarially determined contribution (ADC).
- Other Considerations:
 - In fiscal year 2014, the pension board lowered the assumed rate of return (ARR) from 8.0% to 7.75% and closed the amortization period for 30 years – reducing one year annually. The currently amortization period is 26 years.
 - In fiscal year 2017, the ARR was reduced from 7.75% to 7.50% and the mortality tables were changed from the RP2000 Combined Healthy Mortality Table to the RP2000 Combined Healthy Mortality Table Projected to 2014.

Prospective Changes:

- Modern Plan Design:

Treasury Recommendation
City of Marysville
Pension Corrective Action Plan (CAP)
Primary Unit 742030

- Contract negotiations will begin in early 2019 for the Police Officers Association Collective Bargaining Agreement and the Marysville Professional Fire Fighters Local 1635 Collective Bargaining Agreement which both expire on June 2019. All options will be on the table including, but not limited to lowering the system's multiplier for current employees from 2.5% to a less amount; employees contributing more than the 8% they already contribute; change in Final Average Compensation (FAC) calculations; and raising the vesting period.
- City will also be seeking to limit defined benefit options for newly hired employees including but not limited to multipliers; retirement age; vesting periods; offering a hybrid plan.
- Plan Funding:
 - None noted
- Other Considerations:
 - The City of Marysville Council has approved an additional lump sum contribution for FY2019 of at least \$425,000 in addition to the actuarially determined contribution (ARC). The FY2019 ARC is \$805,551 which will bring the total contribution in FY2019 to \$1,230,551.
 - Documentation (2018-19 Budget General Fund Supplemental Expenditures List) provided shows an additional pension contribution of \$693,092, which will be allocated between the Police Officers and Firefighters Retirement System and the City General Employees Retirement System.

Plan size: 50 members

- Inactive employees or beneficiaries currently receiving benefits: 27
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 23

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the internal analysis 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 (fiscal year 2028).

**Treasury Recommendation
City of Marysville
Pension Corrective Action Plan (CAP)
Primary Unit 742030**

- 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 City of Marysville included an internally developed analysis illustrating how and when the local unit will reach the 60% funded ratio (fiscal year 2028), as well as actuarial projections showing the fiduciary net position, actuarial accrued liabilities, and total contributions. The local unit's board did not formally approve a resolution for additional funding and the city uses a closed amortization period of 26 years, which is longer than the Boards recommended 20-year closed amortization.

Attachment 2a

Internally developed analysis which illustrates how and when the local unit will reach the 60% funded ratio.

	Fiscal Year	Fiduciary Net Position	Additional Contribution	Projected Position	Actuarial Accrued Liabilities	Total Pension Liability
	2018	13,265,339			25,504,045	52.01%
Current Yr	2019	13,477,827	425,000	13,902,827	26,111,603	53.24%
1	2020	13,855,484	425,000	14,327,827	26,765,797	53.53%
2	2021	14,304,824	425,000	14,752,827	27,474,744	53.70%
3	2022	14,529,717	425,000	15,177,827	27,946,811	54.31%
4	2023	14,736,747	425,000	15,602,827	28,379,652	54.98%
5	2024	14,763,038	425,000	16,027,827	28,611,145	56.02%
6	2025	14,849,658	425,000	16,452,827	28,871,231	56.99%
7	2026	15,006,888	425,000	16,877,827	29,165,392	57.87%
8	2027	14,976,953	425,000	17,302,827	29,238,446	59.18%
9	2028	15,019,257 *	425,000	17,727,827	29,335,995 **	60.43%

*From Table 1 - Projection of Total Contributions of the Actuarial Information for GASB Statements 67/68 (attached)

**From Table 2: projection of the Pension Plan's Fiduciary Net Position (attached)

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Port Huron
Pension Corrective Action Plan (CAP)
Primary Unit 742060**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$80,577,119	\$151,424,735	53.2%	\$4,169,901	\$35,085,176	11.9%	Yes
RHFV	OPEB	\$14,441,000	\$51,551,000	28.0%	\$2,697,774		7.7%	No
Total		\$95,018,119	\$202,975,735		\$6,867,675	\$35,085,176	19.6%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by the City of Port Huron, 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 2008, the City of Port Huron instituted a hybrid pension system for all new hires except Police and Fire.
 - Beginning July 1, 2014, the City of Port Huron instituted a hybrid pension system for all new Police and Fire hires.
 - In the Fall of 2017 the City of Port Huron reduce their police multiplier from 2.5x to 2.0x and bridged their FAC. The city also added a limit of 100 hours of overtime that can be included in the FAC, starting January 1, 2019.
 - April 23, 2018 the City of Port Huron City council adopted the above provisions for the Fire Fighters union, Police Command Union, Police Clerical union.,
- **Plan Funding:**
 - The City of Port Huron provided a lump sum payment of \$500,000 in addition to their ARC in the fiscal years ending June 30, 2016 and June 30, 2017.
 - The citizens of Port Huron approved two millage increase beginning in the 2018-2019 budget year. They approved a 3.9 mills Police and Fire millage and a parks and recreation 1.0 mills in August of 2017. These millages provide an additional \$2.2 million in governmental revenue.
- **Other Considerations:**
 - The City of Port Huron notes that 20% of their retirement liabilities are attributed to employees within their enterprise funds, but they couldn't include enterprise revenue as part of their governmental funds.

Prospective Changes:

- **Modern Plan Design:**
 - Management is currently negotiating with the Utilities Workers union, they hope to achieve the same pension changes as the other union and non-union employees.

**Treasury Recommendation
City of Port Huron
Pension Corrective Action Plan (CAP)
Primary Unit 742060**

- Plan Funding:
 - The City of Port Huron has considered a bond proposal for funding their pension. The city cannot legally issue pension obligation bonds in the next year. There is a sunset provision of December 2018 and current statute does not allow for local units with an “A” bond rating to bond.
- Other Considerations:
 - , MERS estimated that the City of Port Huron will see a reduction in their ADC and total pension liability, once all changes are in effect.

Plan size: 639 members

- Inactive employees or beneficiaries currently receiving benefits: 374
- Inactive employees entitled to but not yet receiving benefits: 36
- Active employees: 229

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 (2031).
- 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 City of Port Huron has made plan design changes starting in 2008. Additional changes were made between 2017 and 2018 that are estimated to reduce their annual required contribution by \$800,000 once in full effect. Per documents provided with no changes (baseline) their ARC could increase from \$5,545,080 in 2017 to \$11,362,404 in 2031 or an increase of 105%.

**Treasury Recommendation
City of Port Huron
Pension Corrective Action Plan (CAP)
Primary Unit 742060**

The City has increased governmental revenue by \$2.2 million through two new millages for Police & Fire (3.0 mills) and Parks & Recreation (1.0 mills). They City made \$500,000 lump sum contribution in 2016 and 2017, but not in 2018. They City intends to bond if the legislation is extended beyond 2018 and is changed to allow single A rated to bond.

The city of Port Huron included their estimated projection showing them reaching 60% fund in the fiscal year beginning in 2031. This same chart shows that from 2017 to 2037, required annual employer contributions increase by approximately \$9,000,000, or 163%.

CITY OF PORT HURON (7702) - ESTIMATED PROJECTED EMPLOYER CONTRIBUTIONS AND FUNDED

Valuation Year Ending	Fiscal Year Beginning	Baseline			Base Wages and Bridge All Divisions (Except Hybrids) to a 2.0% Multiplier (Frozen FAC)		
		Actuarial Accrued Liability	AVA Funded %	Required Annual Employer Contribution	Actuarial Accrued Liability	AVA Funded %	Required Annual Employer Contribution
12/31/2015	1/1/2017	156,289,777	57%	\$5,545,080	143,608,803	62%	\$4,136,436
12/31/2016	1/1/2018	159,109,022	55%	\$6,015,996	144,957,583	60%	\$4,571,688
12/31/2017	1/1/2019	162,016,776	53%	\$6,500,688	146,306,684	58%	\$5,024,256
12/31/2018	1/1/2020	164,896,642	51%	\$7,013,172	147,567,124	56%	\$5,500,740
12/31/2019	1/1/2021	167,657,505	50%	\$7,554,360	148,693,940	54%	\$5,993,484
12/31/2020	1/1/2022	170,268,592	50%	\$7,907,688	149,689,034	53%	\$6,303,420
12/31/2021	1/1/2023	172,681,973	50%	\$8,292,576	150,533,057	53%	\$6,638,388
12/31/2022	1/1/2024	174,906,168	51%	\$8,649,624	151,241,839	53%	\$6,946,248
12/31/2023	1/1/2025	176,992,007	52%	\$9,001,068	151,854,673	54%	\$7,246,728
12/31/2024	1/1/2026	178,962,973	53%	\$9,470,976	152,397,538	54%	\$7,668,672
12/31/2025	1/1/2027	180,821,900	54%	\$9,855,984	152,883,458	55%	\$7,996,932
12/31/2026	1/1/2028	182,598,985	55%	\$10,255,872	153,340,357	56%	\$8,338,512
12/31/2027	1/1/2029	184,308,588	57%	\$10,674,276	153,777,805	57%	\$8,695,584
12/31/2028	1/1/2030	185,955,508	58%	\$10,920,168	154,212,083	59%	\$8,878,560
12/31/2029	1/1/2031	187,539,100	60%	\$11,362,404	154,662,655	60%	\$9,255,204
12/31/2030	1/1/2032	189,036,200	62%	\$11,815,980	155,133,562	62%	\$9,641,976
12/31/2031	1/1/2033	190,436,155	65%	\$12,285,924	155,605,040	64%	\$10,041,996
12/31/2032	1/1/2034	191,796,462	67%	\$12,777,588	156,132,345	67%	\$10,459,524
12/31/2033	1/1/2035	193,142,734	70%	\$13,282,728	156,752,075	70%	\$10,891,140
12/31/2034	1/1/2036	194,480,171	74%	\$13,803,504	157,470,058	73%	\$11,336,232
12/31/2035	1/1/2037	195,865,061	77%	\$14,341,440	158,329,297	77%	\$11,793,096

Notes: Impacts of the new assumptions will be phased in over a five year period. The phase-in was excluded for ballpark and comparison purposes. To estimate the impact of base wages, the 4% FAC load was removed and valuation payroll reduced by 5% for all divisions. The assumed future annual market return is 7.75%.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Manistique
Pension Corrective Action Plan (CAP)
Primary Unit 772010**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$6,594,183	\$14,520,318	45.4%	\$579,919	\$3,460,531	16.8%	Yes
Teamsters Welfare	OPEB	\$2,041	\$1,172,327	0.2%	\$90,576		2.6%	No
Total		\$6,596,224	\$15,692,645		\$670,495	\$3,460,531	19.4%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by City of Manistique, 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 City of Manistique claimed that on 1-1-07, the City of Manistique entered into a new collective bargaining agreement with the GENERL TEAMSTERS unions and the AFSCME union which states that employees hired after 1-1-07 shall reimburse the City 3% of their pay to offset the cost of their MERS retirement plan. The required retirement age was raised from 50 to 55. Treasury could not confirm these plan changes based on information provided in the corrective action plan.
- Plan Funding:
 - None listed.
- Other Considerations:
 - The City notes that 39% of its retirement liabilities are attributable to employees within our enterprise divisions.

Prospective Changes:

- Modern Plan Design:
 - None listed.
- Plan Funding:
 - The City of Manistique is planning on increasing their contributions to fit the 15 year/100% funded scenario. This would result in the City of Manistique being 60% funded in 2024. This will begin in FY2019.
- Other Considerations
 - None listed.

Plan size: 59 members

**Treasury Recommendation
City of Manistique
Pension Corrective Action Plan (CAP)
Primary Unit 772010**

- Inactive employees or beneficiaries currently receiving benefits: 32
- Inactive employees entitled to but not yet receiving benefits: 3
- Active employees: 24

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

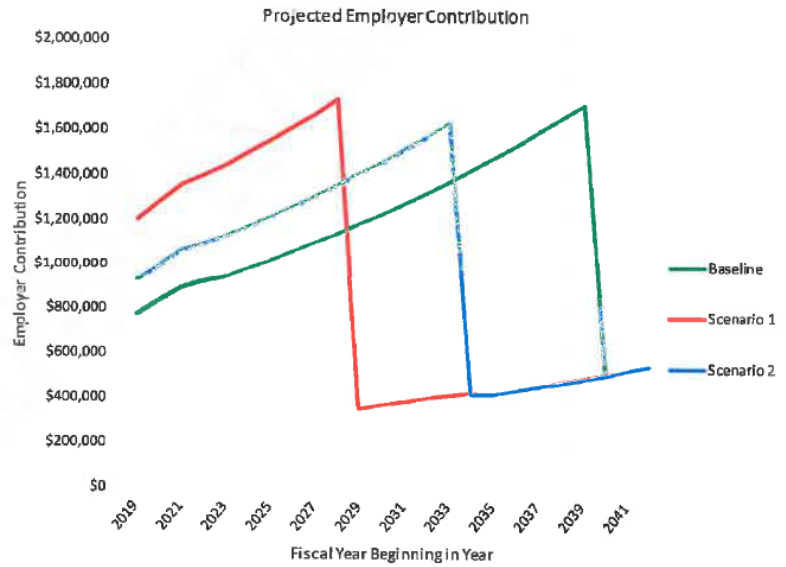
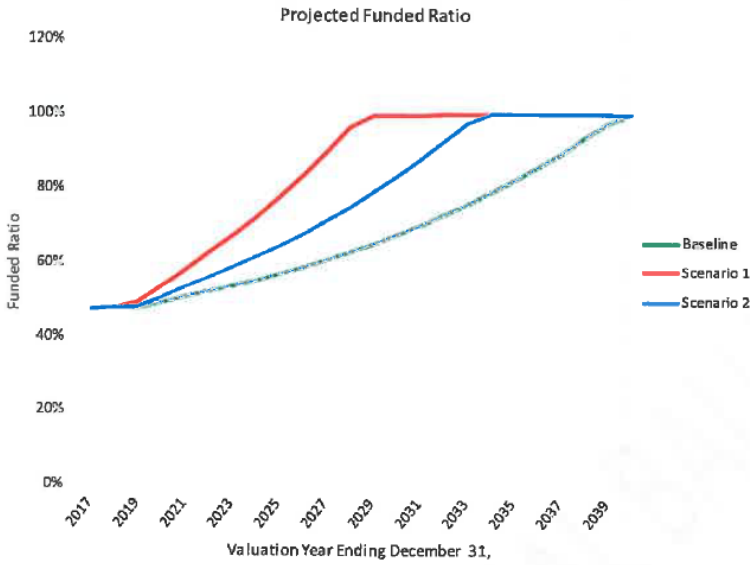
- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the actuarial projection found in the corrective action plan.
- Reasonable Timeframe:
 - The corrective action plan demonstrates the local unit reaches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

Supplemental Information:

The City of Manistique included MERS Estimated Projected Employer Contributions and Funded Ratios charts (shown below) which are based on the FY 2017 actuarial valuation. The City will fund its system based on scenario 2 as shown below. For this scenario, between 2019 and 2033, projected employer contributions increase by approximately \$600,000, or 60%. The local unit's board did not formally approve the additional funding.

**Treasury Recommendation
City of Manistique
Pension Corrective Action Plan (CAP)
Primary Unit 772010**

**City of Manistique (7504) - All Divisions
Estimated Projected Employer Contributions and Funded Ratios**



Baseline - Current Benefits

Scenario 1 - Target 100% Funded with 10 Annual Required Contributions, Starting on 7/1/19

Scenario 2 - Target 100% Funded with 15 Annual Required Contributions, Starting on 7/1/19

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Allen Park
OPEB Corrective Action Plan (CAP)
Primary Unit 822010**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$83,408,540	\$108,031,121	77.2%	\$2,641,242	\$37,586,040	7.0%	No
OPEB	OPEB	\$500,006	\$88,864,837	0.6%	\$5,848,567		15.6%	Yes
Total		\$83,908,546	\$196,895,958		\$8,489,809	\$37,586,040	22.6%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by the City of Allen Park, 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:**
 - Between April of 2005 and June of 2013, the City has actively negotiated changes to the union contracts and currently no city employees hired after 2013 has retirement healthcare included in their retirement. Instead, those employees get a stipend put into a qualified RHCP each month. Further, the emergency manager in 2013 increased deductibles for all retiree healthcare and prescription benefits further reducing the City's OPEB liability.
- **Plan Funding:**
 - Council adopted a 5-year budget in 2015-2016 that includes a \$500,00 per year contribution to the City of Allen Park Retirement Healthcare Trust which is managed by the City's pension board. After three years of annual funding, the balance as of June 30, 2018 is \$1,737,540.
- **Other Considerations:**
 - An updated valuation from 2018 shows that the liability has fallen below the previously reported liability. Currently it is projected at \$51,872,337.

Prospective Changes:

- **Modern Plan Design:**
 - The city is currently in litigation with retirees over changes made by the emergency manager. Administration is also in arbitration with the fire union over future changes to active employees regarding deferred healthcare.
- **Plan Funding:**
 - The city is currently in litigation with retirees over changes made by the emergency manager. Administration is also in arbitration with the fire union over future changes to

**Treasury Recommendation
City of Allen Park
OPEB Corrective Action Plan (CAP)
Primary Unit 822010**

active employees regarding deferred healthcare.

- Other Considerations:
 - Using the pay-as-you-go method and letting the principal grow, assuming a 500,000 per year continued contribution, the city expects to be at 40% funded by 2034.

Plan size: 340 members

- Inactive employees or beneficiaries currently receiving benefits: 216
- Active employees: 124

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 2034; 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 maybe 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 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 22.6%. This reflects a significant portion of the local government's budget

**Treasury Recommendation
City of Allen Park
OPEB Corrective Action Plan (CAP)
Primary Unit 822010**

Supplemental Information:

In 2018 The City of Allen Park completed an updated valuation which reduced their liability from \$89 million to \$52 million. The City included an internal analysis (shown below) that projects their assets to grow to \$21,119,652 by the year 2034, assuming 7% growth and a beginning balance slightly higher than what the City currently has. This growth is contingent upon continuing to contribute \$500,000 a year to the trust, which they have done since 2015. This commitment was passed as part of a 5-year budget resolution in the 15-16 budget. There is no formal action to continue this policy into the future.

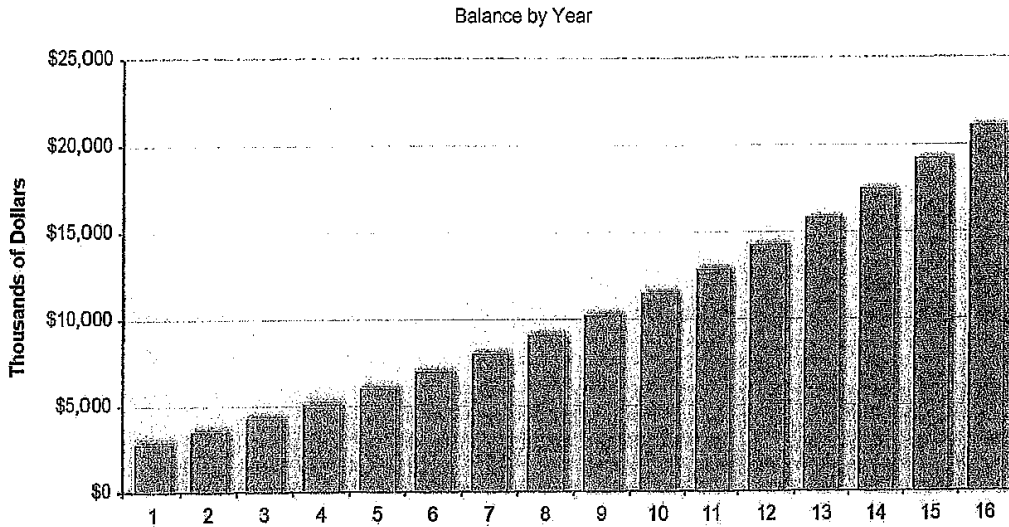
Comparing the internal analysis expected assets of \$21,119,652 by the year 2034 with the present-day liabilities, would bring the City to 40% funded. This analysis does not consider healthcare inflation, which would increase the liabilities, effectively extending out the date when the City would reach the 40% funded

**Treasury Recommendation
City of Allen Park
OPEB Corrective Action Plan (CAP)
Primary Unit 822010**

Compound Savings Calculator
bankrate.com

Your savings could be worth \$21,119,652.53 after 16 years.

If you save \$500,000.00 per year your savings may grow to \$21,119,652.53 after 16 years. This includes a starting balance of \$2,100,000.00 and a 7% annual rate of return.



Results Summary

Starting amount	\$2,100,000.00
Years	16 years.
Additional contributions	\$500,000.00 per year
Rate of return	7% compounded annually
Total amount you will have contributed	\$10,100,000.00
Total interest	\$11,019,652.53
Total at end of investment	\$21,119,652.53

4090 of 5,872,337
= 20,748,935

Savings Balance

Year	Additions	Interest	Balance
Start	\$2,100,000.00		\$2,100,000.00
1	\$500,000.00	\$182,000.00	\$2,782,000.00
2	\$500,000.00	\$229,740.00	\$3,511,740.00
3	\$500,000.00	\$280,821.80	\$4,292,561.80
4	\$500,000.00	\$335,479.33	\$5,128,041.13
5	\$500,000.00	\$393,962.88	\$6,022,004.01
6	\$500,000.00	\$456,540.28	\$6,978,544.29
7	\$500,000.00	\$523,498.10	\$8,002,042.39
8	\$500,000.00	\$595,142.97	\$9,097,185.36
9	\$500,000.00	\$671,802.98	\$10,268,988.34
10	\$500,000.00	\$753,829.18	\$11,522,817.52
11	\$500,000.00	\$841,597.23	\$12,864,414.75
12	\$500,000.00	\$935,509.03	\$14,299,923.78
13	\$500,000.00	\$1,035,994.66	\$15,835,918.44
14	\$500,000.00	\$1,143,514.29	\$17,479,432.73
15	\$500,000.00	\$1,258,560.29	\$19,237,993.02
16	\$500,000.00	\$1,381,659.51	\$21,119,652.53

Information and interactive calculators are made available to you as self-help tools for your independent use and are not intended to provide investment advice. We cannot and do not guarantee their applicability or accuracy in regards to your individual circumstances. All examples are hypothetical and are for illustrative purposes. We encourage you to seek personalized advice from qualified professionals regarding all personal finance issues.

**Treasury Recommendation
City of Allen Park
OPEB Corrective Action Plan (CAP)
Primary Unit 822010**

The Community Engagement and Finance Division (CEFD) contact:

- None noted

**Treasury Recommendation
City of Dearborn
OPEB Corrective Action Plan (CAP)
Primary Unit 822030**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Chapter 21	Pension	\$25,408,169	\$10,634,310	238.9%	\$0	\$139,878,108	10.1%	No
Chapter 22	Pension	\$141,226,033	\$185,375,206	76.2%	\$3,718,752			No
Chapter 23	Pension	\$278,327,029	\$367,161,180	75.8%	\$9,333,396			No
MERS	Pension	\$10,785,175	\$10,340,655	104.3%	\$1,131,533			No
Retiree Health Care Plan	OPEB	\$64,510,866	\$226,037,850	28.5%	\$17,887,412		12.8%	Yes
Retiree Life Insurance	OPEB	\$1,232,638	\$0	N/A	\$0			No
Total		\$521,489,910	\$799,549,201		\$32,071,093	\$139,878,108	22.9%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by the City of Dearborn, 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 2001, the city began closing the plan to new hires. The plan was completely closed to new hires by 2013 for all labor groups.
 - The City has converted to a self-insured model for medical and pharmacy benefits for active employees and pre-Medicare retirees. The City estimated it has saved \$24 million over five years because of this change.
 - The City implemented a Medicare Advantage model for eligible retirees.
 - The City has elected the 80%/20% option in section 4 of PA 152 of 2011 on 7/1/2012.
 - In FY 2017, the City negotiated increased copays, deductibles, and implementing co-insurance for all active employees and future defined benefit retiree plan members beginning 7/1/2019.

- Plan Funding:
 - On November 21st, 2018 the Department of Treasury notified the City it has been approved to issue \$35 million in limited tax general obligation bonds for the purpose of paying part of the costs of the plan.
 - Since 2008, the City's Federal Medicare Part – D reimbursement have been deposited into a healthcare trust totaling \$5.9 million.

**Treasury Recommendation
City of Dearborn
OPEB Corrective Action Plan (CAP)
Primary Unit 822030**

- Other Considerations:
 - The City has revised its investment policy statement in April of 2018. The change increased the number of money managers to diversify the trust's investment portfolio. In addition, the new investment policy changed the investment allocation to target a 7% return; whereas, the previous policy targeted a 6% return.

Prospective Changes:

- Modern Plan Design:
 - None Noted
- Plan Funding:
 - Upon death of the last member of the pension Police and Fire Retirement System Chapter 21, the City has prepared a ballot question to put any residual assets into healthcare trust. Currently this plan is 228% funded.
- Other Considerations:
 - None Noted

Plan size: 1,304 members

- Inactive employees or beneficiaries currently receiving benefits: 836
- Inactive employees entitled to but not yet receiving benefits: 9
- Active employees: 459

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 (fiscal year 2020).
 - **Note:** This timeframe is certified by the Mayor and based on the city's deposit of bond proceeds into the health care system's trust, as documented by council resolution.
- 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 Dearborn
OPEB Corrective Action Plan (CAP)
Primary Unit 822030**

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 22.9%. This reflects a significant portion of the local government’s budget

Supplemental Information:

- The City’s administrative officer has certified it will reach 40% funded by FY2020. The addition of \$35 million in bond proceeds will bring the plan’s asset pool to an estimated \$95 million. Using the FY2017 plan financial data, the plan would be 44.0% funded.
- The City also included an actuarial projection with a scenario of providing an additional \$1 million in employer contributions over the pay-go-amount. This funding policy has not been authorized or committed by the City’s governing body. After discussion with Treasury staff, the City will likely need to ramp up to a \$1 million excess contribution.

Below is a chart from GRS Retirement Consulting that shows the City of Dearborn’s projected employer contributions. This chart shows that between 2018 and 2035, the annual pay-go contribution increases by approximately \$6,300,000, or 45%.

City of Dearborn Retiree Health Care Plan Projection Schedule

Fiscal Year	Actuarial Accrued Liability (AAL) Projection				Market Value of Asset Projection							Unfunded Liability (EOY)	Funded Percentage
	Normal Cost	Benefit Payments	6.00% Interest	AALEOY	Employee Contribution	Pay-Go Employer Contribution ⁽¹⁾	Additional Employer Contribution	Benefit Payments	Administrative Expenses	6.00% Interest	Asset Value EOY ⁽²⁾		
7/1/2017 - 6/30/2018				\$264,880,680							\$82,023,006	\$182,857,674	30.97%
7/1/2018 - 6/30/2019	\$2,563,487	\$14,001,690	\$15,554,693	268,997,170	\$0	\$14,001,690	\$1,000,000	\$14,001,690	\$0	\$4,950,943	87,973,949	181,023,221	32.70%
7/1/2019 - 6/30/2020	2,487,290	15,022,665	15,769,247	272,231,042	0	15,022,665	1,000,000	15,022,665	0	5,308,000	94,281,949	177,949,093	34.63%
7/1/2020 - 6/30/2021	2,409,383	15,908,849	15,934,778	274,666,354	0	15,908,849	1,000,000	15,908,849	0	5,686,480	100,968,429	173,697,925	36.76%
7/1/2021 - 6/30/2022	2,334,128	16,786,202	16,052,734	276,267,014	0	16,786,202	1,000,000	16,786,202	0	6,087,669	108,056,098	168,210,916	39.11%
7/1/2022 - 6/30/2023	2,253,372	17,455,836	16,126,590	277,191,140	0	17,455,836	1,000,000	17,455,836	0	6,512,929	115,569,027	161,622,113	41.69%
7/1/2023 - 6/30/2024	2,168,466	18,091,059	16,160,749	277,429,296	0	18,091,059	1,000,000	18,091,059	0	6,963,705	123,532,732	153,896,564	44.53%
7/1/2024 - 6/30/2025	2,084,203	18,627,911	16,156,676	277,042,264	0	18,627,911	1,000,000	18,627,911	0	7,441,527	131,974,259	145,068,005	47.64%
7/1/2025 - 6/30/2026	2,000,091	19,068,675	16,117,937	276,091,617	0	19,068,675	1,000,000	19,068,675	0	7,948,019	140,922,278	135,169,339	51.04%
7/1/2026 - 6/30/2027	1,909,220	19,378,549	16,049,051	274,671,339	0	19,378,549	1,000,000	19,378,549	0	8,484,900	150,407,178	124,264,161	54.76%
7/1/2027 - 6/30/2028	1,807,476	19,633,552	15,953,288	272,798,551	0	19,633,552	1,000,000	19,633,552	0	9,053,994	160,461,172	112,337,379	58.82%
7/1/2028 - 6/30/2029	1,701,974	19,764,864	15,833,920	270,569,581	0	19,764,864	1,000,000	19,764,864	0	9,657,233	171,118,405	99,451,176	63.24%
7/1/2029 - 6/30/2030	1,607,109	19,889,282	15,693,699	267,981,107	0	19,889,282	1,000,000	19,889,282	0	10,296,667	182,415,072	85,566,035	68.07%
7/1/2030 - 6/30/2031	1,512,490	20,013,199	15,531,930	265,012,328	0	20,013,199	1,000,000	20,013,199	0	10,974,467	194,389,539	70,622,789	73.35%
7/1/2031 - 6/30/2032	1,409,714	20,103,523	15,348,094	261,666,613	0	20,103,523	1,000,000	20,103,523	0	11,692,935	207,082,474	54,584,139	79.14%
7/1/2032 - 6/30/2033	1,305,312	20,156,441	15,142,701	257,958,185	0	20,156,441	1,000,000	20,156,441	0	12,454,511	220,536,985	37,421,200	85.49%
7/1/2033 - 6/30/2034	1,199,376	20,272,528	14,913,631	253,798,664	0	20,272,528	1,000,000	20,272,528	0	13,261,782	234,798,767	18,999,897	92.51%
7/1/2034 - 6/30/2035	1,080,027	20,333,621	14,658,726	249,203,796	0	20,333,621	1,000,000	20,333,621	0	14,117,489	249,916,256	-712,460	100.29%

⁽¹⁾ Includes benefit payments and administrative expenses.

⁽²⁾ Projected values with the exception of the June 30, 2018 value.

**Treasury Recommendation
City of Dearborn
OPEB Corrective Action Plan (CAP)
Primary Unit 822030**

The Community Engagement and Finance Division (CEFD) contact:

- The CEFD has spoken to the City of Dearborn regarding its plan to bond and discuss a contribution policy of \$1 million above the pay-go-amount. Further discussion of this conversation can be located in the supplemental information section.

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

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

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Denial of the OPEB corrective action plan submitted by City of Gibraltar, which was received by the Municipal Stability Board (the Board) on November 14, 2018. If denied, City of Gibraltar, will receive a detailed letter from the Board listing the reasons for disapproval. City of Gibraltar 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:**
 - Since 2012, retiree health care benefits reduced to an annual contribution toward a retiree healthcare savings account for new employees (defined contribution)
 - In 2011, the City of Gibraltar transitioned to a Medicare primary and supplemental secondary insurance program reducing OPEB liabilities by over 50%
 - In 2016, the City of Gibraltar switched insurance providers for active employees and retirees below age 65 resulting in a 35% reduction in annual premiums from the previous provider's rates
- **Plan Funding:**
 - On December 11, 2017, the council approved a transfer of \$505,000 to the newly established Retiree Health Care Fund managed by PNC Institutional Asset Management
 - As of the June 30, 2018 financial audit, the trust funds net fiduciary value is \$511,632
- **Other Considerations:**
 - Based on the most recent actuarial report dated June 30, 2018, the net OPEB current and future liability is \$5,545,195 (a reduction of 3.195 million compared to FY 2017 due to changes in assumptions)

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

Prospective Changes:

- Modern Plan Design:
 - The corrective action plan was approved at the November 12, 2018 meeting of the City Council of the City of Gibraltar

- Plan Funding:
 - Analysis completed showing yearly contribution required to full fund plan in 10, 20 or 30 years. Eliminated 10 year schedule as their budget cannot otherwise support the annual cost. Resolution 18-003 commits an annual contribution to the plan in an annual amount to be determined annually during the budgetary process.
 -

- Other Considerations:
 - Based on an amortization schedule of 20 or 30 years, the City of Gibraltar believes ARC/Revenues is less than the 12% threshold determining underfunded status.

Plan size: 31 members

- Inactive employees or beneficiaries currently receiving benefits: 19
- Inactive employees entitled to but not yet receiving benefits: none noted
- Active employees: 12

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 20.0%. This reflects a significant portion of the local government's budget

The following corrective action plan approval criteria were not met:

- Underfunded Status:

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

- The corrective action plan failed to demonstrate the retirement system's ARC/Rev will be less than 12% of general fund operating revenues.
- Reasonable Timeframe:
 - The certifying official of the local unit indicates the retirement system's annual required contribution will be less than 12% of general fund operating revenues by fiscal year 2018; however, there is no supporting documentation to support this claim.

Supplemental Information:

The City of Gibraltar's current amortization schedule is 11 years. Based upon the supplied June 30, 2018 GASB 74/75 report their required ADC for 2018 is \$1,025,638 and \$770,689. Per their provided CAP they City budget cannot support this schedule. They provided additional documentation from their actuary showing estimated payments using a 20- or 30-year amortization schedule. The City of Gibraltar's certification is that the ADC will be less than 12% of governmental revenues if they were to use a longer amortization schedule. Additionally, the City believes "it is not technically required to submit a corrective action plan" and therefore "the City will not be submitting a self-imposed mandate to fund its retiree health care trust in a 'concrete' amount annually" (attachment 5a). Their justification is below.

The City may be able to reach 40% funded in a reasonable timeframe, but no documentation was provided to support this option.

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

ATTACHMENT 2a – City of Gibraltar

Derek,

In response to our recent conversation, the 2019 recommended contribution we included in your 2018 GASB report was based on a 10-year, level percent, funding method. Accordingly¹, assuming 6.5% return on investment, 2.5% wage inflation, your amortization of the June 30, 2018 liability is as follows:

10 year: 697,000
20 year: 415,000
30 year: 325,000

¹All other assumptions are the same as those used for the June 30, 2018 GASB No. 74/75 report. Note: under some Corrective Action Plan guidance, level dollar instead of level percent is preferred in order to prevent the amortization amounts from getting too large or to prevent early amortization payments from being insufficient to pay interest on the unfunded liability.

These would be in addition to funding the “normal cost” or the cost of additional benefit allocation for your active employees currently at \$73,000. A more complete study at time and charges could be completed if desired.

If you have questions, as always, let me know.

Regards,

Chris



Christian R. Veenstra, ASA, MAAA | President

Enrolled Actuary

200 Ottawa Ave. N.W. Suite 600

Grand Rapids MI 49503-2426

Phone: 616.742.9244 Fax: 616.456.5021

Retirement Plan Consultants, Actuaries and Administrators



SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Assumptions Used in Calculation of Actuarially Determined Contribution

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Methods	
Cost method	Entry Age Normal (level percentage of compensation)
Amortization	Level percent, 11 years for 2018
Asset valuation method	Equal to market value of assets

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

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Grosse Pointe Farms
General Employees Retirement System OPEB Corrective Action Plan (CAP)
Primary Unit 822110**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS Public Safety Retirement System	Pension	\$39,759,120	\$35,862,170	110.9%	\$0	\$14,646,653	2.0%	No
MERS Employees Retirement System	Pension	\$23,754,198	\$25,381,186	93.6%	\$299,240			No
Public Safety Retiree Health Plan	OPEB	\$5,166,669	\$16,592,175	31.1%	\$1,144,288		14.5%	Yes
Employees Retiree Health Plan	OPEB	\$1,947,830	\$12,986,382	15.0%	\$986,558			Yes
Total		\$70,627,817	\$90,821,913		\$2,430,086	\$14,646,653	16.5%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the General Employee OPEB corrective action plan submitted by City of Grosse Pointe Farms, 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:
 - Plan was closed to new employees hired after February 1, 2011.
 - On July 1, 2015, the City of Grosse Pointe Farms entered into new collective bargaining agreements with the Technical, Professional and Office workers that increased employee co-payments and deductibles for healthcare.
 - The City of Grosse Pointe Farms participates in a self-insured healthcare consortium with four surrounding communities to bargain rates collectively with Blue Cross Blue Shield.
 - These coverages improved the retirement system's funded ratio. The City of Grosse Pointe Farms has attached an actuarial analysis indicating the system is 22.85% funded as of June 30, 2018.

- Plan Funding:
 - The City has committed to maintain the same level of contributions in total (pension and OPEB) with a larger portion of those funds being allocated to the Retiree Health Plan. In

**Treasury Recommendation
City of Grosse Pointe Farms
General Employees Retirement System OPEB Corrective Action Plan (CAP)
Primary Unit 822110**

the proposed budget for the fiscal year beginning July 1, 2018, an additional \$25,000 is set aside for plan contributions.

- The actual contributions as a percentage of covered payroll increased from 48.2% to 51.17%, with a corresponding actual contribution increase of \$87,117.

- Other Considerations:
 - The funds of the City of Grosse Pointe Farms Public Safety Retiree Health Plan and City of Grosse Pointe Farms Public Safety Retirement System are jointly held and invested. If combine, the total assets of the plans are \$26,566,513, as of June 30, 2018. The total liabilities of the two plans would be \$36,450,680, as of June 30, 2018. The funded ratio of the two plans combined is 72.9%.
 - If the City had chosen to allocate its contributions to the two plans in a different proportion, each plans would have met the funding guidelines set forth by the Michigan Department of Treasury.
 - As of June 30, 2018, The City of Grosse Pointe Farms Employee Retirement System (pension) is funded at 94.3%.

Prospective Changes:

- Modern Plan Design:
 - Quarterly updates take place to keep management informed of cost trends to allow the maximum ability to react and continue to cap and control costs.
 - Plan management occurred through increases to co-pays and deductibles have been enough to manage costs.
 - City utilizes an outside consultant to track costs, trends and alternative providers.
 - The City of Grosse Pointe Farms continues to manage hosts through a combination of self-insurance, multi-jurisdictional coalition to achieve more favorable rates of coverage, annual evaluations of co-pays and deductibles, along with structure of its plan.

- Plan Funding:
 - The City of Grosse Pointe Farms will continue to fund the plan in excess of the Pay-Go amounts.
 - It is expected that the plan will exceed 40% funding no later than June 30, 2027, with 100% funding expected by fiscal year 2042-2043.
 - Consideration of additional contribution amounts will be made and are expected at the conclusion of each annual audit of the city.

- Other Considerations:
 - As of June 30, 2018 GASB 75 reporting period, the Plan began amortizing the unfunded portion of the healthcare liability using a level-dollar amortization method over a closed period of 30 years. This will allow the system to reach a funded status of 41% by 2027.

**Treasury Recommendation
City of Grosse Pointe Farms
General Employees Retirement System OPEB Corrective Action Plan (CAP)
Primary Unit 822110**

- It is anticipated that the City will continue to contribute amounts above those used in the given amortization table.

Plan size: 91 members

- Inactive employees or beneficiaries currently receiving benefits: 58
- Inactive employees entitled to but not yet receiving benefits: 6
- 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 40% 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 40% within a reasonable timeframe (2027).
- Legal and Feasible:
 - The local unit's corrective action plan appears to follow all applicable laws. The actions listed appear reasonable and the corrective action plan has been approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast.

Supplemental Information:

The City of Grosse Pointe included a valuation summary, actuarial calculations, benefit provisions, actuarial assumptions and methods, and valuation data. The Actuarial Information for GASB Statement 74/75 shows that in the beginning of Fiscal Year 2022, The City of Grosse Pointe will reach the 40% threshold by 2027, based upon an investment rate of return of 7.25% The Department of Treasury calculated this threshold: $\$6,800,859/\$16,403,576 = 41.5\%$. This chart also demonstrates that from 2018 to 2042, the projected annual employer contribution increases by approximately \$950,000, or 145%. The City will consider additional contribution above the pay-go amount after the annual audit, but no formal action has been taken by the Board.

**Treasury Recommendation
City of Grosse Pointe Farms
General Employees Retirement System OPEB Corrective Action Plan (CAP)
Primary Unit 822110**

**Table 1
Projection of Total Contributions*
Assuming 30 Year Closed Amortization of UAAL**

Year Beg. 7/1	Projected Entry Age AAL	Projected Funding Value of Assets	UAAL	30 Year Closed Amortization	Projected Employer Normal Cost	Employer Contribution	Employee Contribution	Total Contributions
2018	\$10,937,238	\$2,499,484	\$8,437,754	\$673,012	\$195,115	\$651,095	\$0	\$651,095
2019	11,487,183	2,901,390	8,585,793	691,821	199,742	668,672	0	668,672
2020	12,061,754	3,330,057	8,731,698	711,377	202,113	685,118	0	685,118
2021	12,651,708	3,777,162	8,874,546	731,715	205,202	702,688	0	702,688
2022	13,261,094	4,247,503	9,013,591	752,895	205,335	718,673	0	718,673
2023	13,884,402	4,737,016	9,147,386	774,937	203,311	733,686	0	733,686
2024	14,515,639	5,241,056	9,274,583	797,882	201,620	749,627	0	749,627
2025	15,152,829	5,758,663	9,394,166	821,821	194,156	761,983	0	761,983
2026	15,782,016	6,278,171	9,503,846	846,756	189,091	776,885	0	776,885
2027	16,403,576	6,800,859	9,602,717	872,836	184,131	792,725	0	792,725
2028	17,016,117	7,326,951	9,689,166	900,184	175,967	814,320	0	814,320
2029	17,611,432	7,858,155	9,753,277	928,171	161,280	879,554	0	879,554
2030	18,169,985	8,427,871	9,742,114	951,929	150,275	939,436	0	939,436
2031	18,698,150	9,038,892	9,659,258	971,735	139,251	994,802	0	994,802
2032	19,198,214	9,694,212	9,504,002	987,423	123,122	1,068,236	0	1,068,236
2033	19,644,971	10,397,042	9,247,929	995,788	110,873	1,138,370	0	1,138,370
2034	20,041,735	11,150,828	8,890,907	996,233	100,135	1,195,273	0	1,195,273
2035	20,399,618	11,959,263	8,440,355	988,827	82,409	1,266,778	0	1,266,778
2036	20,694,228	12,826,310	7,867,918	969,106	62,605	1,333,123	0	1,333,123
2037	20,924,042	13,756,217	7,167,825	934,342	50,090	1,393,762	0	1,393,762
2038	21,097,361	14,753,543	6,343,818	882,080	42,451	1,439,816	0	1,439,816
2039	21,229,551	15,823,175	5,406,376	809,645	32,324	1,493,063	0	1,493,063
2040	21,307,958	16,970,355	4,337,603	708,093	27,170	1,539,462	0	1,539,462
2041	21,340,498	18,200,706	3,139,792	567,359	23,442	1,578,056	0	1,578,056
2042	21,333,067	19,520,257	1,812,810	370,004	17,997	1,613,884	0	1,613,884

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Grosse Pointe Farms
Public Safety OPEB Corrective Action Plan (CAP)
Primary Unit 822110**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS Public Safety Retirement System	Pension	\$39,759,120	\$35,862,170	110.9%	\$0	\$14,646,653	2.0%	No
MERS Employees Retirement System	Pension	\$23,754,198	\$25,381,186	93.6%	\$299,240			No
Public Safety Retiree Health Plan	OPEB	\$5,166,669	\$16,592,175	31.1%	\$1,144,288		14.5%	Yes
Employees Retiree Health Plan	OPEB	\$1,947,830	\$12,986,382	15.0%	\$986,558			Yes
Total		\$70,627,817	\$90,821,913		\$2,430,086	\$14,646,653	16.5%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the Public Safety OPEB corrective action plan submitted by City of Grosse Pointe Farms, 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:
 - Plan was closed to new employees hired after February 1, 2011.
 - On July 1, 2015, the City of Grosse Pointe Farms entered into new collective bargaining agreements with the Command Officers Association and Police Officers Association of Michigan that increased employee co-payments and deductibles for healthcare.
 - The City of Grosse Pointe Farms participates in a self-insured healthcare consortium with four surrounding communities to bargain rates collectively with Blue Cross Blue Shield. These coverages improved the retirement system's funded ratio. The City of Grosse Pointe Farms has attached an actuarial analysis indicating the system is 31.1% funded as of June 30, 2017.
- Plan Funding:
 - The City has committed to maintain the same level of contributions in total (pension and OPEB) with a larger portion of those funds being allocated to the Retiree Health Plan. In the proposed budget for the fiscal year beginning July 1, 2018, an additional \$25,000 is set aside for plan contributions.

**Treasury Recommendation
City of Grosse Pointe Farms
Public Safety OPEB Corrective Action Plan (CAP)
Primary Unit 822110**

- The actual contributions as a percentage of covered payroll increased from 10.71% to 16.08%, with a corresponding actual contribution increase of \$173,520.
- Other Considerations:
 - The funds of the City of Grosse Pointe Farms Public Safety Retiree Health Plan and City of Grosse Pointe Farms Public Safety Retirement System are jointly held and invested. If combine, the total assets of the plans are \$45,976,724, as of June 30, 2018. The total liabilities of the two plans would be \$49,404,985, as of June 30, 2018. The funded ratio of the two plans combined is 93.1%.
 - If the City had chosen to allocate its contributions to the two plans in a different proportion, each plans would have met the funding guidelines set forth by the Michigan Department of Treasury.
 - As of June 30, 2018, The City of Grosse Pointe Farms Public Safety Retirement System (pension) is funded at 109.8%.

Prospective Changes:

- Modern Plan Design:
 - Quarterly updates take place to keep management informed of cost trends to allow the maximum ability to react and continue to cap and control costs.
 - Plan management occurred through increases to co-pays and deductibles have been enough to manage costs.
 - City utilizes an outside consultant to track costs, trends and alternative providers.
 - The City of Grosse Pointe Farms continues to manage hosts through a combination of self-insurance, multi-jurisdictional coalition to achieve more favorable rates of coverage, annual evaluations of co-pays and deductibles, along with structure of its plan.
- Plan Funding:
 - The City of Grosse Pointe Farms will continue to fund the plan in excess of the Pay-Go amounts.
 - Based on a very conservative actuarial calculations, the Plan's net position as a percentage of the total OPEB liability currently exceeds 44.53%, with that ratio expected to rise to 100% by fiscal year 2042-2043.
 - At the conclusion of each annual audit of the City, consideration of additional amounts will be made and are expected.
- Other Considerations:
 - As of June 30, 2018, GASB 75 reporting period, the Plan began amortizing the unfunded portion of the healthcare liability using a level-dollar amortization method over a closed period of 30 years. This will show the system at a funded status of 44.53% as shown in an attached actuarial analysis. It is anticipated that the City will continue to contribute amounts above those used in an amortization table.

**Treasury Recommendation
City of Grosse Pointe Farms
Public Safety OPEB Corrective Action Plan (CAP)
Primary Unit 822110**

Plan size: 76 members

- Inactive employees or beneficiaries currently receiving benefits: 41
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 35

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.
- 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 Grosse Pointe included a valuation summary, actuarial calculations, benefit provisions, actuarial assumptions and methods, and valuation data. The Actuarial Information for GASB Statement 74/75 shows that The City of Grosse Pointe has reached over the 40% threshold, but it is based upon an open amortization schedule of 30 years and a rate of return of 7.25%. The Department of Treasury calculated this threshold: $5,648,286/12,683,733 = 44.5\%$. This same chart also shows that from 2018 to 2042, the projected annual employer contribution increases by \$1,400,000, or 248%. They will consider additional contribution above the pay-go amount after the annual audit, but no formal action has been taken by the Board.

**Treasury Recommendation
City of Grosse Pointe Farms
Public Safety OPEB Corrective Action Plan (CAP)
Primary Unit 822110**

**Table 1
Projection of Total Contributions*
Assuming 30 Year Closed Amortization of UAAL**

Year Beg. 7/1	Projected Entry Age AAL	Projected Funding Value of Assets	UAAL	30 Year Closed Amortization	Projected Employer Normal Cost	Employer Contribution	Employee Contribution	Total Contributions
2018	\$12,683,773	\$5,648,286	\$7,035,487	\$359,186	\$392,619	\$563,854	\$0	\$563,854
2019	13,582,941	6,214,105	7,368,836	384,116	398,245	586,771	0	586,771
2020	14,522,931	6,813,583	7,709,349	410,775	392,416	602,393	0	602,393
2021	15,472,582	7,418,155	8,054,427	439,202	402,286	631,116	0	631,116
2022	16,470,133	8,064,375	8,405,758	469,692	386,233	641,944	0	641,944
2023	17,452,519	8,694,651	8,757,869	502,170	392,464	670,976	0	670,976
2024	18,476,400	9,363,444	9,112,956	537,020	398,174	701,396	0	701,396
2025	19,538,309	10,068,820	9,469,490	574,457	380,910	752,070	0	752,070
2026	20,583,677	10,798,809	9,784,869	612,173	359,041	842,487	0	842,487
2027	21,592,549	11,581,723	10,010,827	647,205	357,505	898,419	0	898,419
2028	22,617,092	12,421,398	10,195,695	682,644	335,112	984,507	0	984,507
2029	23,607,439	13,321,949	10,285,491	714,926	303,203	1,093,953	0	1,093,953
2030	24,528,226	14,287,790	10,240,437	740,942	288,346	1,163,285	0	1,163,285
2031	25,431,584	15,323,655	10,107,930	763,601	277,978	1,215,117	0	1,215,117
2032	26,338,235	16,434,620	9,903,616	783,805	264,333	1,283,510	0	1,283,510
2033	27,228,575	17,626,130	9,602,446	799,230	218,104	1,401,302	0	1,401,302
2034	28,019,457	18,904,024	9,115,434	801,390	210,967	1,435,078	0	1,435,078
2035	28,826,758	20,274,566	8,552,193	798,193	209,000	1,471,559	0	1,471,559
2036	29,654,137	21,744,472	7,909,666	788,308	208,355	1,526,671	0	1,526,671
2037	30,485,740	23,320,946	7,164,795	767,788	201,529	1,579,173	0	1,579,173
2038	31,318,318	25,011,715	6,306,604	732,661	201,597	1,614,227	0	1,614,227
2039	32,176,261	26,825,064	5,351,198	680,706	195,381	1,679,342	0	1,679,342
2040	33,025,078	28,769,881	4,255,198	600,053	188,410	1,752,758	0	1,752,758
2041	33,855,046	30,855,697	2,999,350	476,281	184,578	1,842,705	0	1,842,705
2042	34,651,409	33,092,735	1,558,675	284,498	137,956	1,979,387	0	1,979,387

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Grosse Pointe Woods
OPEB Corrective Action Plan (CAP)
Primary Unit 822130**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC / Revenue	CAP required?
City of Grosse Pointe Woods Employees Retirement System	Pension	\$37,614,854	\$60,316,215	62.4%	\$1,076,000	\$18,991,373	7.2%	No
City of Grosse Pointe Woods Supplemental Annuity Fund	Pension	\$1,610,133	\$3,190,039	50.5%	\$290,000			No
City of Grosse Pointe Woods Retiree Health Care	OPEB	\$50,000	\$53,796,070	0.1%	\$3,320,383		17.5%	Yes
Total		\$39,274,987	\$117,302,324		\$4,686,383	\$18,991,373	24.7%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Denial of the OPEB corrective action plan submitted by Grosse Pointe Woods, which was received by the Municipal Stability Board (the Board) on November 14, 2018. If denied, Grosse Pointe Woods, will receive a detailed letter from the Board listing the reasons for disapproval. Grosse Pointe Woods 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 City's Retiree Health Care Plan is a closed plan. Union and non-union employee concessions eliminated this benefit for those employees hired after August 1, 2008. Employees hired after August 1, 2008 were placed into a Defined Contribution Plan for retiree health care. Additionally, in April 2011, all active employees hired prior to 2008 began to make percentage based annual contributions to the retiree health care trust fund based upon their years of service. The city also requires the use of Medicare as primary insurance for our retirees 65 years and older.
- **Plan Funding:**
 - The City has a qualified trust to receive, invest and accumulate assets for retiree health care which was established in March 2016 through Charles Schwab. In Fiscal Year 2015-2016, the City committed to transferring \$50,000 per year into the retiree health care fund. The fund is overseen by the Retiree Health Care Board of Directors which meets quarterly. Fund Evaluation Group (FEG) is our investment advisors who work closely with City Administration to maximize our earning potential based upon market

**Treasury Recommendation
City of Grosse Pointe Woods
OPEB Corrective Action Plan (CAP)
Primary Unit 822130**

conditions. The trust accounts current balance is \$718,000.

- Other Considerations:
 - The City is currently funding annual retiree health care obligations 100% from the general fund. The City currently funds our retiree health care obligation by Pay-Go. These costs are significant but the City has been able to fund this obligation each year without extracting funds from our RHC trust account. The City currently pays less than 12% of general fund revenues for Retiree Health Care costs.

Prospective Changes:

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

- Plan Funding:
 - City staff will work with our Finance Committee during the upcoming fiscal year 2019-2020 budget process to determine the feasibility of increasing the current annual contribution amount that the City makes to our Retiree Health Care account. Our retiree health care valuation report uses a 3.5% net of expenses, investment return assumption; this is a very conservative assumption and results in increases in the ARC otherwise what it would be.

- Other Considerations:
 - Our Retiree Health Care Actuarial report for June 30, 2018 is currently being prepared by the City's actuary and at that time we will have up-to-date data to determine if our funding level will reach 40% by 2048 based upon our current funding method and assumptions. Additionally, discussions are ongoing with our actuary to being using a level-dollar amortization method versus the percentage of payroll method which we currently use for funding purposes.

Plan size: 173 members

- Inactive employees or beneficiaries currently receiving benefits: 97
- Inactive employees entitled to but not yet receiving benefits: 10
- Active employees: 66

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

**Treasury Recommendation
City of Grosse Pointe Woods
OPEB Corrective Action Plan (CAP)
Primary Unit 822130**

- 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 24.7%. 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's ARC/Rev will be less than 12% of general fund operating revenues.
- Reasonable Timeframe:
 - The certifying official of the local unit indicates the retirement system's annual required contribution will be less than 12% of general fund operating revenues by fiscal year 2019; however, there is no supporting documentation to support this claim.

Supplemental Information:

Grosse Pointe Woods did not provide supplemental information to support their claims.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Hamtramck
Pension Corrective Action Plan (CAP)
Primary Unit 822140**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$40,917,408	\$96,139,335	42.6%	\$4,666,848	\$19,622,848	23.8%	Yes
City of Hamtramck OPEB	OPEB	-	\$33,241,386	0.0%	\$2,285,998		11.6%	No
Total		\$40,917,408	\$129,380,721		\$6,952,846	\$19,622,848	35.4%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by the City of Hamtramck, 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:
 - Several changes were made to various employee groups in December 2013 and January 2014. These changes are summarized on page 72 of the included MERS valuation. They include: bridged multiplier for active employees, reduced multipliers for subsequent hires, hybrid systems replacing old defined benefit plan for police and fire future hires, and increased employee contributions for active employees and subsequent hires, for specific groups.
- Plan Funding:
 - None listed
- Other Considerations:
 - None listed

Prospective Changes:

- Modern Plan Design:
 - None listed
- Plan Funding:
 - The City owns 30 properties that, under court order, it was not allowed to sell. It is anticipated that the court will remove this restriction and the properties will be sold in the upcoming year. The proceeds from the sales will be additional contributions to the retirement system.
- Other Considerations:
 - None listed

**Treasury Recommendation
City of Hamtramck
Pension Corrective Action Plan (CAP)
Primary Unit 822140**

Plan size: 334 members

- Inactive employees or beneficiaries currently receiving benefits: 224
- Inactive employees entitled to but not yet receiving benefits: 24
- Active employees: 86

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 (2029-2030).
- 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:

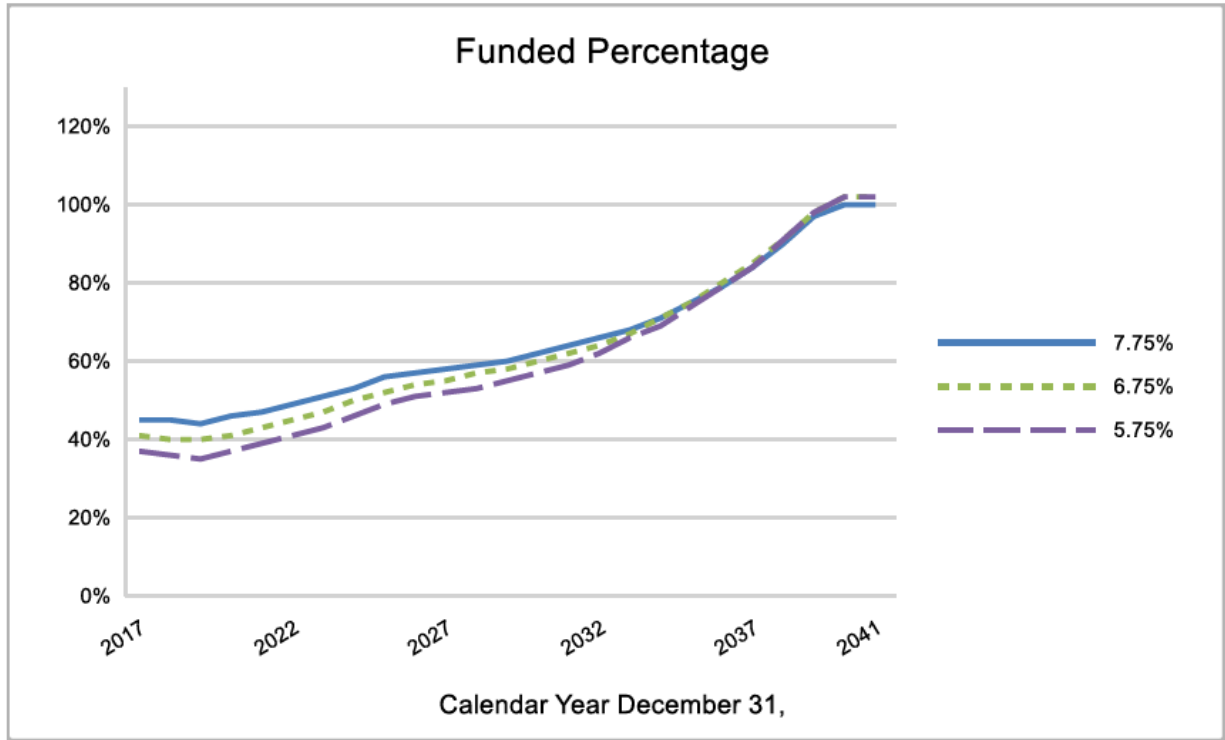
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast. However, our review indicates all of the local unit's annual required contribution as a percentage of general fund operating revenues is 35.4%. This reflects a significant portion of the local government's budget.

Supplemental Information:

The City of Hamtramck included its 2017 MERS valuation showing the date in which they project to reach 60% funded. They also provided a MERS graph of projected annual employer contributions. From 2019 to 2039, the projected annual employer contribution fluctuates, but overall increases by approximately \$1,500,000 or 30%.

Treasury Recommendation
City of Hamtramck
Pension Corrective Action Plan (CAP)
Primary Unit 822140

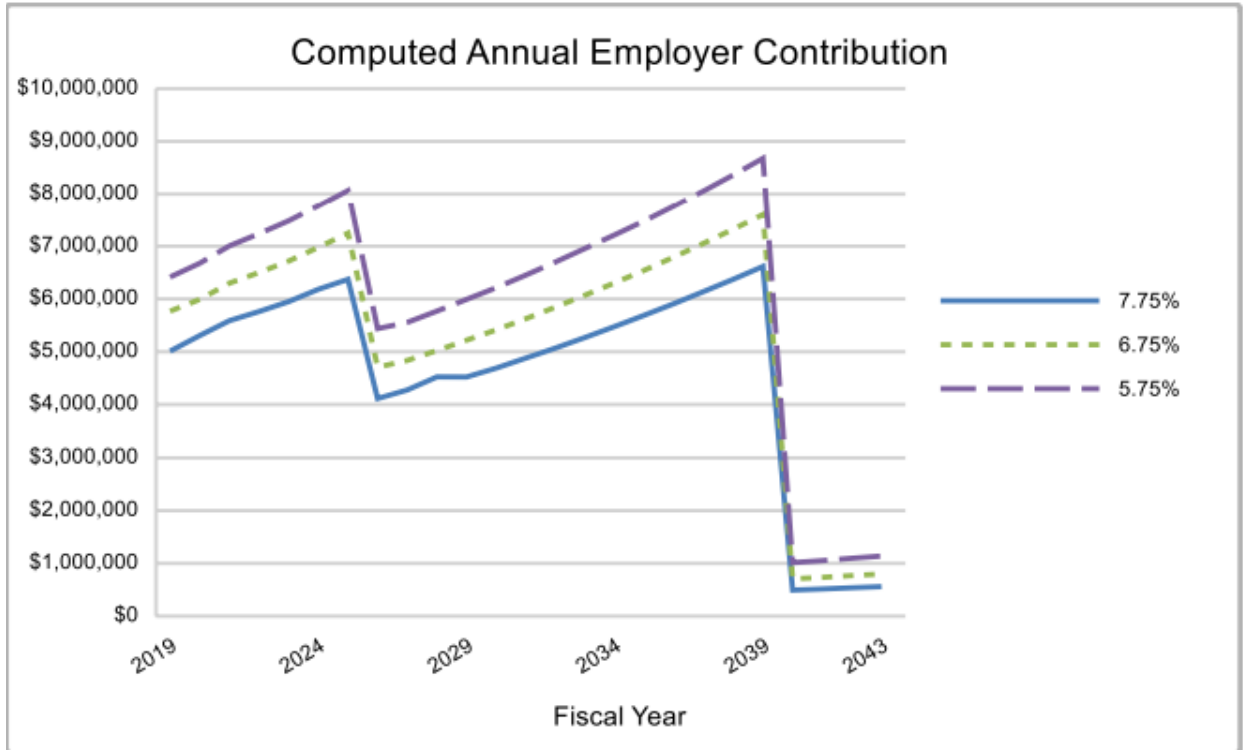
HAMTRAMCK, CITY OF (8205) - 2017



Notes:

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

Treasury Recommendation
City of Hamtramck
Pension Corrective Action Plan (CAP)
Primary Unit 822140



Notes:

All projected contributions are shown with no phase-in.

The above required annual employer contribution does not reflect future changes in the employee contribution rates due to the impact of a cap, if any, on employer contributions.

The Community Engagement and Finance Division (CEFD) contact:

- None noted

**Treasury Recommendation
City of Rockwood
OPEB Corrective Action Plan (CAP)
Primary Unit 822250**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$2,265,495	\$2,543,687	89.1%	\$60,617	\$3,014,339	2.0%	No
Healthcare	OPEB	\$641,526	\$7,237,392	8.9%	\$464,001		15.4%	Yes
Total		\$2,907,021	\$9,781,079		\$524,618	\$3,014,339	17.4%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Denial of the OPEB corrective action plan submitted by City of Rockwood, which was received by the Municipal Stability Board (the Board) on November 14, 2018. If denied, City of Rockwood, will receive a detailed letter from the Board listing the reasons for disapproval. City of Rockwood 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 7-1-2012 the plan has been closed, employees hired will not be entitled to retirement health care.
- Plan Funding:
 - The City created a qualified trust to receive investments and accumulate assets for retiree healthcare on 3-3-2010, with an initial contribution of \$350,000. Since then, additional contributions totaling has been made, bringing the total balance to \$710,565 as of 6-30-2018.
- Other Considerations:
 - None Noted.

Prospective Changes:

- Modern Plan Design:
 - At the next contract negotiations, the City will seek to revise the collective bargaining agreements to include mandatory enrollment in Medicare upon reaching age 65. In addition, an increase in employee and retiree contributions will be sought.
- Plan Funding:
 - In 2017-18, the city made an additional contribution of \$66,000. The City will continue to make additional contributions as finances permit.
- Other Considerations:
 - Note Noted.

**Treasury Recommendation
City of Rockwood
OPEB Corrective Action Plan (CAP)
Primary Unit 822250**

Plan size: 16 members

- Inactive employees or beneficiaries currently receiving benefits: 8
- Inactive employees entitled to but not yet receiving benefits: 0
- 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.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast.

The following corrective action plan approval criteria were not met:

- Underfunded Status:
 - The corrective action plan failed to demonstrate the retirement system will reach 40% funded.
- Reasonable Timeframe:
 - The corrective action plan does not demonstrate when the retirement system will reach 40% funded.

Supplemental Information:

City of Rockwood included the City of Rockwood Retiree Medical Plan Accounting Report for the Period Ending June 30, 2018; however, it does not show when the City of Rockwood will reach 40% funded. Further, we note that the local government's administrative officer failed to certify that the corrective action plan has met the underfunded status and reasonable timeframe approval criteria as established by the Board.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Romulus
OPEB Corrective Action Plan (CAP)
Primary Unit 822260**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$19,936,765	\$50,844,067	39.2%	\$2,202,543	\$27,921,448	7.9%	No
Healthcare	OPEB	\$3,672,128	\$62,287,733	5.9%	\$5,573,640		20.0%	Yes
Total		\$23,608,893	\$113,131,800		\$7,776,183	\$27,921,448	27.9%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by City of Romulus, 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 plan is closed to all new hires since July 1, 2014.
 - The City offered an irrevocable buy-out of future retiree healthcare benefits in reducing the present value of future benefits from \$93,035,771 to \$68,013,915.
- Plan Funding:
 - In 2011, the City created a qualified trust to receive, invest and accumulate assets for retirement healthcare. The City notes that over the previous five years it has made additional contributions above the pay-as-you-go amount resulting in the assets currently accumulated in the trust.
- Other Considerations:
 - The City's internal analysis indicates approximately 8.43% of the City's total liability is paid from Enterprise, Internal funds and Component Units.

Prospective Changes:

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

Plan size: 248 members

- Inactive employees or beneficiaries currently receiving benefits: 125
- Inactive employees entitled to but not yet receiving benefits: 0

**Treasury Recommendation
City of Romulus
OPEB Corrective Action Plan (CAP)
Primary Unit 822260**

- Active employees: 123

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 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 (2043).
- 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 27.9%. This reflects a significant portion of the local government's budget

**Treasury Recommendation
City of Romulus
OPEB Corrective Action Plan (CAP)
Primary Unit 822260**

Supplemental Information:

City of Romulus included a projection schedule from Gabriel, Roeder, Smith (GRS) Retirement Consulting demonstrating the plan will reach 40% funded by FY 2043. Under this approach the City will continue to use pay-go as its primary funding methodology while allowing investment earnings to continue to accumulate in a healthcare trust. We also highlight that from 2019 to 2043, the projected benefit payments increase by approximately \$2,400,000 or 84%.

**City of Romulus Retiree Health Care Plan
Projection Schedule**

Fiscal Year	Actuarial Accrued Liability (AAL) Projection				Market Value of Asset Projection				Funded Percentage
	Normal Cost	Benefit Payments	Interest	AAL EOY	Employer Contribution [^]	Benefit Payments	Interest	Asset Value* EOY	
				(a)				(b)	(c) = (b) / (a)
07/01/2017 - 06/30/2018				\$ 63,214,686				\$ 4,658,613	7.37%
07/01/2018 - 06/30/2019	\$640,557	\$ 2,924,279	\$ 3,725,367	64,656,331	\$2,924,279	\$ 2,924,279	\$ 279,517	4,938,130	7.64%
07/01/2019 - 06/30/2020	609,003	3,126,783	3,804,947	65,943,498	3,126,783	3,126,783	296,288	5,234,418	7.94%
07/01/2020 - 06/30/2021	581,793	3,318,649	3,875,700	67,082,342	3,318,649	3,318,649	314,065	5,548,483	8.27%
07/01/2021 - 06/30/2022	554,208	3,456,179	3,939,149	68,119,520	3,456,179	3,456,179	332,909	5,881,392	8.63%
07/01/2022 - 06/30/2023	522,715	3,630,579	3,995,293	69,006,950	3,630,579	3,630,579	352,884	6,234,275	9.03%
07/01/2023 - 06/30/2024	486,257	3,844,906	4,041,125	69,689,426	3,844,906	3,844,906	374,057	6,608,332	9.48%
07/01/2024 - 06/30/2025	448,777	4,037,546	4,075,271	70,175,928	4,037,546	4,037,546	396,500	7,004,832	9.98%
07/01/2025 - 06/30/2026	411,432	4,151,358	4,099,992	70,535,995	4,151,358	4,151,358	420,290	7,425,122	10.53%
07/01/2026 - 06/30/2027	366,789	4,345,251	4,114,544	70,672,077	4,345,251	4,345,251	445,507	7,870,629	11.14%
07/01/2027 - 06/30/2028	324,394	4,558,349	4,115,156	70,553,279	4,558,349	4,558,349	472,238	8,342,867	11.82%
07/01/2028 - 06/30/2029	289,246	4,742,741	4,101,538	70,201,322	4,742,741	4,742,741	500,572	8,843,439	12.60%
07/01/2029 - 06/30/2030	259,212	4,912,824	4,074,504	69,622,214	4,912,824	4,912,824	530,606	9,374,045	13.46%
07/01/2030 - 06/30/2031	230,599	5,035,419	4,035,288	68,852,681	5,035,419	5,035,419	562,443	9,936,488	14.43%
07/01/2031 - 06/30/2032	199,830	5,117,477	3,985,780	67,920,815	5,117,477	5,117,477	596,189	10,532,677	15.51%
07/01/2032 - 06/30/2033	171,193	5,170,877	3,927,443	66,848,575	5,170,877	5,170,877	631,961	11,164,638	16.70%
07/01/2033 - 06/30/2034	146,401	5,219,230	3,860,946	65,636,692	5,219,230	5,219,230	669,878	11,834,516	18.03%
07/01/2034 - 06/30/2035	122,695	5,239,138	3,786,944	64,307,192	5,239,138	5,239,138	710,071	12,544,587	19.51%
07/01/2035 - 06/30/2036	98,601	5,300,517	3,704,647	62,809,924	5,300,517	5,300,517	752,675	13,297,262	21.17%
07/01/2036 - 06/30/2037	77,197	5,346,519	3,612,818	61,153,420	5,346,519	5,346,519	797,836	14,095,098	23.05%
07/01/2037 - 06/30/2038	59,299	5,366,196	3,512,317	59,358,841	5,366,196	5,366,196	845,706	14,940,804	25.17%
07/01/2038 - 06/30/2039	44,711	5,344,418	3,404,855	57,463,989	5,344,418	5,344,418	896,448	15,837,252	27.56%
07/01/2039 - 06/30/2040	33,529	5,282,954	3,292,650	55,507,214	5,282,954	5,282,954	950,235	16,787,487	30.24%
07/01/2040 - 06/30/2041	25,015	5,227,950	3,176,618	53,480,898	5,227,950	5,227,950	1,007,249	17,794,736	33.27%
07/01/2041 - 06/30/2042	18,544	5,188,816	3,056,005	51,366,631	5,188,816	5,188,816	1,067,684	18,862,421	36.72%
07/01/2042 - 06/30/2043	13,652	5,106,249	2,931,445	49,205,479	5,106,249	5,106,249	1,131,745	19,994,166	40.63%

[^] Pay-go cost (estimated premiums paid for retirees).

* Projected values with the exception of the June 30, 2018 value.

There may be cases where the schedule does not add due to rounding.

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 June 30, 2043.

- Employer Contributions are assumed to be equal to the estimated premiums paid for retirees;
- The assumed rate of interest was 6.00%; and
- Contributions, normal cost accruals, and benefit payments occur halfway though the year.

The City included documentation that demonstrated it recently passed a millage increase of 4 mills for five years, from 2019 through 2023 to be used for fire and police services. The City did not include any discussion of this in its corrective actions.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Southgate
MERS OPEB Corrective Action Plan (CAP)
Primary Unit 822270**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Muni Employees	Pension	\$18,719,289	\$29,164,527	64.1%	\$854,841	\$27,401,773	13.8%	No
Police Fire	Pension	\$43,250,895	\$72,513,577	59.6%	\$2,940,014			No
Muni Employees	OPEB	\$2,494,510	\$32,557,811	7.7%	\$2,695,949		21.2%	Yes
Police Fire	OPEB	\$1,392,279	\$51,415,585	2.7%	\$3,125,869			Yes
Total		\$65,856,973	\$185,651,500		\$9,616,673	\$27,401,773	35.0%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the MERS OPEB corrective action plan submitted by City of Southgate, 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:**
 - No municipal employee hired after 7/1/2008 has retirement healthcare in retirement. City provides RHSA, city provides 2% per month. City negotiated increased deductibles and prescription copays over last 10 years. Currently, only 43 municipal employees eligible for retirement healthcare. All current retirees over age 65 are on a Medicare supplement.
- **Plan Funding:**
 - City set aside \$2.7 million in a healthcare trust fund.
 - City made \$84K contribution (\$2K per employee x 42 employees) to healthcare trust fund in fiscal year 2018/19.
- **Other Considerations:**
 - Included an updated actuarial valuation dated August 15, 2018. Shows new Unfunded Actuarial Accrued Liability for municipal employees decreased from \$30,063,301 to \$28,452,326, a decrease of \$1.6 million or 5.4%, due to changes made over last few years.

**Treasury Recommendation
City of Southgate
MERS OPEB Corrective Action Plan (CAP)
Primary Unit 822270**

Prospective Changes:

- Modern Plan Design:
 - Future retirees after 1/1/2019 will contribute 5% of the retirement healthcare for HMO and 20% for a PPO.
- Plan Funding:
 - Going forward, annual budget will include a yearly contribution of \$2K per employee.
- Other Considerations:
 - City expects to be at 40% funding by 2038, assuming money in trust fund grows and isn't utilized for current retirement healthcare cost and \$2K per employee per year continued contribution into the trust fund, and the abovementioned retiree contribution increases.

Plan size: 122 members

- Inactive employees or beneficiaries currently receiving benefits: 77
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 45

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:

- 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 2038; 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.
- 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

**Treasury Recommendation
City of Southgate
MERS OPEB Corrective Action Plan (CAP)
Primary Unit 822270**

action plan, we have determined the plan maybe able to reach a funded ratio of 40% if the plan's assumptions remain accurate.

- 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 the local unit's annual required contribution as a percentage of general fund operating revenues is 35%. This reflects a significant portion of the local government's budget.

Supplemental Information:

The city uses a new liability (\$28,452,326, taken from a GRS Actuarial Valuation as of June 30, 2017) to divide into the trust fund asset level in 2038 projected to be worth \$11.6 million. The numerator and denominator generate a funded ratio of 40.8% in 2038. The city gets to \$11.6 million in assets in 2038 with a beginning current asset level of \$2,812,124, an assumed rate of return of 5.25% and a \$2,000 per employee annual contribution to the fund.

Notes to consider:

- The city's analysis does not include in the liabilities, healthcare inflation.
- According to a GRS Sensitivity of Net OPEB Liability to the Healthcare Cost Trent Rate Assumption, a one percent decrease in cost reduces the liability by \$6 million. A one percent increase in cost increases the liability by \$7 million.
- There was no funding policy adopted by the governing board that commits the city to make the annual \$2,000 per employee contribution.
- The city made an initial contribution of \$84,000, which is \$2,000 x 42 employees.
- The city's assumed rate of investment return of 5.25% is higher than assumed rate of investment return that is in the GRS Actuarial Valuation Report June 30, 2017 report of 3.56%.
- All of the local unit's annual required contribution as a percentage of general fund operating revenues are 35%.

The Community Engagement and Finance Division (CEFD) contact:

- The CEFD reached out to Southgate to discuss their CAP. The city provided additional documentation to corroborate prior actions.
- The documents were: GASB74 Report for Municipal; AFSCME 1589 1993-1996 contract; FINAL 2015-2017 AFSCME 1589; City of Southgate CAP graphs Muni Employees.
- All prior actions were verified in the above documents.

**Treasury Recommendation
City of Southgate
Police & Fire OPEB Corrective Action Plan (CAP)
Primary Unit 822270**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Muni Employee	Pension	\$18,719,289	\$29,164,527	64.1%	\$854,841	\$27,401,773	13.8%	No
Police Fire	Pension	\$43,250,895	\$72,513,577	59.6%	\$2,940,014			No
Muni Employee	OPEB	\$2,494,510	\$32,557,811	7.7%	\$2,695,949		21.2%	Yes
Police Fire	OPEB	\$1,392,279	\$51,415,585	2.7%	\$3,125,869			Yes
Total		\$65,856,973	\$185,651,500		\$9,616,673	\$27,401,773	35.0%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the Police and Fire OPEB corrective action plan submitted by Southgate, which was received by the Municipal Stability Board (the Board) on November 14. 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:**
 - From 2005 through 2018 the city has actively negotiated changes to the Police and Fire union contracts. No Police or Fire employee hired after July 1, 2016 has retirement healthcare in retirement. The City will provide a RHTSA to which the city will contribute 2% per month. Also, during the last 10 years through negotiation the city has increased deductibles and prescription copays. Currently only 56 municipal employees are eligible for retirement healthcare going into the future and all current retirees over the age of 65 are on a Medicare supplement.
- **Plan Funding:**
 - City set aside over \$1.7 million in a Police and Fire retiree healthcare trust fund. The city administration will make a \$112,000 contribution (\$2,000 per employee x 56 employees) to the Police and Fire Employees retirement healthcare trust fund for the 2018-19 fiscal year.
- **Other Considerations:**
 - An updated Actuarial Valuation dated Aug. 15, 2018 shows the Underfunded Actuarial Accrued Liability for Police and Fire Employees has fallen from \$50,023,306 to \$50,022,795, a decrease of over \$511.00. This is a result of changes by the city over the last few years.

**Treasury Recommendation
City of Southgate
Police & Fire OPEB Corrective Action Plan (CAP)
Primary Unit 822270**

Prospective Changes:

- **Modern Plan Design:**
 - Fire retirees after 1/1/2020 will contribute 5% of the retirement healthcare for HMO and 20% for a PPO. These changes should result in an improvement to the system's funded ratio.
- **Plan Funding:**
 - Going forward the annual budget will include a yearly contribution of \$2,000 per employee.
- **Other Considerations:**
 - Currently the money in the Trust Fund (\$1.7 million) grows without being used for current retirement healthcare cost. Assuming a \$2,000 per employee per year continued contribution along with the retiree's contribution along with other changes already made, the city expects to be at 40% funding by 2047.

Plan size: 148 members

- Inactive employees or beneficiaries currently receiving benefits: 85
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 65

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:

- **Reasonable Timeframe:**
 - The certifying official of the local unit indicates the retirement system will reach a funded status of at least 40% by fiscal year 2047. However, 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.

Treasury Recommendation
City of Southgate
Police & Fire OPEB Corrective Action Plan (CAP)
Primary Unit 822270

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

- Affordable:
 - The local unit 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 the local unit's annual required contribution as a percentage of general fund operating revenues is 35%. This reflects a significant portion of the local government's budget.

Supplemental Information:

The city uses a new liability (\$50,022,795, taken from a GRS Actuarial Valuation as of June 30, 2017) to divide into the trust fund asset level in 2047 projected to be worth \$20.784 million. The numerator and denominator generate a funded ratio of greater than 41.5% in 2047. The city gets to \$20.784 million in assets in 2047 with a beginning current asset level of \$1,733,405, an assumed rate of return of 5.25% and a \$2,000 per employee annual contribution to the fund.

Notes to consider:

- The city's analysis does not include in the liabilities, healthcare inflation.
- According to a GRS Sensitivity of Net OPEB Liability to the Healthcare Cost Trend Rate Assumption, a one percent decrease in cost reduces the liability by \$9.5 million. A one percent increase in cost increases the liability by \$12.3 million.
- There was no funding policy adopted by the governing board that commits the city to make the annual \$2,000 per employee contribution.
- The city made an initial contribution of \$112,000, which is \$2,000 x 56 employees.
- The city's assumed rate of investment return of 5.25% is higher than assumed rate of investment return that is in the GRS Actuarial Valuation Report June 30, 2017 report of 3.56%.
- All of the local unit's annual required contribution as a percentage of general fund operating revenues are 35%.

The Community Engagement and Finance Division (CEFD) contact:

- The CEFD reached out to Southgate to discuss their CAP. The city provided additional documentation to corroborate prior actions.
- The documents were: GASB74 Report for Police & Fire; FINAL 2015-2017 IAFF Local 1307; FINAL 2015-2017 POLC; Fire 1993-1996; POLC 1993-1996; City of Southgate CAP graphs P & F Employees.

**Treasury Recommendation
City of Southgate
Police & Fire OPEB Corrective Action Plan (CAP)
Primary Unit 822270**

- All prior actions were verified in the above documents.

**Treasury Recommendation
City of Trenton
OPEB Corrective Action Plan (CAP)
Primary Unit 822290**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$24,909,943	\$45,670,671	54.5%	\$1,964,796	\$22,826,477	15.1%	No
Police and Fire	Pension	\$52,257,573	\$69,879,009	74.8%	\$1,479,258			No
OPEB	OPEB	\$7,893,928	\$88,429,737	8.9%	\$6,195,000		27.1%	YES
Total		\$85,061,444	\$203,979,417		\$9,639,054		42.2%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by City of Trenton, which was received by the Municipal Stability Board (the Board) on 11/14/2018. 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 City of Trenton no longer offers retiree healthcare to new hires. Active employees pay a 20% premium sharing for healthcare. Non Union employees retiring after July 1, 2005 receive benefit levels that mirror current employees & pay 20% premium sharing.
- Plan Funding:
 - The City established an OPEB trust on 4/28/2003 and has made annual contributions to the trust each year with out using any funds in the trust.
 - The City of Trenton contributes 100% of the ARC for the Water & Sewer fund employees.
- Other Considerations
 - None Listed

Prospective Changes:

- Modern Plan Design:
 - None Listed
- Plan Funding:
 - The City of Trenton will contribute an additional \$50,000 to the OPEB trust for the next five fiscal years.
- Other Considerations
 - None Listed

Plan size: 353 members

- Inactive employees or beneficiaries currently receiving benefits: 209

**Treasury Recommendation
City of Trenton
OPEB Corrective Action Plan (CAP)
Primary Unit 822290**

- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 144

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 40.0% 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 PA202 established funding level of 40.0% within a reasonable timeframe 2045.
- 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 42.2%. This reflects a significant portion of the local government's budget.

Supplemental Information:

City of Trenton included a Supplemental Actuarial Valuation including a Projection Schedule demonstrating the plan will reach 40% funded by FY 2045. Under the City's approach, the City will contribute the actuarially computed employer contribution for its water and sewer fund employees while making pay-go payments for all other divisions. We note that by FY 2038, employer contributions drop below expected benefit payments, and benefit payments are then supplemented by the use of trust assets and investment returns. Between 2018 and 2037, the projected annual employer contribution increases by \$1,500,000 or 40%.

**Treasury Recommendation
City of Trenton
OPEB Corrective Action Plan (CAP)
Primary Unit 822290**

City of Trenton Retiree Health Care Plan Projection Schedule

Fiscal Year	Actuarial Accrued Liability (AAL) Projection				Market Value of Asset Projection				Unfunded Liability (EOY)	Funded Percentage
	Normal Cost	Benefit Payments	Interest	AAL End of Year (EOY)	Employer Contribution^	Benefit Payments	Interest	Asset Value* EOY		
	(a)				(b)				(c) = (a) - (b)	(d) = (b) / (a)
7/1/2017 - 6/30/2018				\$ 92,424,709				\$ 10,336,899	\$ 82,087,810	11.18%
7/1/2018 - 6/30/2019	\$1,528,281	\$3,588,143	\$ 3,655,791	94,020,638	\$4,012,305	\$3,588,143	\$421,959	11,183,020	82,837,618	11.89%
7/1/2019 - 6/30/2020	1,423,581	3,934,066	3,710,616	95,220,769	4,286,693	3,934,066	454,373	11,990,020	83,230,749	12.59%
7/1/2020 - 6/30/2021	1,342,702	4,112,533	3,753,434	96,204,372	4,429,045	4,112,533	485,931	12,792,463	83,411,909	13.30%
7/1/2021 - 6/30/2022	1,276,631	4,341,515	3,786,877	96,926,365	4,623,539	4,341,515	517,339	13,591,826	83,334,539	14.02%
7/1/2022 - 6/30/2023	1,223,030	4,586,646	3,809,782	97,372,531	4,820,243	4,586,646	548,345	14,373,768	82,998,763	14.76%
7/1/2023 - 6/30/2024	1,184,844	4,770,169	3,823,195	97,610,401	4,965,211	4,770,169	578,852	15,147,662	82,462,739	15.52%
7/1/2024 - 6/30/2025	1,161,346	4,878,433	3,830,074	97,723,388	5,073,339	4,878,433	609,805	15,952,373	81,771,015	16.32%
7/1/2025 - 6/30/2026	1,140,031	4,995,274	3,831,831	97,699,976	5,160,892	4,995,274	641,407	16,759,398	80,940,578	17.15%
7/1/2026 - 6/30/2027	1,119,538	5,042,569	3,829,538	97,606,483	5,180,228	5,042,569	673,129	17,570,186	80,036,297	18.00%
7/1/2027 - 6/30/2028	1,107,223	5,046,050	3,825,483	97,493,139	5,169,120	5,046,050	705,269	18,398,525	79,094,614	18.87%
7/1/2028 - 6/30/2029	1,098,538	5,031,003	3,821,076	97,381,750	5,147,200	5,031,003	738,265	19,252,987	78,128,763	19.77%
7/1/2029 - 6/30/2030	1,090,855	5,026,374	3,816,560	97,262,791	5,128,581	5,026,374	772,164	20,127,358	77,135,433	20.69%
7/1/2030 - 6/30/2031	1,077,964	4,987,515	3,812,321	97,165,561	5,078,120	4,987,515	806,906	21,024,869	76,140,692	21.64%
7/1/2031 - 6/30/2032	1,052,128	5,022,727	3,807,210	97,002,172	5,102,653	5,022,727	842,593	21,947,388	75,054,784	22.63%
7/1/2032 - 6/30/2033	1,011,218	5,119,288	3,797,925	96,692,027	5,189,817	5,119,288	879,306	22,897,223	73,794,804	23.68%
7/1/2033 - 6/30/2034	950,043	5,197,691	3,782,728	96,227,107	5,269,746	5,197,691	917,330	23,886,608	72,340,499	24.82%
7/1/2034 - 6/30/2035	877,113	5,289,562	3,760,835	95,575,493	5,376,058	5,289,562	957,194	24,930,298	70,645,195	26.08%
7/1/2035 - 6/30/2036	809,750	5,406,362	3,731,087	94,709,968	5,488,885	5,406,362	998,862	26,011,683	68,698,285	27.46%
7/1/2036 - 6/30/2037	740,068	5,414,632	3,694,907	93,730,311	5,505,371	5,414,632	1,042,282	27,144,704	66,585,607	28.96%
7/1/2037 - 6/30/2038	643,872	5,475,273	3,652,584	92,551,494	5,587,064	5,475,273	1,088,024	28,344,519	64,206,975	30.63%
7/1/2038 - 6/30/2039	540,558	5,595,406	3,600,963	91,097,609	4,859,082	5,595,406	1,119,054	28,727,249	62,370,360	31.53%
7/1/2039 - 6/30/2040	455,873	5,684,921	3,539,323	89,407,884	4,964,583	5,684,921	1,134,683	29,141,594	60,266,290	32.59%
7/1/2040 - 6/30/2041	388,641	5,760,773	3,468,873	87,504,625	5,061,230	5,760,773	1,151,673	29,593,724	57,910,901	33.82%
7/1/2041 - 6/30/2042	332,859	5,787,509	3,391,092	85,441,067	5,097,200	5,787,509	1,169,943	30,073,358	55,367,709	35.20%
7/1/2042 - 6/30/2043	271,047	5,818,705	3,306,690	83,200,099	5,140,215	5,818,705	1,189,365	30,584,233	52,615,866	36.76%
7/1/2043 - 6/30/2044	209,851	5,885,458	3,214,492	80,738,984	5,221,757	5,885,458	1,210,095	31,130,627	49,608,357	38.56%
7/1/2044 - 6/30/2045	167,849	5,897,929	3,114,958	78,123,862	5,251,419	5,897,929	1,232,295	31,716,412	46,407,450	40.60%

The Community Engagement and Finance Division (CEFD) contact:

- None noted

**Treasury Recommendation
City of Westland
Pension Corrective Action Plan (CAP)
Primary Unit 822310**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$53,884,463	\$132,490,334	40.7%	\$5,249,635	\$73,345,154	16.5%	YES
Pol & Fire	Pension	\$157,970,145	\$225,516,042	70.0%	\$6,841,964			NO
Healthcare	OPEB	\$0	\$279,605,383	0.0%	\$14,532,590		19.8%	YES
Total		\$211,854,608	\$637,611,759		\$26,624,189	\$73,345,154	36.3%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by the City of Westland, 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:
 - Westland has implemented changes to all 12 divisions participating in the MERS pension plan. All changes by division are detailed in an attachment to the CAP. Westland demonstrates the changes combine to fund the pension liability (increasing employee contributions is key here) and help lower or limit total pension liability.
 - Summary of the changes: Most DB plans were closed to new hires, replaced with DC; employee contributions were increased; multipliers were reduced.
 - Westland certifies the MERS pension plan will be 60% funded in 2030. Graph is provided in MERS Annual Actuarial Valuation Report December 31, 2017.
- Plan Funding:
 - Westland has contributed additional contributions over the last four fiscal years that total \$1,720,630. Attachment 3A summarized the additional contributions.
- Other Considerations:
 - None listed.

Prospective Changes:

- Modern Plan Design:
 - Westland listed 10 of their collective bargaining agreements and their approaching expiration dates. The city asserts this will provide them the opportunity to negotiate plan provisions that further lower or limit the pension liability going forward.
 - Summary of potential plan-provision changes: bring other unions in line with UAW contract of 6% pension contribution; bridged multipliers; close the DB for new hires Dispatch and Police & Fire unions;
- Plan Funding:

**Treasury Recommendation
City of Westland
Pension Corrective Action Plan (CAP)
Primary Unit 822310**

- None listed.
- Other Considerations
 - Westland asserts it has always paid the annual required contribution as calculated by the actuary. Going forward, they expect to make the ARC and present an operational forecast budget through 2050 that demonstrates that. The forecast also includes the additional contributions for OPEB (\$437,500 for the general fund) per the city's OPEB corrective action plan.

Plan size: 448 members

- Inactive employees or beneficiaries currently receiving benefits: 306
- Inactive employees entitled to but not yet receiving benefits: 39
- Active employees: 103

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 MERS ANNUAL ACTUARIAL VALUATION REPORT, DECEMBER 31, 2017 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 (2030).
- 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.

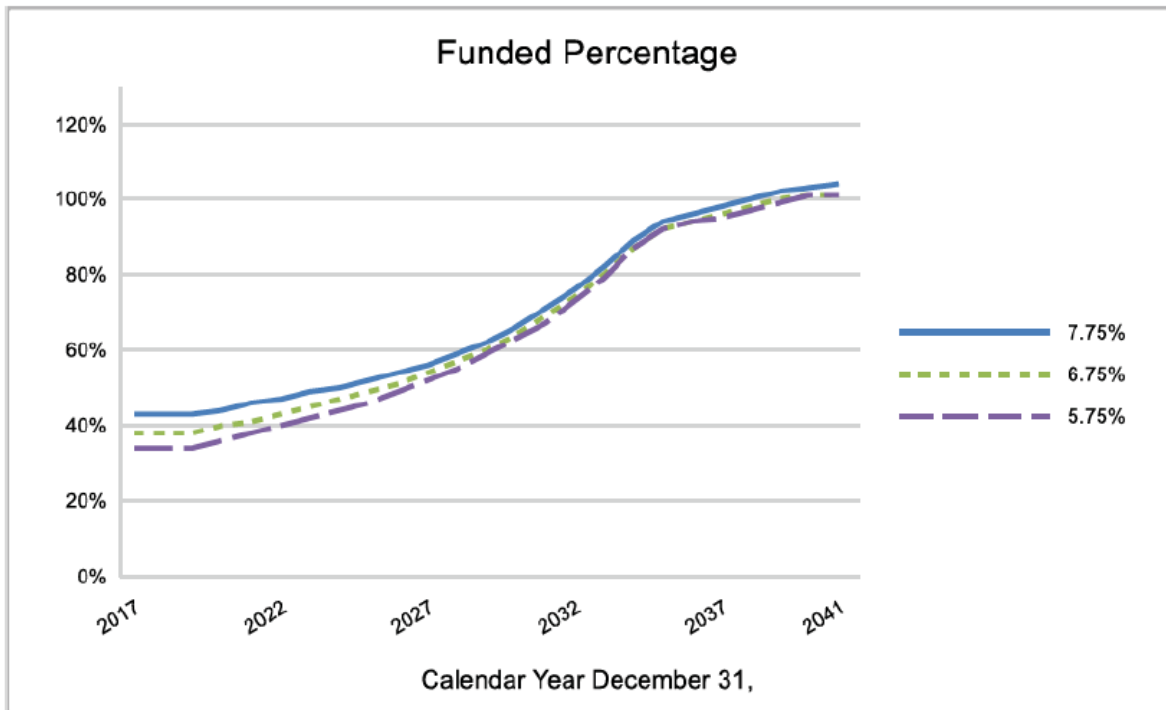
The following corrective action plan approval criteria are partially met:

- 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 plans annual required contribution as a percentage of general fund operating revenues is 36.3%. This reflects a significant portion of the local government's budget.

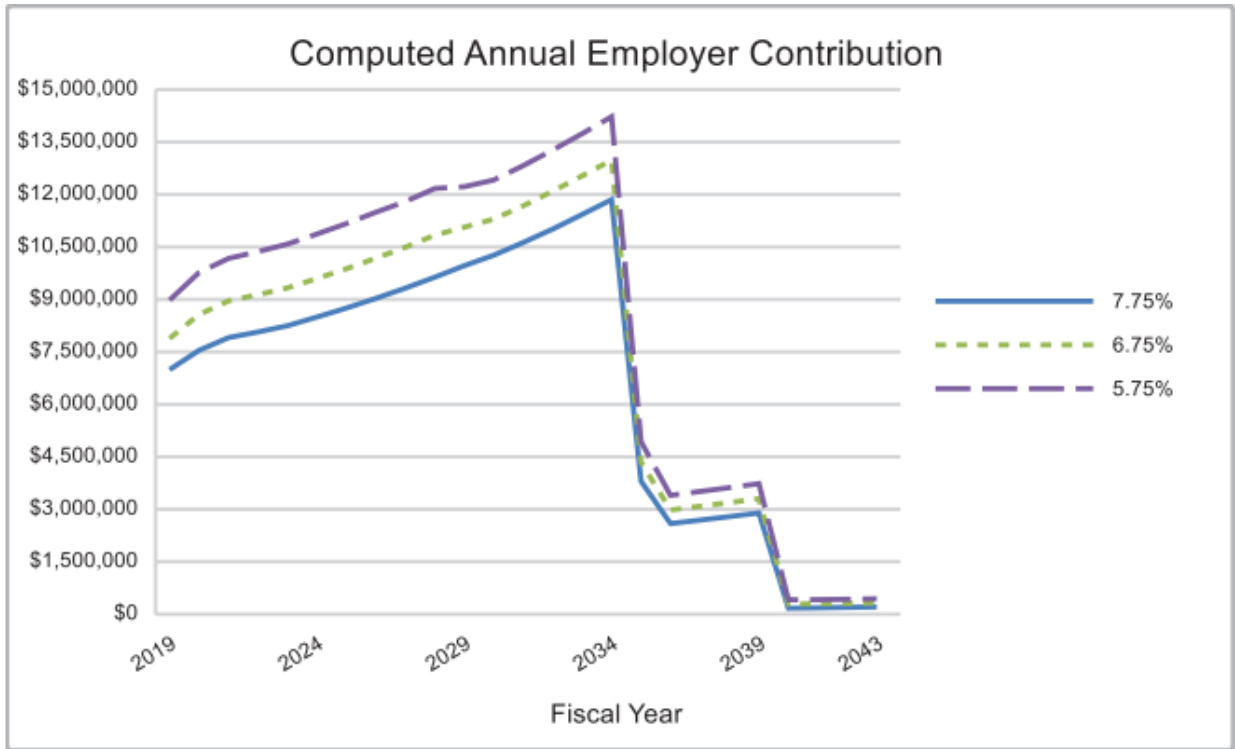
**Treasury Recommendation
City of Westland
Pension Corrective Action Plan (CAP)
Primary Unit 822310**

Supplemental Information:

City of Westland included a MERS funded percentage chart that shows the pension system hitting 60% in 2030, using 7.75%. They also included a projected annual employer contribution chart. From 2017 to 2034, the projected annual employer contribution increases by approximately \$5,000,000 or 71%.



Treasury Recommendation
City of Westland
Pension Corrective Action Plan (CAP)
Primary Unit 822310



Notes:

All projected contributions are shown with no phase-in.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Westland
OPEB Corrective Action Plan (CAP)
Primary Unit 822310**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$53,884,463	\$132,490,334	40.7%	\$5,249,635	\$73,345,154	16.5%	YES
Pol & Fire	Pension	\$157,970,145	\$225,516,042	70.0%	\$6,841,964			NO
Healthcare	OPEB	\$0	\$279,605,383	0.0%	\$14,532,590			19.8%
Total		\$211,854,608	\$637,611,759		\$26,624,189	\$73,345,154	36.3%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by City of Westland, 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:
 - Westland has implemented changes in OPEB across all groups (union and nonunion employees) which have helped lower or limit the total OPEB liability depending on the change. The groups are: Court union, court admin, mayor's appointed staff, AFSCME local 1602 DPS and clerical, UAW Local 174 supervisor's union, fire union, police and dispatch, lieutenants and sergeants, city clerk, and deputy clerk. The city's earliest design change occurred in 2010. Note, the universe of design changes was not uniformly implemented across all 12 groups. The design changes were: OPEB plans were closed to new hires after specified years; making retiree contributions equal to active employee contributions; upon eligibility for Medicare, an HRA will be provided rather than insurance; a MERS Healthcare Savings Plan was set; vision coverage has sunset coverage; dental coverage eliminated.
 - In October 2009, the city changed health insurance advisors and converted health programs to self-insured plans. The cash refund and annual savings were \$1,650,000.
 - In September 2016, the city converted all Medicare retirees to the Medicare Advantage Plan. A June 30, 2017 actuary report showed that reduced liabilities in the system by \$104 million.
- Plan Funding:
 - None listed.
- Other Considerations:
 - Westland included a new GASB 75 actuary report for fiscal year ending June 30, 2018. Total OPEB liability decreased from \$251,953,877 to \$232,749,436. The city said the new figure is different than was reported on the 2017 Form 5572.

Prospective Changes:

- Modern Plan Design:

**Treasury Recommendation
City of Westland
OPEB Corrective Action Plan (CAP)
Primary Unit 822310**

- Westland listed 10 of their collective bargaining agreements and their approaching expiration dates. The city asserts this will provide them the opportunity to negotiate plan provisions that further lower or limit the OPEB liability going forward. Other areas that the city would like to explore are
 - alternative health care provider arrangements for less expensive rates;
 - benefits of current retiree cost sharing of healthcare costs.
 - the city will investigate bonding for pension & OPEB, depending on the outcome of the proposed legislation under consideration in the state legislature.
 - offering cash buyouts for retiree healthcare.

- Plan Funding:
 - City will establish a trust for the OPEB plan that will allow the city to start contribution towards the total healthcare liability. The contribution will be the pay-go amount directed into the trust fund. The trust fund will pay the benefits. An additional annual contribution above pay-go will be \$500,000 (\$437,500 for general fund).
 - When the pension plan becomes fully funded in 2035 and the pension ARC decreases, the city plans to redirect annually \$3,000,000 (\$2,625,000 for general fund) toward the OPEB liability. In 2040, the pension ARC decreases again, the city plans to redirect the savings, \$6,000,000 (\$5,250,000 for the general fund) annually, toward the OPEB liability until the plan is fully funded in 2043.
 - The city provided a 31-year budgeted forecast that includes a budgeted pay-go amount with the additional annual \$500,000 and \$3,000,000 contributions starting in 2035 and 2040 respectively.

- Other Considerations:
 - Redundant of Prospective Plan Funding

Plan size: N/A (not available) members

- Inactive employees or beneficiaries currently receiving benefits: N/A
- Inactive employees entitled to but not yet receiving benefits: N/A
- Active employees: 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 actuarial analysis found in the corrective action plan.

- Reasonable Timeframe:

**Treasury Recommendation
City of Westland
OPEB Corrective Action Plan (CAP)
Primary Unit 822310**

- The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 40% within a reasonable timeframe (2043).
- 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 36.6%. This reflects a significant portion of the local government's budget.

Supplemental Information:

City of Westland plans to make additional plan changes, consider other cost-saving opportunities as collective bargaining agreements expire, continue making pay-go contributions, and contribute additional annual payments beyond pay-go, as determined by an actuarial analysis. This prospective funding strategy, the city asserts, gets the city's OPEB plan to the statutory funding-level of 40% in 2043. The Affordable criterion is marked "partial" because the city's combined pension and OPEB ARC represents 36.6%. Moreover, the prospective funding plan for OPEB counts on the city's pension CAP achieving its milestones and making available pension-ARC dollars. If the pension-ARC dollars are not available due to unintended consequences, the OPEB plan does not reach its goal as laid out in the CAP. For these reasons, the Affordable criterion is considered "partial".

One more note. In implementing the OPEB CAP as described, the city of Westland will run deficits in FYE 2020 (\$150,284.04), FYE 2021 (\$174,073.15), and FYE 2022 (\$53,648.83). The city will go into its fund balance, \$7.8 million, to cover the deficits. From 2019 to 2040, the projected annual employer contribution increases by approximately \$4,400,000 or 34%.

**Treasury Recommendation
City of Westland
OPEB Corrective Action Plan (CAP)
Primary Unit 822310**

Projected Actuarially Determined Contribution (ADC)

FYE	Actuarial Accrued Liability (AAL)	FNP	Unfunded AAL	Funded %	Min amort 1		Amortization period	Amort UAAL	Actuarially Determined Contribution (ADC)	General Operating Revenue	ADC as % of General Operating Revenue
					Normal Cost						
6/30/2019	\$153,970,294	\$0	\$153,970,294	0.0%	\$635,224		30	\$11,596,180	\$13,087,602	\$80,757,317	16.2%
6/30/2020	\$156,656,118	\$517,204	\$156,138,914	0.3%	\$639,945		29	\$11,885,331	\$13,402,045	\$82,372,463	16.3%
6/30/2021	\$159,075,059	\$1,065,262	\$158,009,797	0.7%	\$644,708		28	\$12,167,039	\$13,708,569	\$84,019,913	16.3%
6/30/2022	\$161,155,681	\$1,646,016	\$159,509,665	1.0%	\$646,845		27	\$12,436,646	\$13,999,335	\$85,700,311	16.3%
6/30/2023	\$162,794,718	\$2,261,414	\$160,533,304	1.4%	\$648,006		26	\$12,686,786	\$14,268,228	\$87,414,317	16.3%
6/30/2024	\$164,053,650	\$2,913,525	\$161,140,125	1.8%	\$647,977		25	\$12,922,914	\$14,520,853	\$89,162,603	16.3%
6/30/2025	\$164,884,759	\$3,604,538	\$161,280,221	2.2%	\$646,896		24	\$13,141,929	\$14,754,043	\$90,945,855	16.2%
6/30/2026	\$165,281,476	\$4,336,774	\$160,944,702	2.6%	\$643,585		23	\$13,343,959	\$14,966,672	\$92,764,773	16.1%
6/30/2027	\$165,317,453	\$5,112,692	\$160,204,761	3.1%	\$638,870		22	\$13,535,921	\$15,167,026	\$94,620,068	16.0%
6/30/2028	\$165,021,449	\$5,934,899	\$159,086,550	3.6%	\$628,292		21	\$13,721,438	\$15,354,211	\$96,512,469	15.9%
6/30/2029	\$164,389,371	\$6,806,154	\$157,583,217	4.1%	\$619,744		20	\$13,901,627	\$15,537,867	\$98,442,719	15.8%
6/30/2030	\$163,343,487	\$7,729,386	\$155,614,101	4.7%	\$610,288		19	\$14,071,153	\$15,709,142	\$100,411,573	15.6%
6/30/2031	\$162,217,462	\$8,707,694	\$153,509,768	5.4%	\$599,490		18	\$14,262,435	\$15,902,260	\$102,419,805	15.5%
6/30/2032	\$160,858,679	\$9,744,363	\$151,114,316	6.1%	\$585,176		17	\$14,465,339	\$16,104,051	\$104,468,201	15.4%
6/30/2033	\$159,363,908	\$10,842,876	\$148,521,032	6.8%	\$569,331		16	\$14,693,539	\$16,331,271	\$106,557,565	15.3%
6/30/2034	\$157,862,529	\$12,006,922	\$145,855,607	7.6%	\$552,779		15	\$14,966,506	\$16,605,635	\$108,688,716	15.3%
6/30/2035	\$156,365,869	\$13,240,410	\$143,125,459	8.5%	\$529,372		14	\$15,295,020	\$16,932,100	\$110,862,490	15.3%
6/30/2036	\$154,614,358	\$17,133,503	\$137,480,855	11.1%	\$495,889		13	\$15,373,552	\$16,980,302	\$113,079,740	15.0%
6/30/2037	\$152,728,668	\$21,258,842	\$131,469,826	13.9%	\$477,135		12	\$15,469,451	\$17,062,847	\$115,341,335	14.8%
6/30/2038	\$150,919,172	\$25,630,282	\$125,288,890	17.0%	\$450,137		11	\$15,615,083	\$17,189,785	\$117,648,162	14.6%
6/30/2039	\$148,831,157	\$30,262,504	\$118,568,653	20.3%	\$407,328		10	\$15,777,111	\$17,317,350	\$120,001,125	14.4%
6/30/2040	\$146,614,704	\$35,171,065	\$111,443,639	24.0%	\$368,591		9	\$15,986,066	\$17,499,483	\$122,401,147	14.3%
6/30/2041	\$144,088,502	\$43,475,676	\$100,612,826	30.2%	\$337,011		8	\$15,747,107	\$17,210,007	\$124,849,170	13.8%
6/30/2042	\$141,176,092	\$52,275,705	\$88,900,387	37.0%	\$311,008		7	\$15,416,592	\$16,828,532	\$127,346,154	13.2%
6/30/2043	\$138,017,201	\$61,600,709	\$76,416,492	44.6%	\$288,642		6	\$14,983,046	\$16,340,706	\$129,893,077	12.6%
6/30/2044	\$134,528,312	\$71,482,004	\$63,046,308	53.1%	\$263,219		5	\$14,370,475	\$15,658,052	\$132,490,938	11.8%
6/30/2045	\$130,741,341	\$81,952,777	\$48,788,564	62.7%	\$227,199		4	\$13,461,454	\$14,646,859	\$135,140,757	10.8%
6/30/2046	\$126,588,886	\$93,048,194	\$33,540,692	73.5%	\$197,251		3	\$11,944,614	\$12,991,795	\$137,843,572	9.4%
6/30/2047	\$122,152,682	\$104,805,518	\$17,347,164	85.8%	\$178,960		2	\$8,966,892	\$9,786,061	\$140,600,444	7.0%
6/30/2048	\$117,352,379	\$117,264,235	\$88,144	99.9%	\$158,514		1	\$88,144	\$263,924	\$143,412,453	0.2%

The Community Engagement and Finance Division (CEFD) contact:

- 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

Staff Recommendation: Denial of the pension corrective action plan submitted by Grosse Pointe Clinton Refuse Disposal Authority, which was received by the Municipal Stability Board (the Board) on November 14, 2018. If denied, Grosse Pointe Clinton Refuse Disposal Authority, will receive a detailed letter from the Board listing the reasons for disapproval. Grosse Pointe Clinton Refuse Disposal Authority, 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 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.

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

**Treasury Recommendation
Grosse Pointes Clinton Refuse Disposal Authority
Pension Corrective Action Plan (CAP)
Non-Primary Unit 827502**

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

The following corrective action plan approval criteria were not met:

- Legal and Feasible:
 - The local unit failed to attach supporting documentation indicating the corrective action plan was approved by the governing body.
 - The local unit administrative officer did not approve or certify the corrective action plan properly.

**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 2018. Per the documentation provided in their CAP submission they would not have triggered if they filled the report as they are 127% funded.

The submitted CAP did not provide proof of board approval or a signed signature page.

Grosse Pointes Clinton Refuse Disposal Authority included:

Grosse Pointe-Clinton Ref (5004)				
December 31, 2017 Actuarial Valuation Results				
Participant Census	Members	Annual Benefits	Average Age	
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	
Totals:	16	216,796	71.9	

December 31 Valuation Date Summary				
Participant Type	Actuarial Accrued Liability (1)	Market Value of Assets (2)	Unfunded (Overfunded) Actuarial Accrued Liabilities (1)-(2)	Funded Percent On Valuation Date (2)/(1)
Vested Former Members	41,565			
Retirees	1,683,511			
Beneficiaries	261,572			
Disabled retirees	155,404			
Totals:	2,142,052	2,726,029	(583,977)	127%

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:

 x **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:
- The Authority had a week to provide proof of board approval of the CAP and a signed signature page. I reached out to them and requested the information.
- This CAP consequently does not meet the legal requirements.