

# **Municipal Stability Board**

## **REGULAR MEETING**

Wednesday, February 20, 2019 at 10:00 a.m.

Austin Building

State Treasurer's Boardroom

430 W. Allegan Street

Lansing, MI 48922

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

A. Roll Call

B. Approval of January 16, 2019 Minutes

### **II. Public Comment**

A. 2 minute limit

### **III. Correspondence**

A. Treasury Update

### **IV. Old Business**

### **V. New Business**

A. Receipt of Corrective Action Plans:

i. Alger County Road Commission

ii. Benzie County

iii. Benzie County Road Commission

iv. Cass County Road Commission

v. City of Eastpointe

vi. Flint Charter Township

vii. City of Gibraltar

viii. Gladwin County Road Commission (2 systems)

ix. Lake County Road Commission (2 systems)

x. Village of Lexington

xi. Luce County Housing Commission

- xii. Mecosta County Road Commission
- xiii. Metamora Township (2 systems)
- xiv. Monroe County Road Commission
- xv. Mt. Morris Charter Township
- xvi. City of North Muskegon
- xvii. Oceana County Road Commission
- xviii. Village of Ontonagon
- xix. Pathways Community Mental Health (2 systems)

B. Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-4)

- i. City of Battle Creek
- ii. City of Benton Harbor
- iii. Bloomfield Township Public Library
- iv. Capital Area Transportation Authority
- v. City of Center Line (2 systems)
- vi. Community Mental Health Authority of Clinton, Eaton, Ingham Counties
- vii. City of Crystal Falls
- viii. City of Dearborn Heights
- ix. Eastern Upper Peninsula Transportation Authority
- x. City of Essexville
- xi. Jackson District Library
- xii. Lansing City Housing Commission
- xiii. Marquette County Road Commission (2 systems)
- xiv. Michigan Works! Region B Consortium
- xv. Montcalm County Road Commission (2 systems)
- xvi. City of Montrose
- xvii. City of Mount Clemens

- xviii. Ontonagon County Road Commission
- xix. Otsego County Road Commission (2 systems)
- xx. Ottawa County Road Commission
- xxi. Presque Isle County Road Commission
- xxii. City of Riverview
- xxiii. Saginaw City Housing Commission (2 systems)
- xxiv. Saline Area Fire Department
- xxv. City of Taylor (3 systems)
- xxvi. Wayne County Airport Authority
- xxvii. West Iron County Sewer Authority

C. Public Act 202 of 2017 Corrective Action Plan Noncompliance (Resolution 2019-5)

**VI. Public Comment**

A. 2 minute limit

**VII. Board Comment**

**VIII. Adjournment**

# **Municipal Stability Board Minutes**

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

Richard H. Austin Building  
State Treasurer's Boardroom

430 W. Allegan Street  
Lansing, MI 48922

## **CALL TO ORDER**

Chairman Eric Scorsone called the meeting to order at 10:00 a.m.

## **ROLL CALL**

Members Present: Three

Eric Scorsone  
Daryl Delabbio  
Barry Howard

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

## **APPROVAL OF MINUTES**

Motion was made to approve the minutes regarding the December 19, 2018 board meeting.

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

## **PUBLIC COMMENT**

- No public comment.

## **CORRESPONDENCE**

- Nick Brousseau presented the Treasury updates, a draft of the CAP Approval Resolution, a draft of the CAP Disapproval Resolution and a Corrective Action Plan Withdrawal Request from Flint Charter Township.
  - Barry Howard discussed the approval and disapproval process for corrective action plans, and potential process changes. Eric Scorsone noted they would take it under advisement.



## **NEW BUSINESS**

### **APPROVAL OF UPDATED BYLAWS (RESOLUTION 2019-1)**

Eric Scorsone asked if there are any comments, corrections or questions from the Board regarding the updated bylaws (Resolution 2019-1). Barry Howard made a comment about amendments to the bylaws once they are approved. Eric Scorsone said they would take it under advisement.

Motion was made to approve the updated bylaws (Resolution 2019-1).

Motion moved by Barry Howard and supported by Daryl Delabbio, the Board unanimously approved the updated bylaws (Resolution 2019-1). 3 ayes. 0 nays.

### **RECEIPT OF CORRECTIVE ACTION PLAN EXTENSION REQUESTS**

Nick Brousseau provided the Board with the following Corrective Action Plan Extension Request:

- Monroe County Road Commission

Motion was made to receive the Monroe County Road Commission Corrective Action Plan Extension Request.

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

### **RECEIPT OF 34 CORRECTIVE ACTION PLANS FROM 27 LOCAL UNITS**

Nick Brousseau provided the Board with the following 34 Local Units' Corrective Action Plans:

- Michigan Works! Region B Consortium
- City of Benton Harbor
- City of Battle Creek
- Wayne County Airport Authority
- City of Riverview
- Saginaw City Housing Commission (2 systems)
- Otsego County Road Commission (2 systems)
- City of Mount Clemens
- Saline Area Fire Department
- Community Mental Health Authority of Clinton, Eaton & Ingham Counties
- City of Essexville
- City of Dearborn Heights
- West Iron County Sewer Authority
- Eastern Upper Peninsula Transportation Authority
- Marquette County Road Commission (2 systems)
- City of Taylor (3 systems)

- Presque Isle County Road Commission
- City of Montrose
- City of Crystal Falls
- Bloomfield Township Public Library
- Ottawa County Road Commission
- Montcalm County Road Commission (2 systems)
- Lansing City Housing Commission
- Capital Area Transportation Authority
- City of Centerline (2 systems)
- Jackson District Library
- Ontonagon County Road Commission

Motion was made to receive the 34 Local Units' Corrective Action Plans.

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

### **APPROVALS AND DISAPPROVALS OF CORRECTIVE ACTION PLANS (RESOLUTION 2019-2)**

Nick Brousseau was asked to review the 35 Treasury recommendations for approval or disapproval of the Corrective Action Plans (Resolution 2019-2) with the Board. Mr. Brousseau highlighted the local units that Treasury felt partially met the Board's criteria as well as local units that did not meet the Board's criteria. Mr. Brousseau addressed questions from the Board.

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

A motion was made to approve the Approvals and Disapproval of Corrective Action Plans (Resolution 2019-2).

Motion made by Barry Howard and supported by Daryl Delabbio, the Board unanimously approved the Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-2). A voice vote was made with 3 ayes and 0 nays.

### **PUBLIC COMMENT**

No public comment.

### **BOARD COMMENT**

No comments from the Board.

### **NEXT MEETING**

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

### **ADJOURNMENT**

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

There being no further business, the meeting adjourned at 10:31 a.m.

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

As of 2/15/2019

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

PA 202: Corrective Action Plan Analysis FY 2017							
LOCAL UNIT TYPE	CAP Submission Status			CAP Approval Status			
	Required	Submitted	Reviewed	Approved	Disapproved	Split	Noncompliant
NON-PRIMARY	109	45 (41%)	27 (24%)	24 (89%)	2 (7%)	1 (4%)	11 (10%)
PRIMARY	106	81 (76%)	67 (63%)	57 (85%)	9 (13%)	1 (1%)	11 (10%)
<b>TOTAL</b>	<b>215</b>	<b>126 (58%)</b>	<b>94 (44%)</b>	<b>81 (86%)</b>	<b>11 (12%)</b>	<b>2 (2%)</b>	<b>22 (17%)</b>

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

PA 202: Corrective Action Plan Review Schedule								
LOCAL UNIT TYPE	Tentative Month of Corrective Action Plan Review							
	February	March	April	May	June	July	August	Total
NON-PRIMARY	17	9	3	40	8	5	1	83
PRIMARY	10	8	4	11	8	4		45
<b>TOTAL</b>	<b>27</b>	<b>17</b>	<b>7</b>	<b>51</b>	<b>16</b>	<b>9</b>	<b>1</b>	<b>128</b>

### Corrective Action Plan Monitoring Update:

- Approximately 180 days from the date that the local unit receives notification of approval of their corrective action plan, Treasury will send the local unit the letter referenced as Attachment 1. This letter will inform the local unit that pursuant to Section 10(5) of Public Act 202 of 2017, they have reached the 180-day deadline to begin implementing the actions listed in their approved corrective action plan.
  - They are also informed that additional detail regarding the monitoring process is forthcoming, but that it is strongly recommended that the local unit begin the process of compiling supporting documentation to show they are implementing their corrective action plan and making progress towards their funding status.
- Treasury would like to convene a workgroup with the Municipal Stability Board to develop the corrective action plan monitoring process in late spring/early summer.
  - It is expected that the monitoring process will need to be more aggressive as corrective action plan approvals have tended to be broader in scope.

## Attachment 1



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

February 15, 2019

**Corrective Action Plan(s):  
Implementation Deadline**

Fiscal Year: 2017

Municipality Code: XXXXXXXX

**Sent Via Email**

Local Unit Name

Email

Re: Corrective Action Plan(s)

Dear Administrative Officer or Designee:

**This is a reminder that you have reached the 180-day deadline to begin implementing your corrective action plan(s) for *all applicable retirement systems*.**

Pursuant to Section 10(5) of Public Act 202 of 2017 (the Act), local units have *up to* 180 days after the approval of a corrective action plan to begin implementation to address their underfunded status.

Please note, the Municipal Stability Board (the Board) is required to monitor your compliance with the Act and your corrective action plan [Section 10(6)]. Information about the monitoring process is forthcoming. **We strongly recommend that you begin the process of compiling supporting documentation to show that you are implementing your corrective action plan and making progress towards your funding status.**

**Reminders (Pursuant to the Act):**

- Your approved corrective action plan must be posted publicly on your website or in a public place. **While this approved corrective action plan is in effect for your local unit, you are not required to submit an additional corrective action plan for this system.**
- You are required to continue to file the Form 5572 Retirement System Annual Report annually, which is due six months after the end of your fiscal year.

Thank you for your commitment to fiscal stability and continued compliance with the Act. More information regarding the monitoring process will forthcoming at [Michigan.gov/LocalRetirementReporting](http://Michigan.gov/LocalRetirementReporting).

If you have any questions, please email our office at [LocalRetirementReporting@michigan.gov](mailto:LocalRetirementReporting@michigan.gov) or visit [Michigan.gov/LocalRetirementReporting](http://Michigan.gov/LocalRetirementReporting).

Sincerely,

Michigan Department of Treasury  
Local Retirement Reporting Team



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

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

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

1. Alger County Road Commission
  - a. OPEB: Alger CRC
2. Benzie County
  - a. Pension: Municipal Employee's Retirement System of Michigan
3. Benzie County Road Commission
  - a. Pension: MERS
4. Cass County Road Commission
  - a. OPEB: Cass County Road Commission Retiree Health Care Trust
5. City of Eastpointe
  - a. Pension: MERS-EASTPOINTE
6. Flint Charter Township
  - a. OPEB: Flint Township Retiree Medical Plan
7. City of Gibraltar
  - a. OPEB: City of Gibraltar Retiree Medical Plan/Trust
8. Gladwin County Road Commission
  - a. Pension: Municipal Employees Retirement (MERS) of Michigan
  - b. OPEB: OPEB

9. Lake County Road Commission
  - a. Pension: Lake County Road Commission
  - b. OPEB: MERS of Michigan
  
10. Village of Lexington
  - a. OPEB: Retiree Healthcare Plan
  
11. Luce County Housing Commission
  - a. Pension: MERS
  
12. Mecosta County Road Commission
  - a. OPEB: Road Commission Group Health Insurance
  
13. Metamora Township
  - a. Pension: MERS
  - b. OPEB: Blue Cross Blue Shield
  
14. Monroe County Road Commission
  - a. Monroe County Road Commission Retiree Health Care Plan
  
15. Mt. Morris Charter Township
  - a. Pension: MERS – Mt. Morris Township
  
16. City of North Muskegon
  - a. OPEB: North Muskegon Retiree Healthcare Plan Trust
  
17. Oceana County Road Commission
  - a. OPEB: OPEB
  
18. Village of Ontonagon
  - a. Pension: Village of Ontonagon MERS
  
19. Pathways Community Mental Health
  - a. Pension: PWCMH Defined Benefit MERS Retirement Plan
  - b. OPEB: PWCMH Retiree Health Care Trust 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.

#### I. MUNICIPALITY INFORMATION

Local Unit Name: Alger County Road Commission Six-Digit Muni Code: 020100  
Retirement Health Benefit System Name: Alger CRC  
Contact Name (Administrative Officer): James Gariepy  
Title if not Administrative Officer: Finance Director  
Email: acrc@jamadots.com Telephone: (906) 387-2042

#### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

Please see attachment 7a1. Mers Retiree Health Trust Resolution.

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

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

On December 3, 2018 ACRC approved the expense to have an OPEB actuarial done by Watkins Ross. On January 14, 2019 the ACRC board passed a resolution to implement the MERS(RHFV) Trust. ON February 4, 2019 the board approved \$40,000.00 to be put into MERS(RHFV) Trust. \$20,000.00 for 2017, & \$20,000.00 for 2018. Also, at the meeting the board made resolution, to reach 40% OPEB funding by 2047, and to continue to pay retirees premium payments according to union contract.

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

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

The information on the 2017 Form 5572 was taken from our audit. After looking the data, I found the data on audit was incorrect, The Auditor suggested we get actuarial done and we did. The 2018 OPEB Report shows a more realistic number, and it has dropped our Liability in the process. On February 4, 2019 the board made a resolution to be at least 40% funded in 2047. Each year they will look at the actuarial OPEB report and make payment.

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

Our current union contract goes until June 30, 2020. During negotiations the board will look at ways to drop the OPEB Liability.

- 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**.*

ACRC will make a payment of \$40,000.00 into the MERS Trust, this is above the 30year expectation. This includes \$20,000.00 for 2017 & \$20,000.00 for 2018. A copy of the resolution for payment will be included. The Road commission currently only has 3 retirees on health care, and we don't anticipate more then 3 at any time.

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

**This Corrective Action Plan (Required)**

Attachment – 1a

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

Attachment – 2a

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

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment – 6a

Other documentation, not categorized above

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria	Description
<input checked="" type="checkbox"/> Underfunded Status	Is there a description and adequate supporting documentation of how and when the retirement system will reach the 40% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all retirement healthcare systems will be less than 12 percent of governmental fund revenues?
<input checked="" type="checkbox"/> Reasonable Timeframe	Do the corrective actions address the underfunded status in a reasonable timeframe ( <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 L Lindbeck, 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 Alger County Road Commission (**Insert Retirement Healthcare System Name**) will achieve a funded status of at least 40% by Fiscal Year 2047 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature \_\_\_\_\_

Date \_\_\_\_\_

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

Issued under authority of Public Act 202 of 2017.

### I. MUNICIPALITY INFORMATION

Local Unit Name: Benzie County Six-Digit Muni Code: 100000  
Defined Benefit Pension System Name: Municipal Employee's Retirement System of Michigan  
Contact Name (Administrative Officer): Mitchell Deisch  
Title if not Administrative Officer: County Administrator  
Email: mcutler@benzieco.net Telephone: (231) 882-0035

### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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



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

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

**Category of Prior Actions:**

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

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

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

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

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

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

The information provided on the Form 5572 used information from the prior year 2016 Audit. Attached is an updated Form 5572 using Audited 2017 numbers that shows our funded ratio of 64.1%.

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

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

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

The information provided on the Form 5572 used information from the prior year 2016 Audit. Attached is an updated Form 5572 using Audited 2017 numbers that shows our funded ratio of 64.1%.

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) Benzie County 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 Gary Sauer, as the government's administrative officer (*enter title*) County Commissioner - Chairman (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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

- The Municipal Employee's Retirement System (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2016 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 02/12/2019

# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

#### 1. MUNICIPALITY INFORMATION

Local Unit Name: Benzie County Road Commission Six-Digit Muni Code: 100100  
Defined Benefit Pension System Name: MERS  
Contact Name (Administrative Officer): Jennifer L Kolinske  
Title if not Administrative Officer: Financial Manager  
Email: bcrclerk@benzieroad.org Telephone: (231) 325-3051

#### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### **3. DESCRIPTIONS OF PRIOR ACTIONS**

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

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

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

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

**Category of Prior Actions:**

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

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

Employees hired after July 1, 2011 are enrolled in our Hybrid Plan with a 1% multiplier. Employees hired prior to July 1, 2011 have a B2 plan with a 2% multiplier.

**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**.*

Oct 2016 to Sept 2018 we contributed an additional \$15,000 per month over and above our required minimum contribution. Starting Oct 2018 we raised this amount to \$16,000 per month. December 2017 we added a "surplus" division with a contribution of \$86,647. If our budget allows for it we plan to continue to contribute future MDOT audit refunds as well as MCRCSIP refunds to this division.

**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.

Starting Oct 2019 we will contribute and additional \$20,000 (\$4,000 increase) per month over and above our required minimum contribution. In FY 2019 we will contribute an additional \$84,007 to our MERS "surplus" division. These funds are a refund from our MDOT FY 2017 Audit.

**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) Benzie County Rd Commission to make, at a minimum, the annual required contribution payment for the defined benefit pension system according to your long-term budget forecast?

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

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

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

### Type of Document

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

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

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

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

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

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

Other documentation not categorized above

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

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

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

I Jennifer L. Kolinske, as the government's administrative officer (*enter title*)  
Financial 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 2023 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature Jennifer L Kolinske

Date 02/15/2019

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

Issued under authority of Public Act 202 of 2017.

### 1. MUNICIPALITY INFORMATION

Local Unit Name: Cass County Road Commission Six-Digit Muni Code: 140100  
Retirement Health Benefit System Name: Cass County Road Commission Retiree Health Care Trust  
Contact Name (Administrative Officer): Steve Lucas  
Title if not Administrative Officer: Manager/CEO  
Email: slucas@casscoroad.com Telephone: (269) 445-8611

### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

The Road Commission Board passed new policy to stop stipend payments to retirees who were hired after October 2017. The road commission also adjusted the life insurance policy which reduced the cost and also changed coverage to stop at age 70 for all retired employees. This and prior years changes has reduced the number of covered retirees since our last evaluation in 2016. All employees participate in premium share to help alleviate the cost. attach: A-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 road commission has set up a Trust for health care benefits which we will contribute to yearly to obtain level requirements. attachments: A-2

- 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**.*

September 30, 2018 the Road Commission had our auditors Rehmann Robson do a actuarial valuation. The valuation showed a reduction in our retiree health liability from our 2016 evaluation. Attachments: A-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 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 2020 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 Cass County Road Commission Retiree Health Care Trust after reviewing the year-end budget to accelerate the funding status to reach a 40% funded level before the time line given by the Michigan Department of Treasury.

- 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) Cass 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 (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, Steve Lucas, as the government's administrative officer (insert title) Manager/CEO (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 Cass Cty Rd Comm Retiree Health Trust (**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 Steve Lucas

Date 2-14-19



# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

#### 1. MUNICIPALITY INFORMATION

Local Unit Name: CITY OF EASTPOINTE Six-Digit Muni Code: 502020

Defined Benefit Pension System Name: MERS-EASTPOINTE

Contact Name (Administrative Officer): RANDALL BLUM

Title if not Administrative Officer: FINANCE DIRECTOR

Email: rblum@eastpointecity.org Telephone: (586) 204-3040

#### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

The system's multiplier for current employees as of January 1, 2013 was lowered as follows; General employees reduced from 2.8X to 1.0X, Police employees was reduced from 2.8X to 1.8X and Fire employees were reduced from 2.8X to 2.0X with an employee contribution of 5% of payroll. All new hires receive a 1.0X. One page 14 of the actuarial valuation, it shows our funded ratio will be 60% by fiscal year 2026.

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

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

The City of Eastpointe made an additional payment of \$2,000,000 to MERS above of actuarially determined contribution on December 19, 2018 and made an early payment of \$1,897,962 to MERS toward our fiscal year actuarially determined contribution on December 27, 2018. The additional contribution will increase the system's funded ratio to 60% by 2025. MERS payment history is included.

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

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

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

The city is investigating the impact of a closure of the pension system when contracts expire on June 30, 2020. We have not yet obtained an actuarial valuation from MERS for the improvement to our unfunded liability of this type of change.

- 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.

PA 545 of 2018 as amended now allows issuance of pension obligation bonds by A rated communities. Eastpointe has an A+ rating and will avail themselves of this solution, if necessary, to achieve the desired funding level of 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 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.

At the February 2, 2019 Council meeting the City Council is looking at establishing a legacy commission to review potential pension changes with all stakeholders. Retirees, active employees, resident taxpayers, business taxpayers and Council will all be represented and have input into any solutions.

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

- Yes  
 No  
If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Attachment – 1  | <b>This Corrective Action Plan Form (Required)</b>  |
| <input checked="" type="checkbox"/> Attachment – 1a | <b>Documentation from the governing body approving this Corrective Action Plan (Required)</b>   |
| <input checked="" type="checkbox"/> Attachment – 2a | <b>An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 60% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 10% of governmental fund revenues, as defined by the Act. (Required)</b> |
| <input checked="" type="checkbox"/> Attachment – 3a | Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).   |
| <input 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 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 RANDALL BLUM, 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-EASTPOINTE (**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 \_\_\_\_\_

Date \_\_\_\_\_

1-18-2019

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

Issued under authority of Public Act 202 of 2017.

### I. MUNICIPALITY INFORMATION

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

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

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

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

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

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

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

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

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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



**Category of Prior Actions:**

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

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

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	<b>This Corrective Action Plan (Required)</b>
<input checked="" type="checkbox"/> Attachment – 1a	<b>Documentation from the governing body approving this Corrective Action Plan (Required)</b>
<input checked="" type="checkbox"/> Attachment – 2a	<b>An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 40% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 12% of governmental fund revenues, as defined by the Act. (Required)</b>
<input type="checkbox"/> Attachment – 3a	Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).
<input checked="" type="checkbox"/> Attachment – 4a	Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)
<input type="checkbox"/> Attachment – 5a	A separate corrective action plan that the local unit has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio
<input 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 Gibraltar Six-Digit Muni Code: 822090  
Retirement Health Benefit System Name: City of Gibraltar Retiree Medical Plan/Trust  
Contact Name (Administrative Officer): Derek Thiel  
Title if not Administrative Officer: City Administrator  
Email: dthiel@cityofgibraltar.net Telephone: (734) 676-3900

### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

See attachment 5a, section A1.

- 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 attachment 5a, Section A2.

- 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 attachment 2a. City of Gibraltar Retiree Medical Plan - Accounting Actuarial Report for the Period Ending June 30, 2018 developed by Watkins Ross.

**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 attachment 5a, Section A1.

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

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

See attachment 5a, Section A4.

- 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 attachment 5a, Section A4.



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

- Yes
- No  
If No, Explain

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

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

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

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

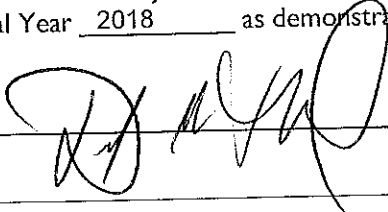
I confirm to the best of my knowledge that because of the changes listed above, one of the following statements will occur:

The \_\_\_\_\_ (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 Gibraltar (Insert local unit name) will be less than 12% of the local unit of government's annual governmental fund revenues by Fiscal Year 2018 as demonstrated by required supporting documentation listed in section 6.

Signature \_\_\_\_\_



Date \_\_\_\_\_

11/13/18

# 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: Gladwin County Road Commission Six-Digit Muni Code: 260101  
Defined Benefit Pension System Name: Municipal Employees Retirement (MERS) of Michigan  
Contact Name (Administrative Officer): Heather Cameron  
Title if not Administrative Officer: Clerk  
Email: hcameron@gladwinroads.com Telephone: (989) 426-7441

## 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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



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

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

**Category of Prior Actions:**

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

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

July 1, 2012; a new division was opened for all new employees lowering the multiplier from 2.5x to 1.5x. Also employee contributions were increased from 3% of \$4,200 wages - 5% to a flat 5%. Compensation is base wage only. No OT.  
July 1, 2015; we adopted a non-standard compensation definition. Vacation pay is no longer included in the FAC.

- 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**.*

3b. Extra Payments as follows:  
\$50,000 per year of 2012, 2013 & 2014; \$232,336 Year 2015; \$304,505 Year 2016; \$719,230 Year 2017;  
\$518,694.96 Year 2018 (See Spreadsheet);  
3c. We have been following the accelerated 10 year contribution plan since 2016.

- 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**.

See Attached 5a, 5b

- 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 3a, 3b, 3c

- 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 2a. A projection by MERS from changing our 2.5X multiplier to 2.0X (see attached)  
2b Certified reports with 10 Year Projections of Employer Contributions and Funded Ratios showing a funded ratio of 63% in 2019 and a Funded Ratio of 67% by 2029

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

- Yes  
 No  
If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Attachment – 1  | <b>This Corrective Action Plan Form (Required)</b>  |
| <input checked="" type="checkbox"/> Attachment – 1a | <b>Documentation from the governing body approving this Corrective Action Plan (Required)</b>   |
| <input checked="" type="checkbox"/> Attachment – 2a | <b>An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 60% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 10% of governmental fund revenues, as defined by the Act. (Required)</b> |
| <input checked="" type="checkbox"/> Attachment – 3a | Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).   |
| <input 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 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 ( <a href="#">see CAP criteria issued by the Board</a> )?
<input checked="" type="checkbox"/> Legal and Feasible	Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?
<input checked="" type="checkbox"/> Affordability	Do the corrective action(s) listed allow the local unit to make the annual required contribution payment for the pension system now and into the future without additional changes to this corrective action plan?

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

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

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

- The Municipal Employees Retirement of MI (Insert Retirement Pension System Name) will achieve a funded status of at least 60% 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 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 Heather Cameron Date 1-24-19



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

Issued under authority of Public Act 202 of 2017.

### I. MUNICIPALITY INFORMATION

Local Unit Name: Gladwin County Road Commission Six-Digit Muni Code: 260100

Retirement Health Benefit System Name: OPEB

Contact Name (Administrative Officer): Heather Cameron

Title if not Administrative Officer: Clerk

Email: hcameron@gladwinroads.com Telephone: (989) 426-7441

### 2. GENERAL INFORMATION

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

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

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

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

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

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



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

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

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

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

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

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

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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



**Category of Prior Actions:**

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

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

All Employees hired after August 19, 2009 will not be eligible for Retiree Health Insurance.  
See excerpt from union contract in attachment 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.*

We have been contributing \$25,000 a year since 2012.  
See report in attachment #6a

- 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 pay as you go. We will be having an OPEB Study done for 2018.

**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.*

We have been making \$25,000 payments a year since 2012. We plan plant to make annual \$100,000 payment to show our commitment to funding our opeb obligations which will make the plan 40% funded in 27 years. See attachment # 6d

- 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**.*

We have a very strong contractual language in our union agreements. We hired an attorney to get a legal opinion on any modifications we can make to retiree health insurance benefits. His report in attachment #6c

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No

If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

Attachment – 1

**This Corrective Action Plan (Required)**

Attachment – 1a

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

Attachment – 2a

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

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

- The Municipal Employees Retirement of MI (**Insert Retirement Healthcare System Name**) will achieve a funded status of at least 40% by Fiscal Year 2046 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 Heather Cameron

Date 1-24-19

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

Issued under authority of Public Act 202 of 2017.

### I. MUNICIPALITY INFORMATION

Local Unit Name: Lake County Road Commission Six-Digit Muni Code: 430100  
Defined Benefit Pension System Name: Lake County Road Commission  
Contact Name (Administrative Officer): Jessica LaPointe  
Title if not Administrative Officer: Finance & HR Manager  
Email: jessica@lcrc-roads.com Telephone: (231) 745-4666

### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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



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

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

**Category of Prior Actions:**

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

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

Effective April 1, 2013 Lake County Road Commission implemented a plan change which reduced benefits from a 2.5% multiplier to a 2% multiplier for any new hires. In the five years since that change was implemented we have replaced approximately 50% of our workforce with new hires. Of 31 active employees enrolled in our defined benefit plan, 16 are on the old plan and 15 are on the new plan with the lower multiplier.

- 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.*

Lake County Road Commission has been making additional funding contributions for several years in an effort to address our unfunded liability. Additional contributions were as follows: 2010 - \$75,000; 2011 - \$75,000; 2015 - \$100,000; 2016 - \$100,000; 2017 - \$100,000.

- 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.

On the attached actuarial valuation, the baseline minimum required contributions are not sufficient to fund our plan within a reasonable amount of time, therefore we have created an alternative funding plan and the actuaries at MERS have created a funding projection for us based on our plan. The funding plan that we have implemented achieves a funding level of 60% by 2026, 70% by 2028, 80% by 2030, 90% by 2032 and 100% by 2034.

- 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) Lake 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 ( <a href="#">see CAP criteria issued by the Board</a> )?
<input checked="" type="checkbox"/> Legal and Feasible	Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?
<input checked="" type="checkbox"/> Affordability	Do the corrective action(s) listed allow the local unit to make the annual required contribution payment for the pension system now and into the future without additional changes to this corrective action plan?

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

I Jessica LaPointe, as the government's administrative officer (*enter title*) Finance & HR 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 Lake County Road Commission (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  Date 2-14-2019

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

Issued under authority of Public Act 202 of 2017.

## I. MUNICIPALITY INFORMATION

Local Unit Name: Lake County Road Commission Six-Digit Muni Code: 430100  
Retirement Health Benefit System Name: MERS of Michigan  
Contact Name (Administrative Officer): Jessica LaPointe  
Title if not Administrative Officer: Finance & HR Manager  
Email: jessica@lcrcc-roads.com Telephone: (231) 745-4666

## 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

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

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

The Lake County Road Commission has been making additional contributions of \$25,000 in 2009, 2010, 2011, 2015 and 2016.

- 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 Board of Road Commissioners of Lake County have adopted a funding plan committing to contributing an additional \$75,000 each year until we reach fully funded in approximately 20 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) MERS of Michigan to make, at a minimum, the retiree premium payment, as well as the normal cost payments for all new hires (if applicable), for the retirement health benefit system according to your long-term budget forecast?

Yes

No

If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

Attachment – 1

**This Corrective Action Plan (Required)**

Attachment – 1a

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

Attachment – 2a

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

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment – 6a

Other documentation, not categorized above

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

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

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

I, Jessica LaPointe, as the government's administrative officer (insert title) Finance & HR 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 of Michigan (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% 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 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 2-14-2019

# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Retirement Health Benefit Systems

Issued under authority of Public Act 202 of 2017.

#### 1. MUNICIPALITY INFORMATION

Local Unit Name: Village of Lexington Six-Digit Muni Code: 763050  
Retirement Health Benefit System Name: Retiree Healthcare Plan  
Contact Name (Administrative Officer): Holly Tatman, Village Manager  
Title if not Administrative Officer: \_\_\_\_\_  
Email: htatmanvillagemgr@gmail.com Telephone Number: (810) 359-8631

#### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

(ii) Capping employer costs.

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

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

#### Category of Prior Actions:

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

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

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

**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 our Form 5572 from the audited financial statements of the Village of Lexington for the year ended June 30, 2018. The actuarially determined contribution for the plan was \$195,433 and the governmental fund revenues were \$2,363,020 for the year ended June 30, 2018. Based on this our ratio of ADC/governmental fund revenues for the year ended June 30, 2018 is 8.3% and therefore did not trigger the underfunded status of line 13 of the form.

#### 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) Village of Lexington 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:** No corrective action was necessary at this time due to completion of the Form 5572 for the year ended June 30, 2018, which demonstrated meeting the ratio of ADC/governmental fund revenues component of the trigger.

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

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

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

**Naming Convention**

**Type of Document**

Attachment – 1

**This Corrective Action Plan (Required)**

Attachment – 1a

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

Attachment – 2a

Actuarial Analysis (annual valuation, supplemental valuation, projection)

Attachment – 3a

Internally Developed Projection Study

Attachment – 4a

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

Attachment – 5a

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

Attachment – 6a

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

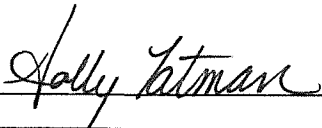
Attachment – 7a

Other documentation, not categorized above

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

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

Signature



Date 11/01/2018

# 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: Luce County Housing Commission Six-Digit Muni Code: 487503  
Defined Benefit Pension System Name: MERS  
Contact Name (Administrative Officer): Angela Pringle  
Title if not Administrative Officer: Executive Director  
Email: lchc\_550@sbcglobal.net Telephone Number: (906) 293-5988

## 2. GENERAL INFORMATION

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

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

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

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

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

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



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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

- 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**.*

As can be seen in Attachment 7a and Attachment 7b, the County has consistently increased the required annual contribution charged to the Housing Commission to obtain a funded ratio of at least 60% by 2020.

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

- Yes**
- No**

**If No, Explain:**

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

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

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

Naming Convention	Type of Document
<input checked="" type="checkbox"/> Attachment – 1	<b>This Corrective Action Plan Form (Required)</b>
<input checked="" type="checkbox"/> Attachment – 1a	<b>Documentation from the governing body approving this Corrective Action Plan (Required)</b>
<input type="checkbox"/> Attachment – 2a	Actuarial Analysis (annual valuation, supplemental valuation, projection)
<input type="checkbox"/> Attachment – 3a	Internally Developed Projection Study
<input 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, Angela Pringle, 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.

Signature Angela Pringle

Date 9/18/2018

# 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: Mecosta County Road Commission Six-Digit Muni Code: 540100  
Retirement Health Benefit System Name: Road Commission group health insurance  
Contact Name (Administrative Officer): Amy Kailing  
Title if not Administrative Officer: Finance Director  
Email: akailing@mecostaroads.org Telephone: (231) 796-2611

#### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

(ii) Capping employer costs.

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

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

On July 1, 2016 all new employees no longer receive retiree health insurance through the road commission, instead they've been enrolled into a MERS HCSP where the road commission deposits \$1,200 (pro-rated for hire date) annually. With closing our retiree health insurance the current liability will be paid for in the year 2059. Also premiums are only covered for retirees from age 60-65 and retirees deductible is \$1,500 instead of \$750.00

- 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 Road Commission approved a healthcare trust on December 11, 2018 and money will be put into the trust starting March 2019. The Road Commission is changing its funding from pay as you go to full pre-funding the ACR and the Road Commission retiree healthcare will be fully pre-funded by January 1, 2021. The Road Commission healthcare funded ratio will be 40% by December 31, 2038.

- 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) Mecosta County Road Cmsn 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, Van Johnson, as the government's administrative officer (insert title) Board Chairman (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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

The Road Commission group health insurance (**Insert Retirement Healthcare System Name**) will achieve a funded status of at least 40% by Fiscal Year 2037 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 2/12/2019

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

Issued under authority of Public Act 202 of 2017.

### 1. MUNICIPALITY INFORMATION

Local Unit Name: Metamora Township Six-Digit Muni Code: 441150  
Defined Benefit Pension System Name: MERS  
Contact Name (Administrative Officer): Ryan L. King, CPA, CGMA  
Title if not Administrative Officer: Auditor  
Email: ryan@kingandkingcpas.com Telephone: (810) 724-1120

### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

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

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

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

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

Funded 2018 5572 attached.

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

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

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



## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No

If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

Attachment – 1

Attachment – 1a

Attachment – 2a

Attachment – 3a

Attachment – 4a

Attachment – 5a

Attachment – 6a

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

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

The \_\_\_\_\_ (Insert Retirement Pension System Name) will achieve a funded status of at least 60% 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 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

Stephen M. Cel

Date

12/13/18

## 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: Metamora Township Six-Digit Muni Code: 441150  
Retirement Health Benefit System Name: Blue Cross Blue Shield  
Contact Name (Administrative Officer): Ryan L. King, CPA, CGMA  
Title if not Administrative Officer: Auditor  
Email: ryan@kingandkingcpas.com Telephone: (810) 724-1120

### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

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

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

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

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

Funded 2018 5572 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**.*

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

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

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

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

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No

If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

Attachment – 1

**This Corrective Action Plan (Required)**

Attachment – 1a

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

Attachment – 2a

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

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment – 6a

Other documentation, not categorized above



**7. CORRECTIVE ACTION PLAN CRITERIA**

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

**Corrective Action Plan Criteria**

**Description**

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**

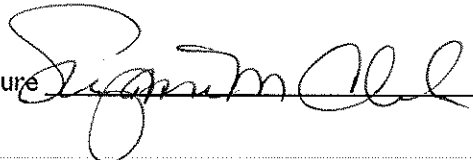
I, Suzanne M. Clark, as the government's administrative officer (insert title) Clerk (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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

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

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

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

Signature 

Date 12/13/18

# 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: Monroe County Road Commission Six-Digit Muni Code: 580100  
Retirement Health Benefit System Name: Monroe County Road Commission Retiree Health Care Plan  
Contact Name (Administrative Officer): Randy Pierce  
Title if not Administrative Officer: Managing Director  
Email: rpierce@mcrc-mi.org Telephone: (734) 240-5102

#### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

During the last contract negotiations in 2017-2018, vesting changed from 8 years to 15 years in order to receive retiree health care benefits

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

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

As of January 1, 2018, funding was increased to 30% of payroll, which is 11.9774% more than the Actuarial Required Contribution (ARC) of 18.0226%.

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

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

Information on Form 5572 was dated 12/31/16. Our next actuarial valuation will be as of 12/31/18. Plan assets at 12/31/16 were \$2,999,315 and have increased to \$5,367,641 as of 9/30/18. The trust was established in 2007 with a \$100,000 deposit and only had assets of \$589,660 by 12/31/13. In 2014, the road commission started funding at the ARC rate and the 2018 ARC is 18.0226 of payroll. We are have increased funding to 30% as of 1/1/18.

**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**.*

We had requested a revision to the actuarial projections to more accurately reflect the contributions currently being provided by the road commission. This revised report reflects additional contributions of \$1,100,000 annually and states the road commission would achieve the 40% funded status by 2023. We have included the report with this submission.

**5. CONFIRMATION OF FUNDING**

Please check the applicable answer:

Do the corrective actions listed in this plan allow for *(insert local unit name)* Monroe 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**

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



## 7. CORRECTIVE ACTION PLAN CRITERIA

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

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

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

I, Randy Pierce, 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 Monroe County Road Commission Retiree (**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 

Date 2-14-19



# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

#### 1. MUNICIPALITY INFORMATION

Local Unit Name: \_\_\_\_\_ Six-Digit Muni Code: \_\_\_\_\_  
Defined Benefit Pension System Name: \_\_\_\_\_  
Contact Name (Administrative Officer): \_\_\_\_\_  
Title if not Administrative Officer: \_\_\_\_\_  
Email: \_\_\_\_\_ Telephone: \_\_\_\_\_

#### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### **3. DESCRIPTIONS OF PRIOR ACTIONS**

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

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

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

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

**Category of Prior Actions:**

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

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

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

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

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

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

#### **4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

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

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

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

- Yes
- No  
If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

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

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria	Description
<input type="checkbox"/> Underfunded Status	Is there a description and adequate supporting documentation of how and when the retirement system will reach the 60% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all pension systems will be less than 10 percent of governmental fund revenues?
<input type="checkbox"/> Reasonable Timeframe	Do the corrective actions address the underfunded status in a reasonable timeframe ( <a href="#">see CAP criteria issued by the Board</a> )?
<input type="checkbox"/> Legal and Feasible	Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?
<input type="checkbox"/> Affordability	Do the corrective action(s) listed allow the local unit to make the 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 \_\_\_\_\_, as the government's administrative officer (*enter title*) \_\_\_\_\_ (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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

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

# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Retirement Health Benefit Systems

Issued under authority of Public Act 202 of 2017.

#### I. MUNICIPALITY INFORMATION

Local Unit Name: North Muskegon Six-Digit Muni Code: 612040  
Retirement Health Benefit System Name: North Muskegon Retiree Healthcare Plan Trust  
Contact Name (Administrative Officer): Sam Janson  
Title if not Administrative Officer: City Manager  
Email: sjanson@northmuskegon.org Telephone: (231) 744-1621

#### 2. GENERAL INFORMATION

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

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

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

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

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

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



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

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

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

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

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

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

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

### Category of Prior Actions:

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

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

Prior to 2009 the City of North Muskegon provided full health insurance coverage to eligible retirees with Medicare supplemental coverage thereafter. Beginning in 2009, the City began reducing/eliminating this benefit to new hires. The 2009 POLC contract implemented retiree premium cost sharing (between 50% and 10% based on years of service). Retiree healthcare coverage benefits were totally eliminated for non-union employees hired after 11/8/16, and for Teamsters Local 214 Union employees hired after December 1, 2017. This reduction in benefits has reduced our future liability accrual and will be less costly. See attachment 6a Union Contract language and 11/7/16 Council Minutes with applicable sections marked.

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

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

The City of North Muskegon created a qualified retiree healthcare funding trust in 2007. Monthly premiums are budgeted and paid from general fund resources and additional annual contributions (which have been made each year since 2008) are being used to work towards pre-funding future benefits. These additional payments reduce our accrued liability and the accumulating balance is professionally invested to maximize favorable market returns. See page 7 of our 11/30/18 Retiree Healthcare Plan Accounting Report for benefits paid from general operating funds and total contributions to our OPEB trust. See also Attachment 6a for listing of annual contributions to our 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**.*

Our past Actuarial Valuation Reports have shown a steady improvement in our Funded Ratio, from 1.7% in 2009 to 10.7% in 2013 and to 20% in 2016. Because of state mandated assumption changes, our 11/30/18 Plan Fiduciary Net Position as a Percentage of Total OPEB Liability percentage increased at a lesser amount to 21.7%. It is our intention to continue this upward trend until our plan is fully funded. Attachment 6a includes a page from our 2016 OPEB Actuarial showing the positive growth in our Funded Ratio.

### 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**.*

In addition to the employee divisions already closed to future OPEB, the local unit plans to seek revisions in the POLC collective bargaining agreements in 2019 which will eliminate the retiree health care benefits of all future police officers. This change will eliminate increases in our OPEB liability since there will be no new additions to the list of covered employees.

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

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

As mentioned above, the local unit has had a qualified trust in place since 2007. We are committed to continue our practice of using budgeted general fund resources to pay monthly retiree health care premiums and will contribute at least an additional \$50,000 annually to reduce our future liability. An analysis projection prepared by Watkins Ross (See Attachment 2a) indicates that we will reach the retirement system's 40% funded ratio by 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 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) the City of North Muskegon 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, Sam Janson, 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 North Muskegon Retiree Healthcare Plan Trust (**Insert Retirement Healthcare System Name**) will achieve a funded status of at least 40% 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 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 \_\_\_\_\_

01/21/2019

# OCEANA COUNTY ROAD COMMISSION

Office (231) 873-4226

FAX (231) 873-7123

P.O. Box 112

Hart, Michigan 49420

Shop (231) 873-3717

[www.oceanacrc.org](http://www.oceanacrc.org) (website)

[sgriffin@oceanacrc.org](mailto:sgriffin@oceanacrc.org) (email address)

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**Mark Timmer, Managing Director**

**Sandra K. Griffin, Clerk**

**Susan Merten, Payroll Clerk**

**William Myers, Chairman**

**Lloyd Gowell, Vice-Chairman**

**Cathy Forbes, Member**

**Bob Carr, Member**

**Allen Blohm, Member**

## RESOLUTION NO. 1 – OPEB FUNDING (RESTATED RESOLUTION)

Motion by Forbes and supported by Carr to pledge \$25,000 quarterly, over and above payment of our monthly Priority Health Insurance billing, to fund our OPEB obligation on our “underfunded” Retiree Medical Plan as required by the Department of Treasury. This Resolution supersedes the Resolution made at the July 25, 2018 Regular Board Meeting.

Roll call vote: Forbes – yes; Carr – yes; Gowell – yes; Blohm – yes; Myers – yes.  
Motion carried.

ATTEST:

  
SANDRA K. GRIFFIN, CLERK

January 23, 2019 Regular Board Meeting.

## **TO WHOM IT MAY CONCERN**

**RE: Oceana County Road Commission  
Corrective Action Plan – 2017 - Additional Information**

On July 25, 2018, the Oceana County Road Commission Board committed to sending \$25,000 quarterly to Constellation Trust Company to fund our underfunded Priority Health Retirement Plan. Our Priority Health Plan (Group ID #787684) does not allow anyone over 65 (active or retired) to be covered under the Plan.

Our Lincoln Financial Group (Life Insurance - Account #OCEANARD-BL-684151) no longer offers a life insurance policy after retirement to anyone hired after January 1, 2011.

We have currently contracted with Watkins Ross to perform an annual OPEB accounting report.

We have contributed \$75,000 in 2018 toward our underfunded health insurance plan and will be funding \$25,000 quarterly until our OPEB requirement is met. Copies of the checks are attached. We have sent \$25,000 thus far in 2019.

When our current Union Contract expires (December 31, 2021) with the United Steelworkers, Local 8986, the Road Commission Board will propose further health insurance options.

# 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: Village of Ontonagon Six-Digit Muni Code: 663010  
Defined Benefit Pension System Name: Village of Ontonagon MERS  
Contact Name (Administrative Officer): Joseph W. Erickson  
Title if not Administrative Officer: Village Manager  
Email: ontmgr@jamadots.com Telephone: (906) 884-2305

#### 2. GENERAL INFORMATION

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

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

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

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

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

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



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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

Please see attached statement.

- 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**.*

Please see attached statement.

- 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 Village pension system prior to 2015 has two closed units. The largest of these was for the pensions for Hospital Employees. The Village Hospital closed in 2007 and the Village assumed the pension liability for vested employees at that time. Revision of the acutarial assumption further degraded the assets. All pensions for active employees are allocated to both Governmental and Proprietary funds.

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

The Village will continue to monitor this situation. No plan changes are proposed.

- 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 Village will be considering increasing the millage rate to cover additional costs.

- 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 Village will continue to review our position and further refine our pension allocations from available Governmental and Proprietary funds.

## 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 Ontonagon 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 – I

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

Attachment – 1a

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

Attachment – 2a

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

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment –6a

Other documentation not categorized above

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

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

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

I Joseph W. Erickson, as the government's administrative officer (*enter title*) Village of Ontonagon (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.

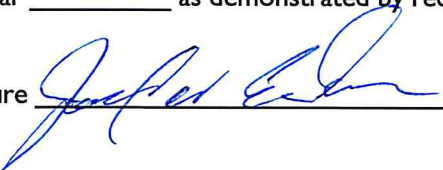
I confirm to the best of my knowledge that because of the changes listed above, one of the following statements will occur:

The MERS Ontonagon Village Plan (**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 \_\_\_\_\_ (**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

11/29/19

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

Issued under authority of Public Act 202 of 2017.

### I. MUNICIPALITY INFORMATION

Local Unit Name: Pathways Community Mental Health Six-Digit Muni Code: 527511

Defined Benefit Pension System Name: PWCMH Defined Benefit MERS Retirement Plan

Contact Name (Administrative Officer): John W. Blemberg

Title if not Administrative Officer: CFO

Email: jblemberg@up-pathways.org Telephone: (906) 225-7214

### 2. GENERAL INFORMATION

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

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

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

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

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

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



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

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

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

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

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

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

### **3. DESCRIPTIONS OF PRIOR ACTIONS**

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

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



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

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

**Category of Prior Actions:**

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

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

Please refer to Attachment - 5a.

- 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**.*

Please refer to 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 **62%** as indicated on page 13.*

Please refer to Attachment - 5a.

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

The Plan is closed and no further system changes are contemplated.

- 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 are not a municipality we are a Mental Health Authority - we have no ability to levy bonds or taxes to assist.

- 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.

We are governed by the Medicare/Medicaid regulations which stipulate only up to the required ARC are we allowed to expense and seek reimbursement.

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

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

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

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

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria	Description
<input checked="" type="checkbox"/> Underfunded Status	Is there a description and adequate supporting documentation of how and when the retirement system will reach the 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 Mary J. Swift, as the government's administrative officer (*enter title*) CEO (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 PWCMH MERS Retirement Plan (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2024 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature

Mary J. Swift

Date

1/17/19



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

Issued under authority of Public Act 202 of 2017.

### I. MUNICIPALITY INFORMATION

Local Unit Name: Pathways Community Mental Health Six-Digit Muni Code: 527511

Retirement Health Benefit System Name: PWCMH Retiree Health Care Trust Fund

Contact Name (Administrative Officer): John W. Blemberg

Title if not Administrative Officer: CFO

Email: jblemberg@up-pathways.org Telephone: (906) 225-7214

### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

Refer to Attachment - 5a

- 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.*

Refer to 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**.*

Refer to Attachment - 5a

**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 Plan is closed and no further system changes are contemplated.

- 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 are not a municipality we are a Mental Health Authority - we have no ability to levy bonds or taxes to assist.

- 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**.*

We are governed by the Medicare/Medicaid regulations which stipulate only up to the required ARC are we allowed to expense and seek reimbursement.  
Refer to Attachment -2a the Milliman OPEB Actuarial Report for the year ending September 30, 2018 in which on pages 10 and 24 the Plan is funded at 45%

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

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

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention	Type of Document
<input checked="" type="checkbox"/> Attachment – 1	<b>This Corrective Action Plan (Required)</b>
<input checked="" type="checkbox"/> Attachment – 1a	<b>Documentation from the governing body approving this Corrective Action Plan (Required)</b>
<input checked="" type="checkbox"/> Attachment – 2a	<b>An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 40% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 12% of governmental fund revenues, as defined by the Act. (Required)</b>
<input type="checkbox"/> Attachment – 3a	Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).
<input type="checkbox"/> Attachment – 4a	Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)
<input checked="" type="checkbox"/> Attachment – 5a	A separate corrective action plan that the local unit has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio
<input 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, Mary J. Swift, as the government's administrative officer (insert title)  
CEO (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 PWCMH Retiree Health Plan (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2018 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature \_\_\_\_\_

*Mary J. Swift*

Date \_\_\_\_\_

1/17/19

**MUNICIPAL STABILITY BOARD  
RESOLUTION 2019-4**

**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

February 20, 2019

MSB Appendix A, February 20, 2019

Color Code Key
Green meets CAP Criteria
Yellow partially meets CAP Criteria
Red does not meet CAP Criteria

CAP Criteria Key	
<b>Underfunded Status</b>	Was there description and adequate supporting documentation of how and when the retirement system will address the Underfunded Status criteria as defined by the Municipal Stability Board?
<b>Timeframe</b>	Does this corrective action for this plan meet the Reasonable Timeframe criteria as defined by the Municipal Stability Board?
<b>Legal/Feasible</b>	Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?
<b>Affordable</b>	The local unit must confirm that corrective actions listed in the CAP allow for the local unit to make, at a minimum, the annual required contribution (ARC) payment for pension plans and/or the retiree healthcare premium payment, as well as the normal cost payment for new hires for retirement health benefits

#	Local Unit	Municode	System Type	Date Received	Underfunded Status	Timeframe	Legal/Feasible	Affordable	Treasury Recommendation	Corrective Action Plan Link
1	City of Battle Creek	132020	Pension	1/16/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">City of Battle Creek Pension</a>
2	City of Benton Harbor	112010	Pension	1/16/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">City of Benton Harbor Pension</a>
3	Bloomfield Township Public Library	638006	OPEB	1/16/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">Bloomfield Township Public Library OPEB</a>
4	Capital Area Transportation Authority	337510	OPEB	1/16/2019	No	No	Partial	No	Disapprove	<a href="#">Capital Area Transportation Authority OPEB</a>
5	City of Center Line	502010	Pension	1/16/2019	Yes	Yes	Yes	Partial	Approve	<a href="#">City of Center Line Pension</a>
6	City of Center Line	502010	OPEB	1/16/2019	Yes	Yes	Yes	Partial	Approve	<a href="#">City of Center Line OPEB</a>
7	Community Mental Health Authority of Clinton, Eaton, Ingham Counties	502030	Pension	1/16/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">Community Mental Health Authority of Clinton, Eaton, Ingham Counties Pension</a>
8	City of Crystal Falls	362020	OPEB	1/16/2019	Yes	Yes	Yes	Partial	Approve	<a href="#">City of Crystal Falls OPEB</a>
9	City of Dearborn Heights	822040	OPEB	1/16/2019	Yes	Yes	Partial	Partial	Approve	<a href="#">City of Dearborn Heights OPEB</a>
10	Eastern Upper Peninsula Transportation Authority	177516	Pension	1/16/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">Eastern Upper Peninsula Transportation Authority Pension</a>
11	City of Essexville	092030	OPEB	1/16/2019	No	No	No	Partial	Disapprove	<a href="#">City of Essexville OPEB</a>
12	Jackson District Library	388000	OPEB	1/16/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">Jackson District Library OPEB</a>
13	Lansing City Housing Commission	337534	OPEB	1/16/2019	Yes	Yes	Partial	Yes	Approve	<a href="#">Lansing City Housing Commission OPEB</a>
14	Marquette County Road Commission	520100	Pension	1/16/2019	Partial	Partial	Yes	Yes	Approve	<a href="#">Marquette County Road Commission Pension</a>
15	Marquette County Road Commission	520100	OPEB	1/16/2019	Partial	Partial	Yes	Yes	Approve	<a href="#">Marquette County Road Commission OPEB</a>
16	Michigan Works! Region B Consortium	187508	OPEB	1/16/2019	Yes	Yes	Partial	Yes	Approve	<a href="#">Michigan Works! Region B Consortium OPEB</a>
17	Montcalm County Road Commission	590100	Pension	1/16/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">Montcalm County Road Commission Pension</a>
18	Montcalm County Road Commission	590100	OPEB	1/16/2019	Partial	Partial	Yes	Yes	Approve	<a href="#">Montcalm County Road Commission OPEB</a>
19	City of Montrose	252065	OPEB	1/16/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">City of Montrose OPEB</a>
20	City of Mount Clemens	502050	OPEB	1/16/2019	Partial	Partial	Yes	Partial	Approve	<a href="#">City of Mount Clemens OPEB</a>
21	Ontonagon County Road Commission	660100	Pension	1/16/2019	No	No	No	No	Disapprove	<a href="#">Ontonagon County Road Commission Pension</a>
22	Otsego County Road Commission	690100	Pension	1/16/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">Otsego County Road Commission Pension</a>
23	Otsego County Road Commission	690100	OPEB	1/16/2019	Partial	Partial	Yes	Yes	Approve	<a href="#">Otsego County Road Commission OPEB</a>
24	Ottawa County Road Commission	690100	OPEB	1/16/2019	Partial	Partial	Yes	Yes	Approve	<a href="#">Ottawa County Road Commission OPEB</a>
25	Presque Isle County Road Commission	710100	Pension	1/16/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">Presque Isle County Road Commission Pension</a>
26	City of Riverview	822240	OPEB	1/16/2019	No	No	Yes	Yes	Disapprove	<a href="#">City of Riverview OPEB</a>
27	Saginaw City Housing Commission	737522	Pension	1/16/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">Saginaw City Housing Commission Pension</a>
28	Saginaw City Housing Commission	737522	OPEB	1/16/2019	No	No	Yes	Yes	Disapprove	<a href="#">Saginaw City Housing Commission OPEB</a>
29	Saline Area Fire Department	817542	OPEB	1/16/2019	Partial	Partial	No	No	Disapprove	<a href="#">Saline Area Fire Department OPEB</a>
30	City of Taylor	822280	Pension-General Employees	1/16/2019	Yes	Yes	Yes	Partial	Approve	<a href="#">City of Taylor Pension-General Employees</a>
31	City of Taylor	822280	Pension-Police and Fire	1/16/2019	Yes	Yes	Yes	Partial	Approve	<a href="#">City of Taylor Pension-Police and Fire</a>
32	City of Taylor	822280	OPEB	1/16/2019	Yes	Yes	Yes	Partial	Approve	<a href="#">City of Taylor OPEB</a>
33	Wayne County Airport Authority	827585	OPEB	1/16/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">Wayne County Airport Authority OPEB</a>
34	West Iron County Sewer Authority	367501	Pension	1/16/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">West Iron County Sewer Authority Pension</a>

**Treasury Recommendation  
City of Battle Creek  
Pension Corrective Action Plan (CAP)  
Primary Unit 132020**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Police and Fire	Pension	\$138,509,334	\$176,579,083	78.4%	\$4,746,323	\$62,276,477	15.4%	No
MERS	Pension	\$81,255,431	\$141,255,649	57.5%	\$4,865,316			Yes
Healthcare	OPEB	\$5,895,335	\$76,546,178	7.7%	\$3,823,865		6.1%	No
<b>Total</b>		<b>\$225,660,100</b>	<b>\$394,380,910</b>		<b>\$13,435,504</b>	<b>\$62,276,477</b>	<b>21.6%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the pension corrective action plan submitted by the City of Battle Creek which was received by the Municipal Stability Board (the Board) on January 16, 2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - For 2010, 2011 and 2012, the City of Battle Creek implemented plan design changes (multiplier reduced from 2.00% to 1.50%, or adoption of a hybrid formula) for all divisions except general non-union and Commission.
  - In 2010, the general non-union division eliminated the inclusion of vacation pay in the determination of final average pay. Documentation supporting this change could not be found.
  - The employee contribution rate for the general non-union division was increased from 3% to 4% in 2017, with another increase to 5% effective in 2018. Employee contribution increases are not offset with corresponding decreases in the City's contribution, nor are they to be reduced upon attainment of the 60% funding threshold.
  
- Plan Funding:
  - The City of Battle Creek contributes additional amounts to MERS in excess of the actuarially determined contribution (ADC for the Plan is approximately \$5 million for 2017).
  - Recent lump sum payments amounted to \$289,602 and \$103,531 in December 2017 and November 2018 respectively.
  
- Other Considerations:
  - The City of Battle Creek notes that \$24.7 million of Plan liability has been recorded to enterprise funds and that inclusion of enterprise fund revenues would have resulted in an ADC/Revenues percentage of 9.7%, below the 10% triggering threshold.



**Treasury Recommendation  
City of Battle Creek  
Pension Corrective Action Plan (CAP)  
Primary Unit 132020**

**Prospective Changes:**

- **Modern Plan Design:**
  - The City would like to increase employee contributions over a 5 year period, subject to upcoming negotiations with four bargaining units.
  - Non-bargaining units will implement increases to employee contributions beginning 7/1/2019.
  
- **Plan Funding:**
  - The City of Battle Creek intends to begin negotiating 1% annual increases in employee contributions (subject to a maximum based on Division). This process will begin with contracts expiring 6/30/2019. Non-bargained units will implement the increases on 7/1/2019.
  
- **Other Considerations:**
  - The City of Battle Creek convened a committee in 2015 tasked with recommending benefit changes to reduce plan liabilities while maintaining the ability to retain and attract talented employees. This committee is ongoing.

**Plan Size: 800 members**

- Inactive employees or beneficiaries currently receiving benefits: 412
- Inactive employees entitled to but not yet receiving benefits: 48
- Active employees: 340

**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 (2020).

**Treasury Recommendation  
City of Battle Creek  
Pension Corrective Action Plan (CAP)  
Primary Unit 132020**

- **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 Battle Creek corrective action plan includes additional funding and increases in employee contributions. They have already made several payments to MERS in a surplus account which they plan on continuing while concurrently increasing employee contribution rates. The City of Battle Creek is expected to attain 60% funding by 6/30/2020. The 60% threshold is expected to remain relatively stable through 2023, at which time the funding gradually improves, attaining over 100% in 2042. The impact of these actions is illustrated in the following projection.

**City of Battle Creek (1302) - All Divisions  
Estimated Projected Employer Contributions and Funded Ratios**

Valuation Year Ending 12/31	Fiscal Year Beginning in Year	Modified Baseline - Member Rate Changed to 5% for Division 01, and 3.5% for Division 14 and 19				Scenario 1 - Starting 7/1/19, Increase Member Rates by 1% Each Year until Reaching 10% for Division 01, 7% for Division 10, 11, 12, 14, 5% for Division 15, 17, 18, 19, 20, and Contribute Excess Amounts from Modified Baseline as Additional to Divisions until Reaching 100% Funded					
		Actuarial Accrued Liability	Valuation Assets	Funded %	Required Annual Employer Contribution	Actuarial Accrued Liability	Valuation Assets	Funded %	Required Annual DB Employer Contribution	Additional Annual DB Employer Contribution	Total Annual Employer Contribution
2017	2019	147,730,090	88,146,249	60%	\$5,860,788	147,528,913	88,146,249	60%	\$5,710,000	\$150,000	\$5,860,000
2018	2020	150,400,000	89,200,000	59%	\$6,170,000	150,300,000	89,500,000	60%	\$5,820,000	\$310,000	\$6,130,000
2019	2021	153,000,000	89,500,000	58%	\$6,490,000	152,900,000	90,000,000	59%	\$6,000,000	\$430,000	\$6,430,000
2020	2022	155,500,000	92,800,000	60%	\$6,600,000	155,400,000	93,500,000	60%	\$5,980,000	\$520,000	\$6,500,000
2021	2023	157,800,000	96,000,000	61%	\$6,710,000	157,800,000	97,200,000	62%	\$5,960,000	\$590,000	\$6,550,000
2022	2024	160,000,000	98,500,000	62%	\$6,910,000	160,000,000	100,200,000	63%	\$6,080,000	\$610,000	\$6,690,000
2023	2025	161,900,000	100,900,000	62%	\$7,130,000	162,000,000	103,200,000	64%	\$6,230,000	\$630,000	\$6,860,000
2024	2026	163,700,000	103,300,000	63%	\$7,350,000	163,800,000	106,200,000	65%	\$6,380,000	\$640,000	\$7,020,000
2025	2027	165,300,000	105,800,000	64%	\$7,590,000	165,500,000	109,400,000	66%	\$6,530,000	\$660,000	\$7,190,000
2026	2028	166,900,000	108,500,000	65%	\$7,800,000	167,100,000	112,800,000	67%	\$6,640,000	\$680,000	\$7,320,000
2027	2029	168,300,000	111,300,000	66%	\$8,060,000	168,700,000	116,300,000	69%	\$6,800,000	\$700,000	\$7,500,000
2028	2030	169,800,000	114,500,000	67%	\$8,340,000	170,200,000	120,200,000	71%	\$6,970,000	\$720,000	\$7,690,000
2029	2031	171,200,000	118,000,000	69%	\$8,630,000	171,800,000	124,400,000	72%	\$7,150,000	\$750,000	\$7,900,000
2030	2032	172,700,000	121,900,000	71%	\$8,930,000	173,400,000	129,000,000	74%	\$7,340,000	\$770,000	\$8,110,000
2031	2033	174,200,000	126,300,000	73%	\$9,260,000	175,100,000	134,100,000	77%	\$7,530,000	\$800,000	\$8,330,000
2032	2034	175,800,000	131,300,000	75%	\$9,590,000	176,900,000	139,700,000	79%	\$7,740,000	\$830,000	\$8,570,000
2033	2035	177,600,000	136,900,000	77%	\$9,810,000	178,800,000	146,000,000	82%	\$7,810,000	\$850,000	\$8,660,000
2034	2036	179,600,000	143,400,000	80%	\$10,160,000	181,100,000	153,100,000	85%	\$8,010,000	\$880,000	\$8,890,000
2035	2037	181,800,000	150,700,000	83%	\$10,540,000	183,600,000	161,000,000	88%	\$8,230,000	\$920,000	\$9,150,000
2036	2038	184,400,000	158,900,000	86%	\$10,930,000	186,400,000	169,800,000	91%	\$8,450,000	\$0	\$8,450,000
2037	2039	187,300,000	168,200,000	90%	\$11,330,000	189,600,000	179,600,000	95%	\$5,470,000	\$0	\$5,470,000
2038	2040	190,600,000	178,700,000	94%	\$2,560,000	193,300,000	190,000,000	98%	\$1,450,000	\$0	\$1,450,000
2039	2041	194,400,000	190,600,000	98%	\$2,660,000	197,400,000	199,600,000	101%	\$1,510,000	\$0	\$1,510,000
2040	2042	198,800,000	199,200,000	100%	\$2,770,000	202,200,000	206,500,000	102%	\$1,580,000	\$0	\$1,580,000

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

The assumed future annual investment return is 7.75%.

The long term cost of benefits is the new hire employer normal cost of 6.21% of pay in the baseline, and the new hire employer normal cost of 3.90% of pay in the proposed scenario.

Additional contributions were determined by estimating the employer cost savings between the baseline and proposed employee rate tables provided by the employer.

**Ballpark Estimate Disclosure Statement**

This document is not an actuarial report nor are the contribution amounts or rates certified by an actuary. The contribution amounts and rates in this document are estimates (not actual contribution amounts or rates) and are for illustrative purposes only. Neither the employer, nor any other party receiving or reviewing this document may rely on these calculations as indicative of future contribution amounts or rates. By requesting and accepting this document, the employer agrees that MERS shall have no liability arising out of the provision of these amounts and rates, and agrees to indemnify MERS for any liability arising from same due to the provision of this letter or any information therein to any other party or individual. Pursuant to MCL 38.1140h and Section 46 of the MERS Plan Document, there must be a supplemental actuarial analysis conducted before any proposed benefit change is implemented for any currently active or prior employees.

**Treasury Recommendation  
City of Battle Creek  
Pension Corrective Action Plan (CAP)  
Primary Unit 132020**

**The Community Engagement and Finance Division (CEFD) Contact:**

- None noted.

**Treasury Recommendation  
City of Benton Harbor  
Pension Corrective Action Plan (CAP)  
Primary Unit 112010**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$9,917,959	\$26,400,392	37.6%	\$1,115,747	\$8,078,323	13.8%	YES

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the pension corrective action plan submitted by City of Benton Harbor, which was received by the Municipal Stability Board (the Board) on January 16, 2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- **Modern Plan Design:**
  - The city-administered pension plan was closed July 31, 2013. MERS has been appointed administrator since that time.
  - Defined benefit plan was closed, and hybrid plan offered to all new hires after April 1, 2013.
  - Multiplier was reduced. The agreements were signed by the EM August 7, 2013 and by MERS on December 6, 2013.
  - Changed FAC calculation to remove: OT, holiday-, vacation- and sick-pay. The agreements were signed by the EM August 7, 2013 and by MERS on December 6, 2013.
  - From Attachment 7b, "... city's plan currently is 41.7% funded as of December 31, 2017, an increase of over 4% from December 31, 2016. As a result, it is anticipated that the funding level will reach a combined 60% in approximately 2034." (City provided two MERS line graphs showing this.)
  
- **Plan Funding:**
  - Employee contributions were increased. Police and Fire and AFCSME employee contributions were increased from 3% to 10% per the defined benefit adoption agreement section IV provisions. The agreements were signed by the EM August 7, 2013 and by MERS on December 6, 2013.
  - Employer contributions were increased. The city's contributions have increased since 2013. The city paid an additional 11%- 23% annually, from 2013 through 2017. These increases were approved by the city commission when they adopted and approved each annual budget.
  
- **Other Considerations:**
  - City utilizes the Enterprise Fund revenue argument. Twenty-one percent (21%) of city's retirement liabilities are linked to employees in Enterprise Fund. That would add \$3,288,603 to governmental fund revenue, \$8,078,323, for a new total of \$11,366,926. A new ADC/government fund revenue percent of 9.8%. (\$1,115,747 divided by 11,366,926 equals 9.8%).

**Treasury Recommendation  
City of Benton Harbor  
Pension Corrective Action Plan (CAP)  
Primary Unit 112010**

**Prospective Changes:**

- Modern Plan Design:
  - None listed.
  
- Plan Funding:
  - The city says it will contribute “a minimum of an additional 10% annually” over the amount computed as the ADC of the system.
  
- Other Considerations
  - None listed.

**Plan size: 140 members (numbers retrieved from MERS link)**

- Inactive employees or beneficiaries currently receiving benefits: 89
- Inactive employees entitled to but not yet receiving benefits: 4
- Active employees: 47

**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 (2034).
  
- 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:** In attachment 7b of the corrective action plan, the City states that as a result of the design change and additional funding “it is anticipated that the funding level will reach a combined 60% in approximately 2034.” The included graphs from the MERS valuation shown below support that assertion. The city’s plan is currently funded at 41.7%. Additionally, the included graphs

**Treasury Recommendation  
City of Benton Harbor  
Pension Corrective Action Plan (CAP)  
Primary Unit 112010**

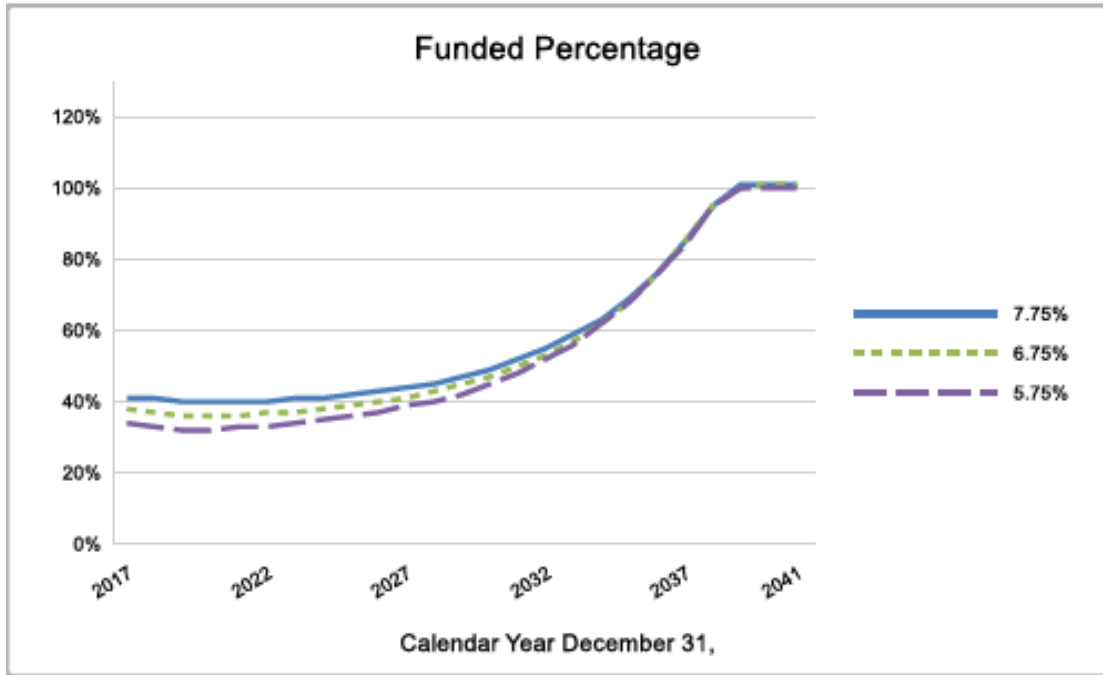
show that the computed annual employer contribution is projected to increase by approximately 110% from 2017 to 2039, not including the additional 10% that they City plans to pay above the annual required contribution.

The city states the plan from 2008-2013 was adversely affected by 1) insufficient ARC contributions from 2008-2013, this includes three years when nothing was paid toward the ARC; 2) rich benefits are being paid out to retirees; and 3) there are more retirees receiving these rich benefits than active employees currently contribution to the plan – 89 retirees v 23 active employees. (The “23” active employees conflicts with MERS reported: 47.)

There is a summary of design changes and funding increases at the end of the CAP.

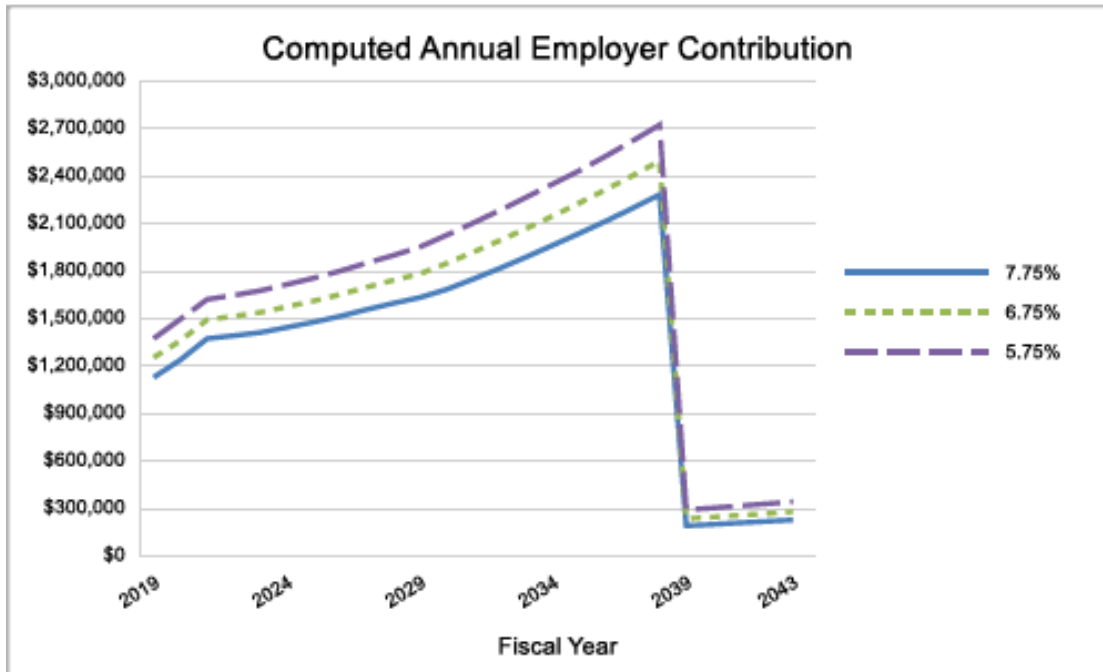
**Treasury Recommendation  
City of Benton Harbor  
Pension Corrective Action Plan (CAP)  
Primary Unit 112010**

BENTON HARBOR, CITY OF (1120) - 2017



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 Benton Harbor  
Pension Corrective Action Plan (CAP)  
Primary Unit 112010**

**The Community Engagement and Finance Division (CEFD) contact:**

- Treasury contacted the city to request a MERS document showing the city reaching 60% in 2034.

**Treasury Recommendation  
Bloomfield Township Public Library  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 638006**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$7,772,556	\$7,977,165	97.4%	\$0	\$7,154,434	0%	No
Healthcare	OPEB	\$0	\$5,257,680	0.0%	\$531,108		7.4%	Yes
<b>Total</b>		<b>\$7,772,556</b>	<b>\$13,234,845</b>		<b>\$531,108</b>	<b>\$7,154,434</b>	<b>7.4%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Bloomfield Township Public Library which was received by the Municipal Stability Board (the Board) on January 16, 2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - Retiree health care plan design changes include requiring the use of mail order for certain high cost RX drugs and Medicare as primary insurance for ages 65 and older.
  - Plan was closed to employees hired after May 2011, who get a Retiree Health Savings Account, with fixed annual contribution of \$2,500 and 2% employee contribution.
- Plan Funding:
  - 100% of the UAAL is reported in the Assigned Fund Balance. Increases have historically been budgeted pursuant to a biennial actuarial valuation, and in non-valuation years UAAL contributions are estimated using census data, premiums paid, discount rate, and contributions paid.
- Other Considerations:
  - Worked with an investment advisor to develop an investment strategy and unit is using the actuarial proposed 6% discount rate.

**Prospective Changes:**

- Modern Plan Design:
  - Increased retiree cost sharing and reduced benefit costs will continue through future time periods.
  - Impact from 2011 closing of the OPEB plan and the switch to retiree HAS will increase over time as the existing pool of employees is replaced.
- Plan Funding:
  - The local unit approved to create a qualified trust to receive, invest and accumulate assets for retirement healthcare by FY end 3/31/19.

**Treasury Recommendation  
Bloomfield Township Public Library  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 638006**

- Local unit approved to change its funding methodology from Pay-As-You-Go basis to 40% funding of the healthcare liability by resolution of this corrective action, 12/18/18.
- Other Considerations:
  - Beginning in FY 2019, the local unit will fund 40% of the healthcare liability in a qualified Section 115 Trust and will continue to maintain a 40% funded level.

**Plan size: 38 members**

- Inactive employees or beneficiaries currently receiving benefits: 7
- Inactive employees entitled to but not yet receiving benefits: 13
- Active employees: 18

**Corrective Action Plan Criteria:**

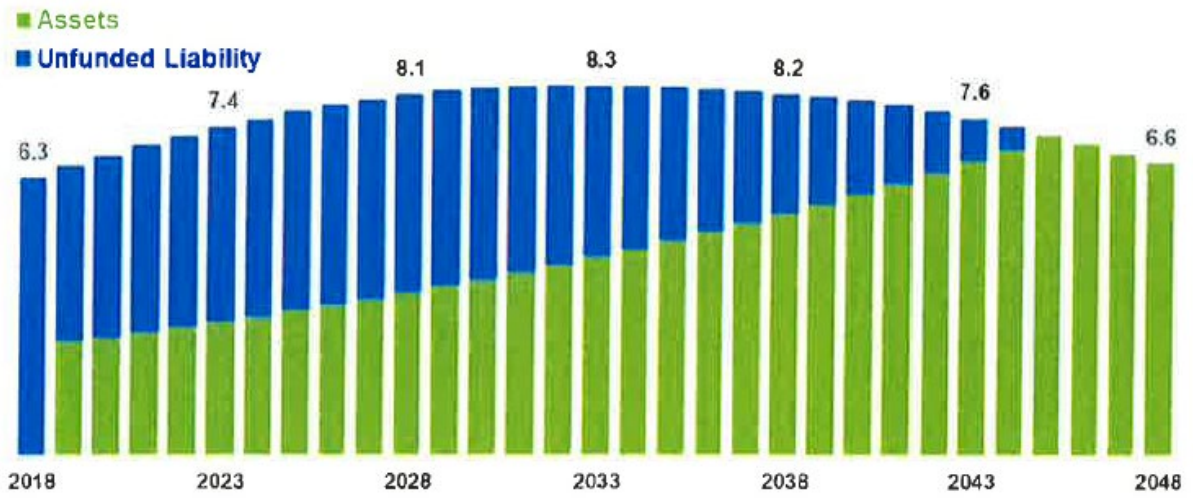
The following corrective action plan approval criteria are met:

- 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 (2019).
- Legal and Feasible:
  - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
  - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast.

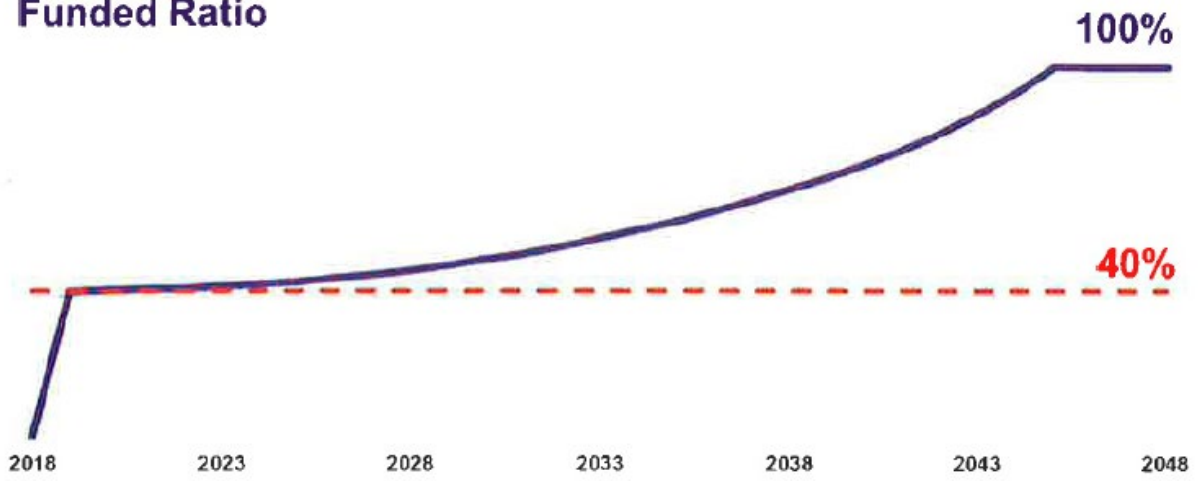
**Supplemental Information:**

Bloomfield Township Public Library included a projection that shows the plan would maintain a funded ratio of at least 40% for the projection period and would reach a funded ratio of 100% by 2045.

Treasury Recommendation  
 Bloomfield Township Public Library  
 OPEB Corrective Action Plan (CAP)  
 Non-Primary Unit 638006



Funded Ratio



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

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Union Employees	Pension	\$32,154,390	\$32,221,042	99.8%	\$446,533	\$53,631,807	2.0%	No
Administrative	Pension	\$18,116,293	\$20,837,015	86.9%	\$645,500		2.0%	No
Capital Area	OPEB	\$6,693,301	\$35,530,482	18.8%	\$5,138,595		9.6%	Yes
<b>Total</b>		<b>\$56,963,984</b>	<b>\$88,588,539</b>		<b>\$6,230,628</b>	<b>\$53,631,807</b>	<b>13.6%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Disapproval of the OPEB corrective action plan submitted by Capital Area Transportation Authority (CATA), which was received by the Municipal Stability Board (the Board) on January 16, 2019. If disapproved, Capital Area Transportation Authority, will receive a detailed letter from the Board listing the reasons for disapproval. Capital Area Transportation 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 existing union contract contains three eligibility groups depending on an employee's hire date.
  - The level of medical benefits to be provided to retirees and their spouses prior to age 65 must match that provided to active employees under the Union contract. If you are age 65 or older, the benefits must equal to that provided under Medical Supplemental benefits underwritten by BC/BS or MI.
  - Employees that retire early, with less than 10 years of service, are not eligible at any time for OPEB benefits. Employees that retire with at least 10 years of service are not eligible at any time for OPEB benefits.
  - Surviving spouses are to receive retiree benefits only until age 65 or for 20 years.
  - Retirees age 65 or older are to receive the same prescription drug benefits as the pre-age 65 retirees.
  - Spouses of retirees that have other medial benefits available to them will not be covered under CATA's retiree medical plan.
  - Retirees are required to pay participation fees to CATA to be covered until retiree medical benefits.
  
- Plan Funding:
  - CATA's OPEB Trust was created in September 2009. CATA has made employer contributions to the OPEB Trust in years following 2010 ranging from \$441,000 a year to \$788,000. 2016 was the only year a contribution was not made.
  - In 2005 Retirees participating in plan where required to contribute \$9 a week. This has been increased six times and is currently at \$22 a week for health, plus \$3 a week for

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

dental and vision.

- Other Considerations:
  - In May 2018, CATA management formed a committee to investigate and understand its current OPEB situation, to develop an OPEB corrective action plan and, ultimately, to implement the CAP.
  - In June 2018, CATA engaged Plante Moran to perform an analysis and evaluation of CATA's OPEB plan and to present and educate CATA's management on potential options to address its underfunded OPEB obligation.
  - In October 2018, Plante Moran provided CATA with a report that provided information concerning retiree medical findings, alternative plan designs and cost impacts of potential changes to the plan.

**Prospective Changes:**

- Modern Plan Design:
  - None Noted.
- Plan Funding:
  - None Noted.
- Other Considerations:
  - CATA management expects to begin negotiations with the ATU towards the end of 2019. Potential changes to the service period and retirement age, level of benefits, and increased funding by both CATA and the participants.

**Plan size: 342 members**

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

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are partially met:

- Legal and Feasible:
  - The local unit indicated its corrective action plan was legal and feasible in Section 7 of the corrective action plan template; however, our review indicates the CATA will not present this CAP to its Board of Directors until the February 20, 2018 meeting of the Board.

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

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.
  
- 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.

**Supplemental Information:**

CATA completed study in October of 2018 to review OPEB. The submitted CAP did not have board required approval and does not show how they will address their funded status. No information has been provided on how they plan to provide additional funding or changes in benefits to get to 40% funding within 30 years.

**The Community Engagement and Finance Division (CEFD) contact:**

- Prior to the CAP submission Community Engagement and Finance Division had discussed the process on multiple occasions with CATA representatives.



**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
<b>Total</b>		<b>\$19,151,817</b>	<b>\$50,010,557</b>		<b>\$2,791,067</b>	<b>\$10,069,789</b>	<b>24.6%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the pension corrective action plan submitted by City of Center Line, which was received by the Municipal Stability Board (the Board) on January 16, 2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

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

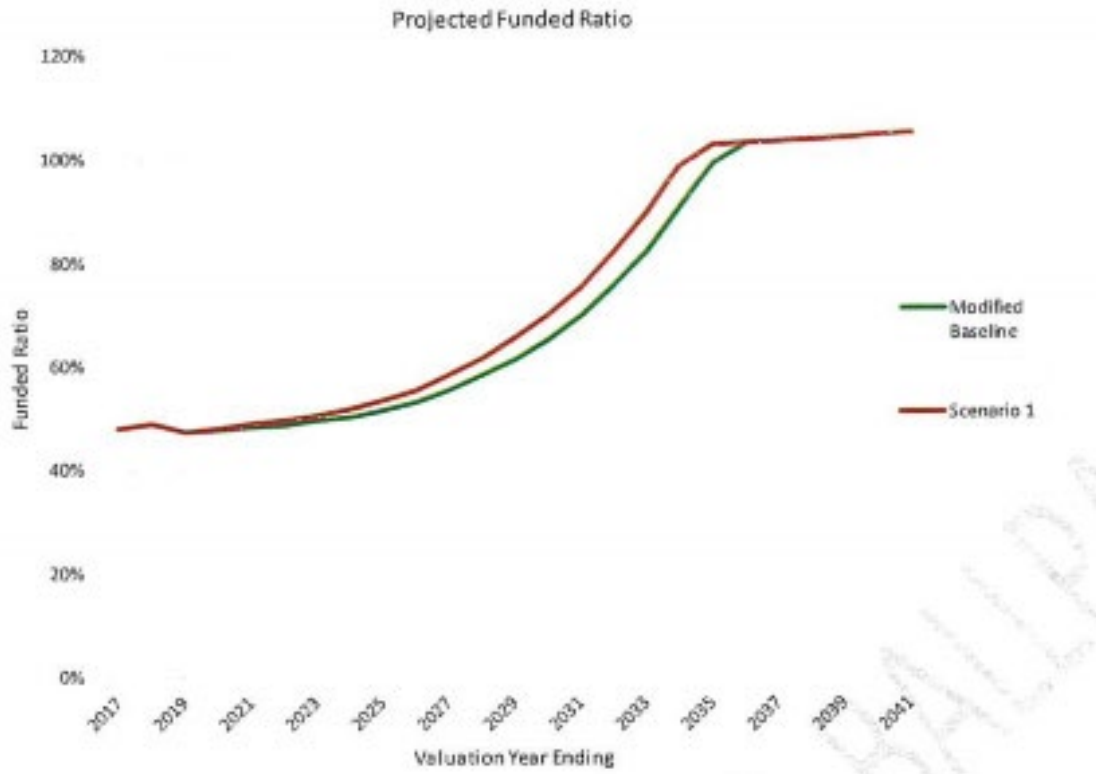
The following corrective action plan approval criteria are partially met:

- Affordable:
  - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast. However, our review indicates all of the local unit's annual required contribution as a percentage of general fund operating revenues is 24.6%. This reflects a significant portion of the local government's budget.

**Treasury Recommendation  
City of 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:

- None noted.

**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
<b>Total</b>		<b>\$19,151,817</b>	<b>\$50,010,557</b>		<b>\$2,791,067</b>	<b>\$10,069,789</b>	<b>24.6%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by the City of Center Line, which was received by the Municipal Stability Board (the Board) on January 16, 2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

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

The following corrective action plan approval criteria are partially met:

- Affordable:
  - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast. However, our review indicates all of the local unit's annual required contribution as a percentage of general fund operating revenues is 24.6%. This reflects a significant portion of the local government's budget

**Supplemental Information:**

The City of 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,

**Treasury Recommendation  
City of Center Line  
OPEB Corrective Action Plan (CAP)  
Primary Unit 502010**

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	Actuarially Computed				Asset Value* EOY		
					Employer Contribution <sup>^</sup>	Excess Contribution	Benefit Payments	Interest			
				(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	\$25,000	\$ 917,717	\$ 302,793	5,781,413	14,677,589	28.26%
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%

<sup>^</sup> 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 <sup>^</sup>	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%

<sup>^</sup> 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:**

- None noted.

**Treasury Recommendation**  
**Community Mental Health Authority of Clinton, Eaton, and Ingham Counties**  
**Pension Corrective Action Plan (CAP)**  
**Non-Primary Unit 197504**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$123,935,138	\$173,414,652	71.5%	\$4,547,711	\$11,7692,265	3.9%	Yes

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the pension corrective action plan submitted by The Community Mental Health Authority of Clinton, Eaton, and Ingham Counties (CMHA), which was received by the Municipal Stability Board (the Board) on January 16, 2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - None noted.
- Plan Funding:
  - None noted.
- Other Considerations:
  - CMHA unintentionally missed the filing deadline of their Annual Systems Retirement Report (Form 5572). CMHA has subsequently completed its Form 5572 and has submitted it as part of its corrective action plan. The Form 5572 shows the system is 71.5% funded.

**Prospective Changes:**

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

**Plan size: 1,370 members**

- Inactive employees or beneficiaries currently receiving benefits: 428
- Inactive employees entitled to but not yet receiving benefits: 146
- Active employees: 796

**Treasury Recommendation**  
**Community Mental Health Authority of Clinton, Eaton, and Ingham Counties**  
**Pension Corrective Action Plan (CAP)**  
**Non-Primary Unit 197504**

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

- Underfunded Status:
  - The local government has demonstrated through supporting documentation that it has already reached the PA 202 established funding level of 60% funded.
  
- Reasonable Timeframe:
  - The corrective action plan demonstrates through supporting documentation that it has already reached the PA 202 established funding level of 60%.
  
- Legal and Feasible:
  - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
  
- Affordable:
  - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

**Supplemental Information:**

CMHA has subsequently completed its Form 5572 and has submitted it as part of its corrective action plan. The Form 5572 shows the system is 71.5% funded.

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
City of Crystal Falls  
OPEB Corrective Action Plan (CAP)  
Primary Unit 362020**

<b>Name of Systems</b>	<b>Type of System</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Funded Ratio</b>	<b>ADC</b>	<b>Revenues</b>	<b>ADC / Revenue</b>	<b>CAP required?</b>
MERS	Pension	\$5,202,137	\$9,220,492	56.4%	\$374,566	\$1,438,452	26.0%	NO
Crystal Falls OPEB	OPEB	\$90,534	\$3,182,654	2.8%	\$198,410		13.8%	YES
<b>Total</b>		<b>\$5,292,671</b>	<b>\$12,403,146</b>		<b>\$572,976</b>	<b>\$1,438,452</b>	<b>39.8%</b>	

**Source: Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by City of Crystal Falls, which was received by the Municipal Stability Board (the Board) on January 16, 2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- **Modern Plan Design:**
  - In 2012, the City eliminated dependent coverage for future retirees. In addition, retiree health benefits end at age 65.
  - In 2017, the City entered into a new agreement with both POAM and IBEW that increased all new employees' contributions to medical insurance from 0% to 20%. In addition, current IBEW employees also agreed to pay 10% of premiums effective immediately.
    - It is unclear whether these contributions continue in retirement.
  - No documentation provided for these changes.
  
- **Plan Funding:**
  - Effective January 1, 2016, the City created a qualified Trust/Retiree Health Funding Vehicle (RHFV) with MERS and has funded it every month (documentation provided). As of September 30, 2018, the account has \$123,519.71. The funding of this is in addition to retiree medical benefits funded on a pay-as-you-go basis.
  
- **Other Considerations:**
  - The City contracted with Milliman, Inc. to perform an actuarial projection. According to this projection, the City will reach the 40% funded threshold for its OPEB plan by 2024 if the City makes \$7,500 in monthly contributions. The City Council has approved this by resolution, which was provided.
  - The analysis that Milliman performed was on a closed group, which assumes that the number of active employees covered by the plan will gradually decline as employees retire or terminate. We are relying on the work done by Milliman and think the assumptions are reasonable with the exception of not doing an open group projection.

**Treasury Recommendation  
City of Crystal Falls  
OPEB Corrective Action Plan (CAP)  
Primary Unit 362020**

**Prospective Changes:**

- **Modern Plan Design:**
  - The City will seek to maintain the 20% cost sharing for insurance premium during labor negotiations in 2020, when the current agreements expire.
    - It is unclear whether this affects retirees.
- **Plan Funding:**
  - In November 2018 (and again in December 2018) the City Council approved a measure to increase the monthly funding of the RHFV to \$7,500 per month. Based on the actuarial analysis done, the City will meet the 40% threshold by 2024.
- **Other Considerations:**
  - It is noted in the plan that enterprise funds from the City (Water, Electric, and Sewer) were not allowed inclusion in the final calculation. Had they been, the City was well below the 12% of general fund operating revenues for the retirement health systems trigger. There was no supporting documentation provided.

**Plan Size: 39 members**

- Inactive employees or beneficiaries currently receiving benefits: 24
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 15

**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. Note that the analysis assumes a closed group (no new entrants), which is likely not realistic for this type of analysis because this plan remains open to new entrants.
- **Reasonable Timeframe:**
  - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 40% within a reasonable timeframe (2024).

**Treasury Recommendation  
City of Crystal Falls  
OPEB Corrective Action Plan (CAP)  
Primary Unit 362020**

- 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:

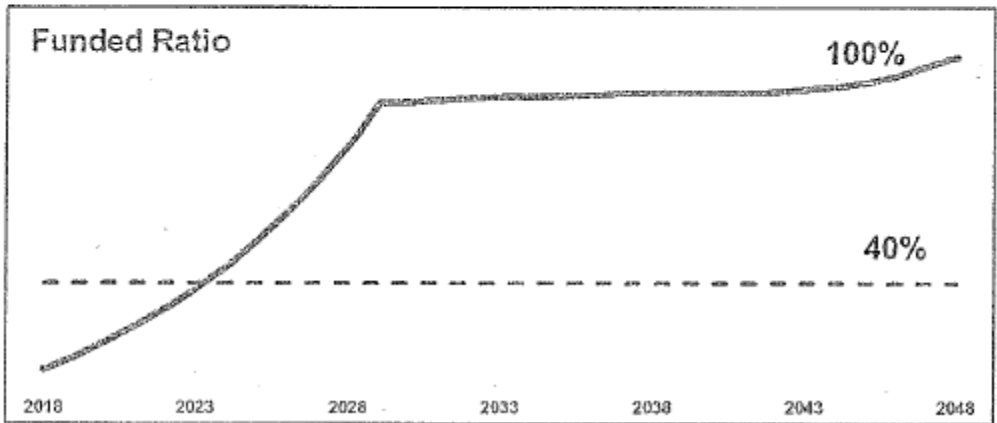
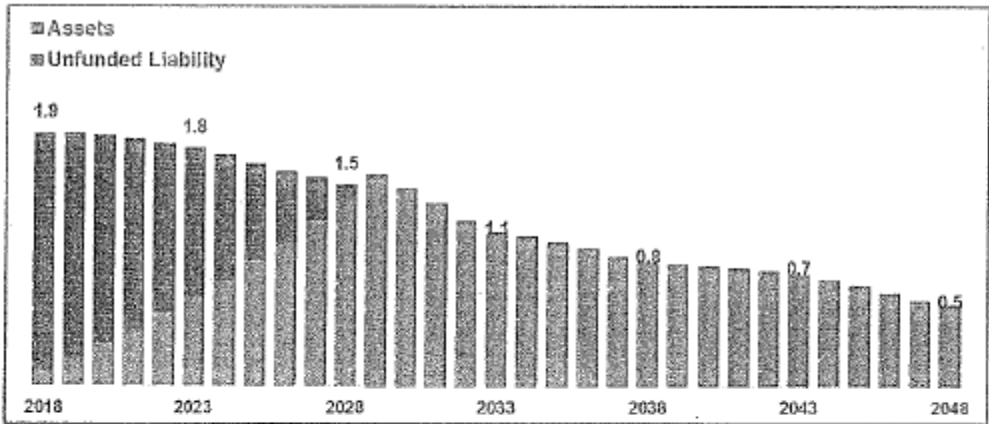
- Affordable:
  - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast. However, the local unit's corrective action plan will fund the Trust \$90,000 annually in addition to paying benefits on a pay as you go basis until the Trust is 100% funded. The amount contributed for 2017 was \$298,333, which was 150% of the ADC and 20.7% of revenues. In addition, the local unit's pension plus OPEB annual required contribution as a percentage of general fund operating revenues is 39.8%. Either of these contribution measures represent a significant portion of the local government's budget.

**Supplemental Information:**

City of Crystal Falls included:

- Documentation of the two resolutions for payments to Trust
- Closed actuarial projection performed by Milliman showing that the new contributions (\$90,000 annually in addition to pay as you go benefit payments) will meet the 40% threshold by 2024

Treasury Recommendation  
City of Crystal Falls  
OPEB Corrective Action Plan (CAP)  
Primary Unit 362020



**The Community Engagement and Finance Division (CEFD) Contact:**

- None noted.



**Treasury Recommendation  
City of Dearborn Heights  
OPEB Corrective Action Plan (CAP)  
Primary Unit 822040**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC / Revenue	CAP required?
GERS	Pension	\$39,512,564	\$52,791,859	74.8%	\$904,328	\$47,291,305	7.2%	No
Police & Fire	Pension	\$174,367,274	\$199,472,907	87.4%	\$2,511,017			No
Healthcare	OPEB	\$0	\$168,693,439	0%	\$13,983,925		29.6%	Yes
<b>Total</b>		<b>\$213,879,838</b>	<b>\$420,958,205</b>		<b>\$17,399,270</b>	<b>\$47,291,305</b>	<b>36.8%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by City of Dearborn Heights, which was received by the Municipal Stability Board (the Board) on January 16, 2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- **Modern Plan Design:**
  - In 2009, Medicare retirees were placed into lower costing Medicare Advantage Plans.
  - Those who retired on/after June 30, 2010 have premium cost sharing based on a percent of pension benefit.
  - Police officers hired on/after April 13, 2011 and Carpenters hired on/after July 1, 2011 are not eligible for retiree health benefits.
  - City adopted the PA 152 hard caps and changed benefit plans for all current employees as of 1/1/18.
  - Employees who retired after December 31, 2018 have higher premium cost sharing. No details of this change were included in the CAP.
  
- **Plan Funding:**
  - The City passed a Headlee Override in 2011, raising the millage rate to cover retiree healthcare expenditures.
  - The Act 345 millage pays for retiree healthcare premiums for Police and Fire retirees.
  - The General Fund balance has earmarked \$2,000,000 for future healthcare costs to start funding the trust.
  
- **Other Considerations:**
  - The GASB 75 valuation for FY 2018 has a lower liability of \$165,700,259.
  - Using actuarial assumptions prescribed by PA 202, the AAL is \$111,515,681.
  - The City obtained an actuarial projection showing that a \$1,500,000 annual contribution, in addition to the pay-as-you-go expense, is sufficient to achieve a 40% funded status.
  - The City is capable of providing an additional \$1,500,000 of funding.

**Treasury Recommendation  
City of Dearborn Heights  
OPEB Corrective Action Plan (CAP)  
Primary Unit 822040**

**Prospective Changes:**

- **Modern Plan Design:**
  - Future (post December 31, 2018) retirees have increased premium cost sharing and lower costing healthcare plan designs.
  - The City will seek to reduce/eliminate retiree healthcare benefits for all new hires. However, documentation to this effect was not included.
  - The City will also continue to work with their healthcare consultants to strategically lower costs while maintaining benefit levels for current retirees.
  
- **Plan Funding:**
  - The City will separate the funds between Police & Fire retirees and General Government retirees.
  - The Act 345 millage will be used to fund the trust.
  - The City has assigned \$1,500,000 in the near term to achieve a 40% funding level.
  
- **Other Considerations:**
  - The City will begin funding the OPEB based on the actuarial projection with an annual payment of \$1,500,000. This allows the OPEB plan to reach a funded status of 41% within 30 years.
  - Based on historical cash flows in the General Fund and other funds that are responsible for prefunding the \$1,500,000, the City claims to be more than capable of meeting the obligation.

**Plan Size: 574 members**

- Inactive employees or beneficiaries currently receiving benefits: 331
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 243

**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 (2047).

**Treasury Recommendation  
City of Dearborn Heights  
OPEB Corrective Action Plan (CAP)  
Primary Unit 822040**

The following corrective action plan approval criteria are partially met:

- Legal and Feasible:
  - The local unit indicated its corrective action plan was legal and feasible in Section 7 of the corrective action plan template; however, our review indicates that there is no mention of the payment of normal costs for new employees hired after June 30, 2018 as required by PA 202 of 2017.
  
- 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 payment of \$1,500,000 combined with projected retiree premium payments and actuarially determined contributions for the pension plans as a percentage of general fund operating revenues is 23% in FY 2019. This reflects a significant portion of the local government's budget.

**Supplemental Information:**

The following charts were provided to demonstrate that the retiree healthcare system will reach 40% funded by 2047. The projection assumes annual contributions of \$1.5 million and was prepared using a 7.0% investment return assumption. The calculated actuarial determined contribution over this period increases to greater than 100% of the annual general operating revenue. Additionally, while the funded percentage of this system continues to improve over the course of this corrective action plan, since this system remains open to new hires, the total liabilities and unfunded liabilities also continue to increase.

**Treasury Recommendation  
City of Dearborn Heights  
OPEB Corrective Action Plan (CAP)  
Primary Unit 822040**

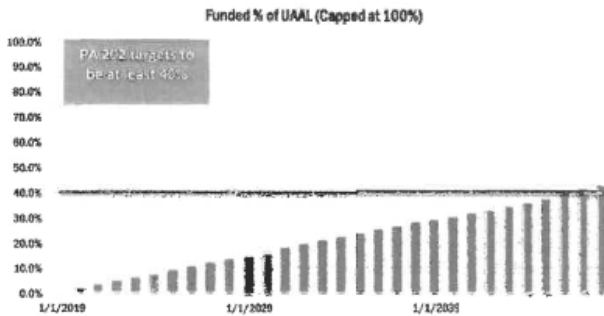
FYE	Actuarial Accrued Liability (AAL)	FNP	Unfunded AAL	Funded %	Normal Cost	Amortization period	Amort UAAL	Actuarially Determined Contribution (ADC)	General Operating Revenue
6/30/2019	\$111,515,681	\$0	\$111,515,681	0.0%	\$1,859,493	30	\$8,398,736	\$10,611,195	\$47,291,305
6/30/2020	\$115,001,515	\$1,551,612	\$113,449,903	1.3%	\$1,864,103	29	\$8,635,833	\$10,964,659	\$48,473,588
6/30/2021	\$118,590,890	\$3,203,812	\$115,387,078	2.7%	\$2,103,175	28	\$8,885,013	\$11,366,270	\$49,685,427
6/30/2022	\$122,241,112	\$4,963,121	\$117,277,991	4.1%	\$2,212,310	27	\$9,143,928	\$11,746,983	\$50,927,563
6/30/2023	\$125,928,523	\$6,836,482	\$119,092,041	5.4%	\$2,318,527	26	\$9,411,725	\$12,133,867	\$52,200,752
6/30/2024	\$129,403,997	\$8,831,289	\$120,572,708	6.8%	\$2,458,980	25	\$9,669,539	\$12,545,817	\$53,505,771
6/30/2025	\$132,761,168	\$10,955,415	\$121,805,753	8.3%	\$2,594,237	24	\$9,925,350	\$12,950,361	\$54,843,415
6/30/2026	\$136,143,988	\$13,217,245	\$122,926,743	9.7%	\$2,737,560	23	\$10,191,882	\$13,374,319	\$56,214,501
6/30/2027	\$139,649,525	\$15,625,704	\$124,023,821	11.2%	\$2,876,053	22	\$10,478,943	\$13,814,516	\$57,619,863
6/30/2028	\$143,164,045	\$18,190,298	\$124,973,747	12.7%	\$3,068,893	21	\$10,779,161	\$14,324,538	\$59,060,360
6/30/2029	\$146,686,083	\$20,921,150	\$125,764,933	14.3%	\$3,316,406	20	\$11,094,692	\$14,906,955	\$60,536,869
6/30/2030	\$150,432,109	\$23,829,038	\$126,603,071	15.8%	\$3,483,211	19	\$11,447,877	\$15,444,838	\$62,050,290
6/30/2031	\$154,413,876	\$26,925,438	\$127,488,438	17.4%	\$3,710,094	18	\$11,844,820	\$16,090,128	\$63,601,548
6/30/2032	\$159,110,056	\$30,222,571	\$128,887,485	19.0%	\$3,946,310	17	\$12,337,687	\$16,844,298	\$65,191,586
6/30/2033	\$164,616,350	\$33,733,451	\$130,882,899	20.5%	\$4,189,200	16	\$12,948,557	\$17,727,434	\$66,821,376
6/30/2034	\$170,768,994	\$37,471,934	\$133,297,060	21.9%	\$4,439,780	15	\$13,677,851	\$18,741,023	\$68,491,910
6/30/2035	\$177,542,250	\$41,452,775	\$136,089,475	23.3%	\$4,669,605	14	\$14,543,124	\$19,873,801	\$70,204,208
6/30/2036	\$184,806,559	\$45,691,686	\$139,114,873	24.7%	\$4,904,584	13	\$15,556,273	\$21,164,876	\$71,959,313
6/30/2037	\$192,589,229	\$50,205,396	\$142,383,833	26.1%	\$5,197,680	12	\$16,753,652	\$22,706,634	\$73,758,296
6/30/2038	\$200,751,506	\$55,011,722	\$145,739,783	27.4%	\$5,518,024	11	\$18,163,931	\$24,496,805	\$75,602,254
6/30/2039	\$209,467,034	\$60,129,632	\$149,337,402	28.7%	\$5,800,322	10	\$19,871,296	\$26,554,938	\$77,492,310
6/30/2040	\$218,458,680	\$65,579,325	\$152,879,355	30.0%	\$6,103,182	9	\$21,929,825	\$28,997,568	\$79,429,618
6/30/2041	\$227,972,734	\$71,382,311	\$156,590,423	31.3%	\$6,447,865	8	\$24,508,269	\$32,021,274	\$81,415,358
6/30/2042	\$237,196,500	\$77,561,493	\$159,635,007	32.7%	\$6,813,802	7	\$27,683,328	\$35,684,108	\$83,450,742
6/30/2043	\$246,010,795	\$84,141,258	\$161,869,537	34.2%	\$7,245,422	6	\$31,737,896	\$40,324,658	\$85,537,011
6/30/2044	\$254,673,583	\$91,147,576	\$163,526,007	35.8%	\$7,800,116	5	\$37,273,338	\$46,633,653	\$87,675,436
6/30/2045	\$263,209,249	\$98,608,100	\$164,601,149	37.5%	\$8,407,157	4	\$45,415,783	\$55,674,882	\$89,867,322
6/30/2046	\$271,569,099	\$106,552,274	\$165,016,825	39.2%	\$9,006,113	3	\$58,766,295	\$70,104,324	\$92,114,005
6/30/2047	\$280,508,645	\$115,011,452	\$165,497,193	41.0%	\$9,599,630	2	\$85,546,858	\$98,420,293	\$94,416,855

**Client Inputs**

Will the City contribute pay-as-you-go costs?	Yes
Pre-funding City Contributions (in addition to pay-go)	\$ 1,500,000
What is the City's Governmental Fund Revenue?	\$ 47,291,305 as of 6/30/2018
Expected Annual Increase on General Operating Revenue	2.5%

**Results Summary**

Projected Year of 40% Funding of UAAL 6/30/2047  
 Projected Year of ADC < 12% of GOR 6/30/2033



As shown in the chart below, the projected annual premium payment is expected to increase by 136% over the life of this plan. When combining the premium payment and proposed additional contribution for this system, coupled with the required pension contributions, the City is paying above 20% of their annual revenues for retirement costs. Based on the pay-go projection, this trend will continue for the foreseeable future.

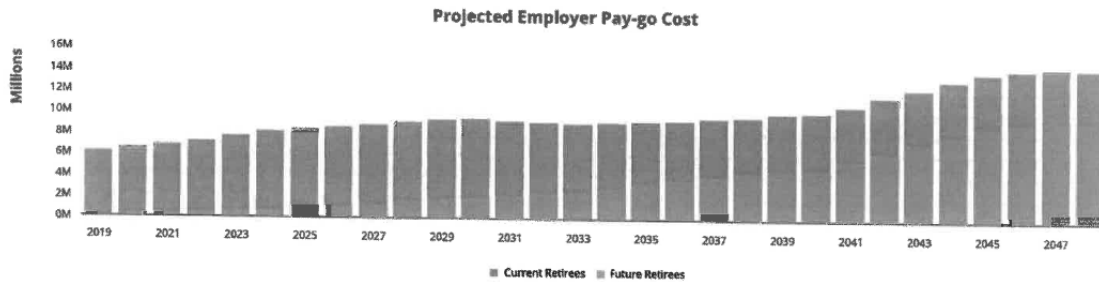
**Treasury Recommendation  
City of Dearborn Heights  
OPEB Corrective Action Plan (CAP)  
Primary Unit 822040**

**Cash Flow Projections**

City of Dearborn Heights 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.

FY	Current Retirees	Future Retirees	Total	FYE	Current Retirees	Future Retirees	Total	FYE	Current Retirees	Future Retirees	Total
2019	\$ 5,955,987	\$ 144,066	\$ 6,100,053	2029	\$ 7,469,244	\$ 1,767,292	\$ 9,236,536	2039	\$ 5,264,900	\$ 4,642,079	\$ 9,906,979
2020	\$ 6,135,570	\$ 232,677	\$ 6,368,247	2030	\$ 7,459,724	\$ 1,910,822	\$ 9,370,546	2040	\$ 5,197,700	\$ 4,790,331	\$ 9,988,031
2021	\$ 6,373,696	\$ 336,832	\$ 6,710,528	2031	\$ 7,054,553	\$ 2,142,503	\$ 9,197,056	2041	\$ 5,238,594	\$ 5,482,268	\$ 10,720,862
2022	\$ 6,595,384	\$ 440,948	\$ 7,036,332	2032	\$ 6,683,800	\$ 2,327,363	\$ 9,011,163	2042	\$ 5,223,099	\$ 6,321,167	\$ 11,544,266
2023	\$ 7,020,938	\$ 552,893	\$ 7,573,831	2033	\$ 6,500,105	\$ 2,480,280	\$ 8,980,385	2043	\$ 5,196,109	\$ 7,173,731	\$ 12,369,840
2024	\$ 7,332,712	\$ 692,251	\$ 8,024,963	2034	\$ 6,077,930	\$ 2,918,622	\$ 8,996,552	2044	\$ 5,140,018	\$ 7,974,226	\$ 13,114,244
2025	\$ 7,446,664	\$ 861,258	\$ 8,307,922	2035	\$ 5,827,706	\$ 3,294,995	\$ 9,122,701	2045	\$ 5,123,820	\$ 8,801,046	\$ 13,924,866
2026	\$ 7,529,426	\$ 963,226	\$ 8,492,652	2036	\$ 5,652,202	\$ 3,596,853	\$ 9,249,055	2046	\$ 5,016,970	\$ 9,193,126	\$ 14,210,096
2027	\$ 7,571,697	\$ 1,189,636	\$ 8,761,333	2037	\$ 5,526,664	\$ 3,998,555	\$ 9,525,219	2047	\$ 4,951,123	\$ 9,478,370	\$ 14,429,493
2028	\$ 7,520,290	\$ 1,538,310	\$ 9,058,600	2038	\$ 5,247,746	\$ 4,379,233	\$ 9,626,979	2048	\$ 4,883,547	\$ 9,517,058	\$ 14,400,605



**The Community Engagement and Finance Division (CEFD) Contact:**

- None noted.

**Treasury Recommendation  
Eastern Upper Peninsula Transportation Authority  
Pension Corrective Action Plan (CAP)  
Primary Unit 177516**

<b>Name of Systems</b>	<b>Type of System</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Funded Ratio</b>	<b>ADC</b>	<b>Revenues</b>	<b>ADC/Revenue</b>	<b>CAP required?</b>
MERS	Pension	\$5,031,330	\$11,408,816	44.1%	\$423,807	\$4,381,794	9.7%	Yes

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the pension corrective action plan submitted by Eastern Upper Peninsula Transportation Authority (EUPTA) which was received by the Municipal Stability Board (the Board) on January 16, 2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - Employees hired on or after June 1, 2016 are a new group linked to MERS Division 01 for General Employees and Division 10 for Busing Union. General and Busing Union employees hired prior to June 1, 2016 were linked to MERS Division 11.
  - This change reduced the benefit multiplier from 2.25% to 1.5%, increased the Final Average Compensation period from 3 years to 5 years, and increased the Vesting requirement from 6 years to 10 years. The unreduced early retirement benefit is no longer available. The automatic 2.5% COLA was eliminated.
- Plan Funding:
  - The EUPTA chose the “no phase in” employer contributions, increasing the monthly contribution from \$41,175 to \$46,203. This exceeds the actuarially determined contribution (ADC for the Plan is approximately \$400,000 for 2017). The increased contributions are not reflected in the most recent actuarial report.
  - The higher contribution amounts were confirmed by MERS by email on July 31, 2018.
- Other Considerations:
  - None noted.

**Prospective Changes:**

- Modern Plan Design:
  - None noted.
- Plan Funding:
  - The EUPTA will continue to contribute at the “no phase in” level.
- Other Considerations:
  - Limit wages used to determine the pension.
  - Fixed amortization period which provides a specific date by which all obligations will be fully funded.
  - Perform regular Actuarial Experience Study.
  - Adopt Benefit Increase Policy.

**Treasury Recommendation  
Eastern Upper Peninsula Transportation Authority  
Pension Corrective Action Plan (CAP)  
Primary Unit 177516**

**Plan Size: 53 members**

- Inactive employees or beneficiaries currently receiving benefits: 30
- Inactive employees entitled to but not yet receiving benefits: 3
- Active employees: 20

**Corrective Action Plan Criteria:**

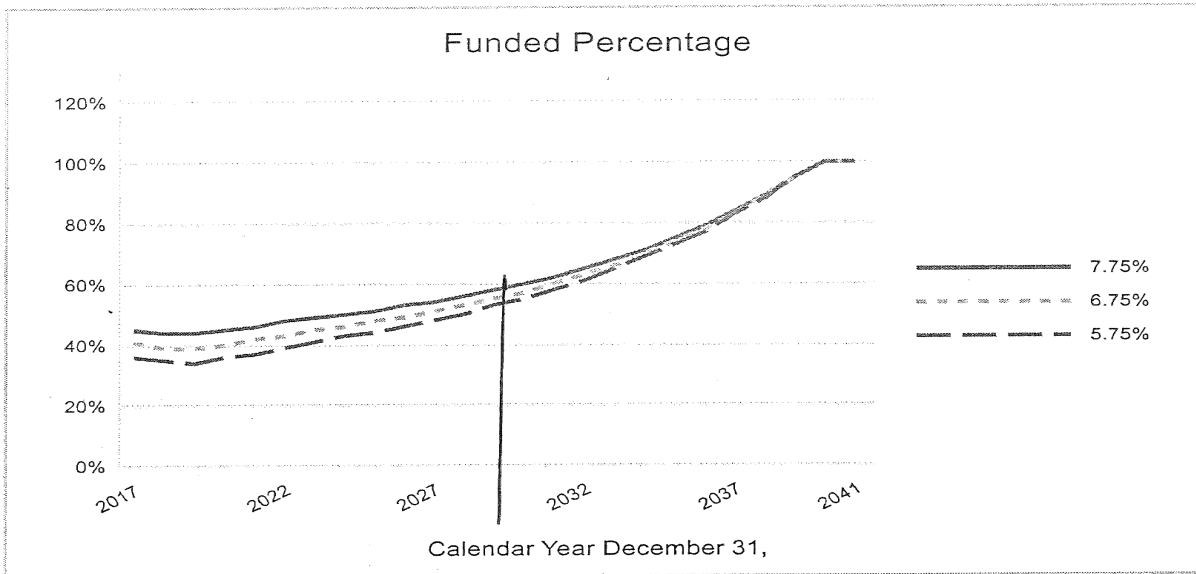
The following corrective action plan approval criteria are met:

- Underfunded Status:
  - The Corrective Action Plan demonstrates it will reach the PA 202 established funding level of 60% as demonstrated by the actuarial projection attached to 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). It is important to note the projection does not appear to take into account 2018 investment performance, which could delay the year in which 60% funding is projected.
- 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 EUPTA Corrective Action Plan includes additional employer contributions and is expected to attain 60% funding by 6/30/2030. The 60% threshold is expected to increase gradually, reaching 100% in 2040, as illustrated in the following projection.

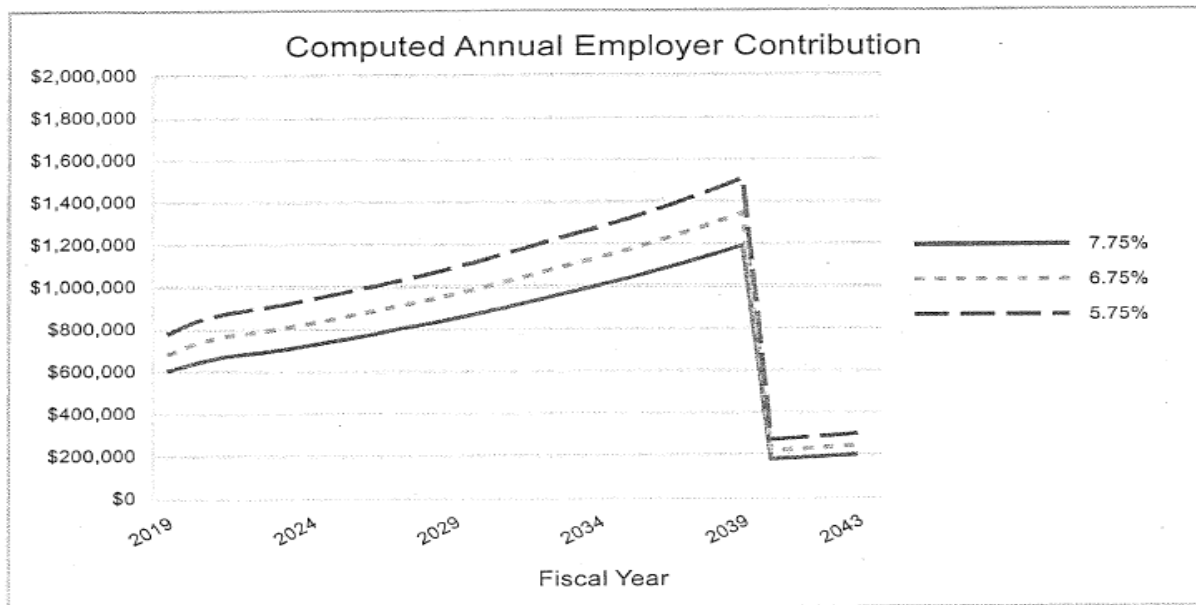
**Treasury Recommendation  
 Eastern Upper Peninsula Transportation Authority  
 Pension Corrective Action Plan (CAP)  
 Primary Unit 177516**



Notes:

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

To achieve the funded percentages, the employer contributions are projected to increase close to 100% over the next 20 years (from 2019 through 2039).



Notes:

All projected contributions are shown with no phase-in.

**The Community Engagement and Finance Division (CEFD) Contact:**

- None noted.



**Treasury Recommendation  
City of Essexville  
OPEB Corrective Action Plan (CAP)  
Primary Unit 092030**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$4,499,712	\$6,820,262	66.0%	\$260,893	\$2,337,041	11.2%	NO
Healthcare	OPEB	\$0	\$3,758,218	0.0%	548,267		23.5%	YES
<b>Total</b>		<b>\$4,499,712</b>	<b>\$10,578,480</b>		<b>\$809,160</b>	<b>\$2,337,041</b>	<b>34.70%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Disapproval of the OPEB corrective action plan submitted by the City of Essexville, which was received by the Municipal Stability Board (the Board) on January 16, 2019. If disapproved, the City of Essexville, will receive a detailed letter from the Board listing the reasons for disapproval. The City of Essexville 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:
  - Closed to new hires January 1, 2006
  - City of Essexville City Council approved the creation of an insurance fund on November 19, 2018 to provide financial insurance for the Retiree Health Care fund should there ever be a financial shortfall and supplemented annually.
  - January 2, 2019, the Insurance Fund was created with a deposit of \$20,000 into an interest-bearing account.
  
- Plan Funding:
  - Presently the Retiree Health Care premiums are paid monthly from funds in the City's Annual Budget Benefit Funds.
  - Annual amount of \$20,000 to Insurance Fund will be taken directly from the City's General Revenue Funds.
  - The City will allow the Insurance fund to grow each year until a minimum goal of 50% over the annual cost of the fund is achieved
  
- Other Considerations:
  - Semi-Annually, the Retiree Health Care fund will be reviewed by the City Council.
    - Report will contain: Fund Balance, Growth, Roster Size, Subsequent Year Anticipated Costs, Investment ideas and current Actuarial and Audited Report.

**Prospective Changes:**

- Modern Plan Design:
  - None Listed

**Treasury Recommendation  
City of Essexville  
OPEB Corrective Action Plan (CAP)  
Primary Unit 092030**

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

**Plan size: 16 members (Not able to be verified by Treasury)**

- Inactive employees or beneficiaries currently receiving benefits: 12
- Inactive employees entitled to but not yet receiving benefits: 4
- Active employees: 2

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are 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, plan actions refer to the continued payment of retiree premiums. Additionally, our review indicates all of the local unit's annual required contributions as a percentage of general fund operating revenues is 34.7%. 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 will reach 40% funded.
  
- Reasonable Timeframe:
  - The corrective action plan does not demonstrate when the retirement system will reach 40% funded.
  
- 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 Essexville  
OPEB Corrective Action Plan (CAP)  
Primary Unit 092030**

**Supplemental Information:**

The corrective action plan submitted by the City of Essexville failed to provide any supplemental supporting documentation to indicate when the underfunded OPEB system would reach 40% funded. The funding goal as stated in the plan is to reach 50% above the premium payment amount, rather than the PA 202 funding level of 40%. Additionally, governing body approval was provided authorizing the creation of an account to fund retiree health care, but there was not approval by the governing body of the plan as a whole.

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
Jackson District Library  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 388000**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
JDL Pension Plan	Pension	\$7,901,996	\$8,090,634	97.7%	\$131,309	\$6,995,839	1.9%	NO
JDL Retiree Medical Plan	OPEB	\$504,609	\$1,440,219	35.0%	\$76,725		1.1%	YES
<b>Total</b>		<b>\$8,406,605</b>	<b>\$9,530,853</b>		<b>\$208,034</b>	<b>\$6,995,839</b>	<b>3.0%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Jackson District Library, which was received by the Municipal Stability Board (the Board) on January 16, 2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - None listed.
- Plan Funding:
  - On June 30, 2018, the Jackson District library deposited \$300,000 into the MERS Jackson District Library RHFV. An updated Form 5572 (using assets as of June 30, 2018) shows a funded ratio of 54.1%.
- Other Considerations:
  - None listed.

**Prospective Changes:**

- Modern Plan Design:
  - None listed.
- Plan Funding:
  - On November 15, 2018 the JDL Board adopted a policy to fund, at a minimum, the Annual Required Contribution.
- Other Considerations:
  - None listed.

**Plan Size:** Not provided.

**Treasury Recommendation  
Jackson District Library  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 388000**

**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:** We note that while the JDL Board adopted a policy to fund the Annual Required Contribution (ARC), no definition of the ARC was provided. Provided statement from trust showing additional contribution of \$300,000 that bring assets to \$778,994. Using previous liabilities, this puts them at 54% funded.

**The Community Engagement and Finance Division (CEFD) Contact:**

- None noted.

**Treasury Recommendation  
Lansing Housing Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 337534**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$7,523,808	\$8,886,861	84.7%	\$122,057	\$18,837,632	0.6%	NO
Healthcare	OPEB	\$0	\$2,850,309	0.0%	\$616,028		3.3%	YES
<b>Total</b>		<b>\$7,523,808</b>	<b>\$11,737,170</b>		<b>\$738,085</b>	<b>\$18,837,632</b>	<b>3.9%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Lansing Housing Commission, which was received by the Municipal Stability Board (the Board) on January 16, 2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - On November 28, 2018, the Commission approved moving current retirees to a set monthly OPEB payment with access to a retiree-specific exchange.
  - On November 28, 2018, the Commission approved transitioning current employees to a defined-contribution OPEB plan requiring a monthly contribution by the Commission and by each employee to a MERS trust fund. Commission will provide a catch-up payment for all previous months of service to all employees.
  - On November 28, 2018, the Commission approved terminating OPEB benefits for all new employees hired after January 1, 2019.
  - An actuarial analysis by Odyssey Advisors of the proposed changes indicates the system will be 40% funded by 2031. It should be noted that the summary in Section 3 of the Corrective Action Plan says the system will be 40% funded by 2020.
  
- Plan Funding:
  - MERS RHFV and Health Care Savings accounts established December 4, 2018.
  - LHC adopted a policy to pay its current year funding requirements in addition to additional funding of prior balances. The current employees will receive catch-up funding to be completed over 2 years, while the current retirees will be funded over a longer time period.
  
- Other Considerations:
  - None listed.

**Prospective Changes:**

- Modern Plan Design:
  - Various changes approved by the Commission are being voted on by the local union.

**Treasury Recommendation  
Lansing Housing Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 337534**

- Plan Funding:
  - LHC made a payment of \$86,850 on January 2, 2019 to fund all vested current employees for all prior months of service. Current months of service will be funded monthly. Non-vested current employees will receive current months of service funding starting January 1, 2019 and prior months of service funding in January 2020. Current retirees will receive prior funding of approximately \$40,000 in addition to monthly funding starting prior to May 2019.
  
- Other Considerations:
  - None listed.

**Plan Size: 41 members**

- Inactive employees or beneficiaries currently receiving benefits: 15
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 26

**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 (2031). It should be noted that the summary in Section 8 of the Corrective Action Plan says the system will be 40% funded by 2020.
  
- 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  
Lansing Housing Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 337534**

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, the local union members have not yet approved the plan.

**Supplemental Information:**

Lansing Housing Commission included documents showing (1) approval of plan and funding changes, (2) establishment of the MERS Health Care Savings Programs (individual accounts), (3) establishment of the MERS Retiree Health Funding Vehicle, and (4) an actuarial study prepared by Odyssey Advisors showing that the plan and funding changes are projected to result in a funded ratio that exceeds 40% in 2031. Total employer payments are projected to decline annually for the duration of the projection.

It is important to reiterate two important aspects of the Commission's plan that will be actively monitored moving forward:

- 1.) The plan's design is contingent, in part, upon local union approval that is pending.
- 2.) While the Commission certified that it will reach a funded ratio of 40% by 2020 within the corrective action plan form, the actuarial analysis demonstrates a 40% funded ratio will not be achieved until fiscal year 2031. This remains within the Board's approved timeframe period.



**Treasury Recommendation  
Lansing Housing Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 337534**

Total Medical - 6.00% Discount Rate - Projected Funding in 20 years After Plan Change

For the Fiscal Year	Period Ending on the Measurement Date of:	II. Fiduciary Net Position as of		III. Net OPEB Liability ("NOL") [I. - II.]	IV. Funded Ratio [II. / I.]	V. Active HRA Payments <sup>1</sup>	VI. Retiree Stipend Payments	VII. Annual Funding / (Payments)	VIII. Total Employer Payments [VI. + VII.]
		I. Total OPEB Liability ("TOL") as of Measurement Date	Measurement Date with expected 6.00% return						
2018	July 1, 2017	868,228	0	868,228	0.00%	138,300	85,200	0	223,500
2019	July 1, 2018	550,032	0	550,032	0.00%	13,998	70,767	2,775	87,540
2020	July 1, 2019	508,020	2,775	505,245	0.55%	12,685	68,157	2,775	83,617
2021	July 1, 2020	466,255	5,799	460,456	1.24%	11,776	69,827	2,775	84,378
2022	July 1, 2021	420,214	18,864	401,350	4.49%	11,070	54,096	2,775	67,941
2023	July 1, 2022	388,085	22,771	365,314	5.87%	10,321	55,287	2,775	68,383
2024	July 1, 2023	352,766	26,954	325,812	7.64%	9,683	38,137	2,775	50,595
2025	July 1, 2024	333,507	44,022	289,485	13.20%	9,179	38,825	2,775	50,779
2026	July 1, 2025	312,362	49,438	262,924	15.83%	8,629	39,486	2,775	50,890
2027	July 1, 2026	289,249	55,221	234,028	19.09%	7,897	30,201	2,775	40,873
2028	July 1, 2027	274,591	73,985	200,606	26.94%	7,531	30,557	2,775	40,863
2029	July 1, 2028	258,676	81,199	177,477	31.39%	7,202	30,878	2,775	40,855
2030	July 1, 2029	241,466	88,886	152,580	36.81%	6,629	20,040	2,775	29,444
2031	July 1, 2030	234,712	97,034	137,678	41.34%	6,363	19,992	2,775	29,130
2032	July 1, 2031	227,604	105,631	121,973	46.41%	5,814	19,908	2,775	28,497
2033	July 1, 2032	220,158	114,826	105,332	52.16%	5,314	19,792	2,775	27,881
2034	July 1, 2033	212,388	124,491	87,897	58.61%	5,038	19,645	2,775	27,458
2035	July 1, 2034	204,307	139,302	65,005	68.18%	4,792	19,469	2,775	27,036
2036	July 1, 2035	195,928	150,435	45,493	76.78%	4,369	19,264	2,775	26,408
2037	July 1, 2036	187,264	162,236	25,028	86.63%	3,788	19,027	2,775	25,590
2038	July 1, 2037	178,331	174,827	3,504	98.04%	3,421	18,760	2,775	24,956
2039	July 1, 2038	169,145	188,174	(19,029)	111.25%	3,021	18,455	(18,455)	3,021
2040	July 1, 2039	159,731	180,464	(20,733)	112.98%	2,584	18,113	(18,113)	2,584
2041	July 1, 2040	150,115	173,179	(23,064)	115.36%	2,138	17,721	(17,721)	2,138
2042	July 1, 2041	140,338	165,849	(25,511)	118.18%	1,978	17,273	(17,273)	1,978
2043	July 1, 2042	130,448	158,527	(28,079)	121.53%	1,583	16,756	(16,756)	1,583
2044	July 1, 2043	120,514	151,283	(30,769)	125.53%	1,144	16,166	(16,166)	1,144
2045	July 1, 2044	110,610	144,194	(33,584)	130.36%	984	15,496	(15,496)	984
2046	July 1, 2045	100,820	137,350	(36,530)	136.23%	853	14,756	(14,756)	853
2047	July 1, 2046	91,228	130,835	(39,607)	143.42%	768	13,950	(13,950)	768
2048	July 1, 2047	81,915	124,735	(42,820)	152.27%	670	13,079	(13,079)	670
2049	July 1, 2048	72,966	119,140	(46,174)	163.28%	538	12,158	(12,158)	538

<sup>1</sup> Includes first year catch-up payment to actives of \$122,700.

**The Community Engagement and Finance Division (CEFD) Contact:**

- None noted.

**Treasury Recommendation  
Marquette County Road Commission  
Pension Corrective Action Plan (CAP)  
Non-Primary Unit 520100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$12,429,268	\$28,055,795	44.3%	\$1,066,733	\$16,183,756	6.6%	Yes
Healthcare	OPEB	\$926,366	\$12,990,797	7.1%	\$954,506		5.9%	Yes
<b>Total</b>		<b>\$13,355,634</b>	<b>\$41,046,592</b>		<b>\$2,021,239</b>	<b>\$16,183,756</b>	<b>12.5%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the pension corrective action plan submitted by Marquette County Road Commission, which was received by the Municipal Stability Board (the Board) on January 16, 2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- **Modern Plan Design:**
  - MERS divisions 01(Union), 10(Non-Union), 11(Engineer), and 13(Superintendent) were closed to new hires on 12/31/2012. The multiplier for employees hired prior to 1/1/2013 was bridged from 2.50% to 2.25% and employee contributions were increased from 2.43% to 4.5%. The Union division FAC was frozen as of 12/31/2013.
  - As of 1/1/2013, new hires enter MERS groups 12(Admin), 14(Union), and 15(Non-Union). The Union and Non-Union divisions' multiplier was set to 1.5%; the Admin division remained at 2.5%. Employee contributions were set at 5% for these divisions and employer contributions were capped at 10%.
  
- **Plan Funding:**
  - Marquette County Road Commission has contributed a total of \$1,238,304 in excess of the actuarially determined contributions for fiscal years ending September 30, 2012 through September 30, 2017.
  - A Surplus Division for additional voluntary employer contributions was established in September 2017 and contributions of \$672,690 have been deposited to that account to reduce the unfunded liability.
  - FY2019 budget includes the first year of a 10 year funding plan geared towards eliminating the Unfunded Actuarial Liability (includes an additional \$710,316 over the FY 2019 required funding amount).
  
- **Other Considerations:**
  - MERS provided the estimated monthly contribution (\$178,649) to accelerate to a 100% funding ratio in 10 years, which is reflected in the FY2019 budget. Note that these projections do not take into account the actual returns for the year ended December 31, 2018.

**Treasury Recommendation  
Marquette County Road Commission  
Pension Corrective Action Plan (CAP)  
Non-Primary Unit 520100**

**Prospective Changes:**

- Modern Plan Design:
  - The effect of the significant changes to MERS plan design already made will be recognized in future annual valuations as employees hired prior to 1/1/2013 retire and the active workforce moves exclusively to the new plan design in place.
  - No further plan design changes are contemplated under the CAP.
  
- Plan Funding:
  - FY 2019 budget provides for amortizing the pension Unfunded Actuarial Liability (UAL) using level-dollar amortization method over the first of 10 years.
  
- Other Considerations:
  - Marquette County Road Commission is using all of MERS best practices: Limited Final Average Compensation, Fixed Amortization Period, Regular Actuarial Experience Study, and Benefit Increase Policy.
  - Marquette County Road Commission has been actively working and supportive of reducing the UAL for several years, as shown in Board minutes dating back to 2014.
  - The actuarial assumptions are based on the results of the most recent actuarial experience study of 2009-2013. There may be a new study performed or in progress for 2014-2018.
  - Marquette County Road Commission is working with MERS to review the actuarial assumptions being used relative to Marquette's specific information.

**Plan Size: 146 members**

- Inactive employees or beneficiaries currently receiving benefits: 73
- Inactive employees entitled to but not yet receiving benefits: 19
- Active employees: 54

**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 confirmed 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  
Marquette County Road Commission  
Pension Corrective Action Plan (CAP)  
Non-Primary Unit 520100**

The following corrective action plan approval criteria are partially met:

- **Underfunded Status:**
  - The local unit did not provide clear documentation that demonstrates the retirement system will reach 60% funded. Based on other information presented in the corrective action plan, we have determined the plan may be able to reach the 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 may be able to achieve the 60% funded ratio within this timeframe.

**Supplemental Information:** The Marquette County Road Commission corrective action plan includes additional funding. Shown below is the 10-year projection included with the CAP, illustrating the 60% funded percentage will be reached at or near FY2020 and 100% funding is expected by FY2026. However, as can be seen, the projection assumes the liability will remain constant at \$29,664,941 and the assets will increase each year by a level amount of \$2,143,788. This is not a reasonable basis for estimating the funded status, especially over the long-term. We also note that the pension liabilities were valued using an 8% discount rate while the OPEB liabilities were valued using a 7% discount rate.

Marquette County Road Commission  
MERS Pension Plan  
Estimate of 10 Year Funding of UAL  
Using the MERS 12/31/2017 Annual Actuarial Valuation Information<sup>1</sup>

	As of 12/31/2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2027
Accrued Liability	\$29,664,941	\$29,664,941	\$29,664,941	\$29,664,941	\$29,664,941	\$29,664,941	\$29,664,941	\$29,664,941	\$29,664,941	\$29,664,941	\$29,664,941	\$29,664,941
Valuation Assets	\$13,992,662	\$13,992,662	\$13,992,662	\$16,136,450	\$18,280,238	\$20,424,026	\$22,567,814	\$24,711,602	\$26,855,390	\$28,999,178	\$31,142,966	\$33,286,754
Additional Assets <sup>2</sup>			\$2,143,788	\$2,143,788	\$2,143,788	\$2,143,788	\$2,143,788	\$2,143,788	\$2,143,788	\$2,143,788	\$2,143,788	\$2,143,788
Estimated Valuation Assets		\$13,992,662	\$16,136,450	\$18,280,238	\$20,424,026	\$22,567,814	\$24,711,602	\$26,855,390	\$28,999,178	\$31,142,966	\$33,286,754	\$35,430,542
UAL	\$15,672,279	\$15,672,279	\$13,528,491	\$11,384,703	\$9,240,915	\$7,097,127	\$4,953,339	\$2,809,551	\$665,763	-\$1,478,025	-\$3,621,813	-\$5,765,601
Funded Ratio	47.17%	47.17%	54.40%	61.62%	68.85%	76.08%	83.30%	90.53%	97.76%	104.98%	112.21%	119.44%

NOTES:

1 - Chart will be updated following receipt of 12/31/2018 Annual Actuarial Valuation.

2 - Amount used for 10 Year funding of UAL was taken from the MERS Annual Actuarial Valuation of 12/31/2017, Page 11 of 47 (attached).

**The Community Engagement and Finance Division (CEFD) Contact:**

- None noted.

**Treasury Recommendation  
Marquette County Road Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 520100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC / Revenue	CAP required?
MERS	Pension	\$12,429,268	\$28,055,795	44.3%	\$1,066,733	\$16,183,756	6.6%	YES
Road Commission OPEB	OPEB	\$926,366	\$12,990,797	7.1%	\$954,506		5.9%	YES
<b>Total</b>		<b>\$13,355,634</b>	<b>\$41,046,592</b>		<b>\$2,021,239</b>	<b>\$16,183,756</b>	<b>12.5%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Marquette County Road Commission, which was received by the Municipal Stability Board (the Board) on January 16, 2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - For those retiring after 1/1/2013, benefit levels of retirees mirrors current collective bargaining agreement for each class of employee, both union and non-union.
  - The employer contributions limits from PA 152 of 2011 are applied to medical benefit premiums for both actives and retirees.
  - Retiree health care is not provided to those hired after 1/1/2013.
- Plan Funding:
  - A qualified trust for retiree healthcare was established in October 2007. Voluntary contributions have been made to the trust since then, with a current balance of \$1,759,898.
- Other Considerations:
  - The information on Form 5572 from the audit used actuarial data from 2012. An updated actuarial valuation shows a funded ratio of 25% as of 12/31/2016.

**Prospective Changes:**

- Modern Plan Design:
  - Due to changes listed above, the local unit anticipates funding levels to increase significantly in future actuarial reports.
- Plan Funding:
  - Previously, refunds have been used toward additional funding of both pension and OPEB UAL. FY2019 budget provides for funding of pension UAL, so all refunds will be applied toward the OPEB UAL. The Board will review funding levels each year in order to meet the ARC until the plan is funded at 40% minimum, anticipated to be by the end of FY2020.

**Treasury Recommendation  
Marquette County Road Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 520100**

- Other Considerations:
  - The additional road funding provided by recent legislation provides the funds necessary to reach a funded status of more than 40% by the end of FY2020.
  - The CAP includes a copy of the 2019 budget, approved 9/17/18, which shows an allocation for fringe benefit expenses that is sufficient to cover the 2019 Actuarially Computed Employer Contribution for both pension and OPEB.

**Plan Size:** Not provided.

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
  - The local unit provided an exhibit showing that the system will reach 40% funded. However, the exhibit did not include a projection of the actuarial accrued liability or assets (normal cost, expected benefit payments and investment earnings components that would typically make up an actuarial projection are not taken into account). Based on other information presented in the corrective action plan, the plan will likely reach a funded ratio of 40% if the plan's assumptions remain accurate and the Actuarially Computed Employer Contribution is contributed each year.
- Reasonable Timeframe:
  - The local unit provided an exhibit showing that the system will reach 40% funded in 2020. However, the exhibit did not include a projection of the actuarial accrued liability or assets (normal cost, expected benefit payments and investment earnings components that would typically make up an actuarial projection are not taken into account). Based on other information presented in the corrective action plan, the plan will likely reach a funded ratio of 40% in a reasonable amount of time if the plan's assumptions remain accurate and the Actuarially Computed Employer Contribution is contributed each year.

**Treasury Recommendation  
Marquette County Road Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 520100**

**Supplemental Information:**

- Marquette County Road Commission included select pages from the December 31, 2016 valuation prepared by GRS, showing a funded ratio of 25%.

**Liabilities and Assets – As of December 31, 2016**

1. Present Value of Future Benefit Payments	\$6,741,103
2. Actuarial Accrued Liability	6,361,784
3. Plan Assets	1,591,304
4. Unfunded Actuarial Accrued Liability (2) – (3)	4,770,480
5. Funded Ratio (3)/(2)	25.0%

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

- Marquette County Road Commission included a 10-year projection showing the funded percentage improving to 46.35% by December 31, 2020. We note that the exhibit does not include a projection of the actuarial accrued liability or assets (normal cost, expected benefit payments and investment earnings components that would typically make up an actuarial projection are not taken into account).

Marquette County Road Commission  
Retiree Health Care Plan

	As of 12/31/2016	Updated Info for					
		FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Accrued Liability	\$6,361,784	\$6,361,784	\$6,361,784	\$6,361,784	\$6,361,784	\$6,361,784	\$6,361,784
Valuation Assets	\$1,591,304	\$1,759,898	\$1,759,898	\$2,354,274	\$2,948,650	\$3,543,026	\$4,137,402
Additional Assets			\$594,376	\$594,376	\$594,376	\$594,376	\$594,376
Estimated Valuation Assets		\$1,759,898	\$1,759,898	\$2,948,650	\$3,543,026	\$4,137,402	\$4,731,778
UAL	\$4,770,480	\$4,601,886	\$4,601,886	\$3,413,134	\$2,818,758	\$2,224,382	\$1,630,006
Funded Ratio	25.01%	27.66%	27.66%	46.35%	55.69%	65.04%	74.38%

NOTES:

1 - Chart will be updated following receipt of 12/31/2018 Annual Actuarial Valuation.

2 - Amount used for 10 Year funding of UAL was taken from the MERS Annual Actuarial Valuation of 12/31/2017, Page 11 of 47 (attached).

**The Community Engagement and Finance Division (CEFD) Contact:**

- None noted.

**Treasury Recommendation  
Michigan Works! Region B Consortium  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 187508**

<b>Name of Systems</b>	<b>Type of System</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Funded Ratio</b>	<b>ADC</b>	<b>Revenues</b>	<b>ADC / Revenue</b>	<b>CAP required?</b>
Healthcare	OPEB	\$0	\$81,652	0%	\$83,285	\$4,934,408	1.7%	YES

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Michigan Works Region B, which was received by the Municipal Stability Board (the Board) on January 16, 2019 If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - Until June 25, 2018, the Consortium provided retiree healthcare benefits to one retiree. Effective June 25, 2018, the Consortium made a one-time payment of \$15,000 to the retiree and terminated the plan.
- Plan Funding:
  - None listed
- Other Considerations:
  - None listed

**Prospective Changes:**

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

**Plan Size:**

- Counts not provided; plan terminated June 25, 2018.

**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%.



**Treasury Recommendation  
Michigan Works! Region B Consortium  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 187508**

- Affordable:
  - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast.

The following corrective action plan approval criteria are partially met:

- Legal and Feasible:
  - The local unit 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.

**Supplemental Information:**

- Local Unit provided a one-time payout to the only employee receiving the benefit, and thus eliminating the benefit. The local unit's 2018 audit does not list an OPEB benefit or liability.

**The Community Engagement and Finance Division (CEFD) Contact:**

- None noted.

**Treasury Recommendation  
Montcalm County Road Commission  
Pension Corrective Action Plan (CAP)  
Non-Primary Unit 590100**

<b>Name of Systems</b>	<b>Type of System</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Funded Ratio</b>	<b>ADC</b>	<b>Revenues</b>	<b>ADC/Revenue</b>	<b>CAP required?</b>
MERS	Pension	\$9,177,919	\$17,874,912	51.4%	\$686,334	\$14,059,557	4.9%	Yes
Montcalm County Road Commission Retiree Medical Plan	OPEB	\$372,343	\$2,464,134	15.1%	\$319,837		2.3%	Yes
<b>Total</b>		<b>\$9,550,262</b>	<b>\$20,339,046</b>		<b>\$1,006,171</b>	<b>\$14,059,557</b>	<b>7.3%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the pension corrective action plan submitted by Montcalm County Road Commission, which was received by the Municipal Stability Board (the Board) on January 16, 2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- **Modern Plan Design:**
  - The 01 Division was closed in 2011 to new hires. The new Division (Division 11) eliminated the E2 rider (COLA benefit for future retirees) and changed the vesting period from 6 years to 10 years.
  - The 10 Division was closed to new hires from 2011. The new Division (Division 12) eliminated the E2 Rider (COLA benefit for future retirees) and also lowered the multiplier from 2.5% to 2.25%, vesting from 6 years to 10 years.
- **Plan Funding:**
  - In 2016, employee contributions were raised 0.5% to 4%-5.5% depending on division.
  - The Road Commission paid a lump sum of \$100,000 in 2016 in addition to the ADC.
  - In 2017, MCRC is paying monthly contributions based on the “No-Phase In” option.
  - In 2018, a surplus division was opened and another \$100,000 lump sum in addition to ADC was paid.
  - An additional \$20,000 per month is budgeted beginning in February 2019 to accelerate funding to 100%. This additional \$240,000 annual payment will accelerate MCRC to 100% funded in 2035.
- **Other Considerations:**
  - In accordance with a negotiated CBA with AFSCME Local 1071.03 in 2018, employee contributions will continue to increase by 0.5% in 2019, 2020, and 2021. This will assist to accelerate funding to 89% by 2032 and a large reduction to our ARC in 2032.

**Treasury Recommendation  
Montcalm County Road Commission  
Pension Corrective Action Plan (CAP)  
Non-Primary Unit 590100**

**Prospective Changes:**

- Modern Plan Design:
  - None Noted.
  
- Plan Funding:
  - The Montcalm County Road Commission will continue to budget and contribute no less than the annual required contribution and the additional \$240,000 annually to the MERS Defined Benefit Plan.
  
- Other Considerations
  - None Noted.

**Plan size: 102 members**

- Inactive employees or beneficiaries currently receiving benefits: 49
- Inactive employees entitled to but not yet receiving benefits: 4
- 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 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 (fiscal year 2023).
  
- 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.

**Treasury Recommendation  
Montcalm County Road Commission  
Pension Corrective Action Plan (CAP)  
Non-Primary Unit 590100**

**Supplemental Information:**

Montcalm County Road Commission included estimated projected employer contributions and funded ratios. Under Scenario 1, the percentage increase in total annual employer contribution from the baseline to peak year is 53.2%.

Montcalm CRC (5905) - All Divisions											
Estimated Projected Employer Contributions and Funded Ratios											
Valuation Year Ending 12/31	Fiscal Year Beginning in Year	Baseline - Current Benefits and Participants as of the Valuation Date				Scenario 1 - Annual Additional Contributions of \$240,000 into Surplus Starting 1/1/19 until Fully Funded					
		Actuarial Accrued Liability	Valuation Assets (Including Surplus)	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	18,820,655	10,107,938	54%	\$777,108	18,820,655	10,107,938	54%	\$777,108	\$240,000	\$1,017,108
2018	2020	19,311,649	10,460,087	54%	\$819,504	19,311,649	10,460,087	54%	\$819,504	\$240,000	\$1,059,504
2019	2021	19,810,773	10,661,409	54%	\$865,836	19,810,773	10,905,816	55%	\$865,836	\$240,000	\$1,105,836
2020	2022	20,326,478	11,248,614	55%	\$884,124	20,326,478	11,761,763	58%	\$884,124	\$240,000	\$1,124,124
2021	2023	20,831,133	11,850,612	57%	\$904,260	20,831,133	12,657,409	61%	\$904,260	\$240,000	\$1,144,260
2022	2024	21,327,147	12,385,015	58%	\$935,052	21,327,147	13,503,466	63%	\$935,052	\$240,000	\$1,175,052
2023	2025	21,818,428	12,933,988	59%	\$967,644	21,818,428	14,388,245	66%	\$967,644	\$240,000	\$1,207,644
2024	2026	22,303,326	13,500,833	61%	\$1,001,256	22,303,326	15,316,922	69%	\$1,001,256	\$240,000	\$1,241,256
2025	2027	22,777,066	14,091,362	62%	\$1,036,296	22,777,066	16,297,324	72%	\$1,036,296	\$240,000	\$1,276,296
2026	2028	23,237,534	14,707,680	63%	\$1,072,656	23,237,534	17,333,731	75%	\$1,072,656	\$240,000	\$1,312,656
2027	2029	23,675,787	15,344,952	65%	\$1,110,024	23,675,787	18,423,648	78%	\$1,110,024	\$240,000	\$1,350,024
2028	2030	24,083,586	15,999,835	66%	\$1,148,940	24,083,586	19,566,257	81%	\$1,148,940	\$240,000	\$1,388,940
2029	2031	24,441,470	16,657,596	68%	\$1,190,424	24,441,470	20,749,542	85%	\$1,190,424	\$240,000	\$1,430,424
2030	2032	24,753,720	17,327,191	70%	\$1,232,964	24,753,720	21,985,389	89%	\$1,139,425	\$0	\$1,139,425
2031	2033	25,034,531	18,028,833	72%	\$1,277,856	25,034,531	23,297,168	93%	\$215,928	\$0	\$215,928
2032	2034	25,288,217	18,773,772	74%	\$1,324,284	25,288,217	24,612,974	97%	\$222,552	\$0	\$222,552
2033	2035	25,515,278	19,568,683	77%	\$1,372,896	25,515,278	25,512,023	100%	\$229,872	\$0	\$229,872
2034	2036	25,748,581	20,453,852	79%	\$1,423,284	25,748,581	25,745,162	100%	\$237,540	\$0	\$237,540
2035	2037	25,998,281	21,447,313	82%	\$1,477,092	25,998,281	25,994,355	100%	\$246,240	\$0	\$246,240
2036	2038	26,270,666	22,564,377	86%	\$1,532,688	26,270,666	26,266,240	100%	\$254,664	\$0	\$254,664
2037	2039	26,584,257	23,833,262	90%	\$1,087,857	26,584,257	26,579,479	100%	\$263,628	\$0	\$263,628
2038	2040	26,955,895	25,281,981	94%	\$273,408	26,955,895	26,951,130	100%	\$273,408	\$0	\$273,408
2039	2041	27,401,296	26,806,725	98%	\$283,416	27,401,296	27,396,374	100%	\$283,416	\$0	\$283,416
2040	2042	27,933,865	27,934,716	100%	\$293,892	27,933,865	27,928,383	100%	\$293,892	\$0	\$293,892
2041	2043	28,569,754	28,569,754	100%	\$305,244	28,569,754	28,562,930	100%	\$305,244	\$0	\$305,244

**The Community Engagement and Finance Division (CEFD) contact:**

- The CEFD contacted the Commission on January 25, 2019 to discuss their CAP. The government’s administrative officer did not originally sign and approve the corrective action plan and prospective actions. Subsequently, the administrative officer provided I signed copy of the corrective action plan form.

**Treasury Recommendation  
Montcalm County Road Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 590100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$9,177,919	\$17,874,912	51.4%	\$686,334	\$14,059,557	4.9%	Yes
Montcalm County Road Commission Retiree Medical Plan	OPEB	\$372,343	\$2,464,134	15.1%	\$319,837		2.3%	Yes
<b>Total</b>		<b>\$9,550,262</b>	<b>\$20,339,046</b>		<b>\$1,006,171</b>	<b>\$14,059,557</b>	<b>7.3%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Montcalm County Road Commission, which was received by the Municipal Stability Board (the Board) on January 16, 2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - On July 1, 2018, MCRC entered into a new CBA from AFSCME Local 1071.03 that created a Health Care Savings Plan for all new hires and for any current employee with 10 years or less time of service.
  - 17 current employees moved to the Health Care Savings Plan which is funded at \$1,400 per year by MCRC. These employees and all new hires are not eligible for post employment health care benefits.
  
- Plan Funding:
  - In 2009, MCRC created a qualified 115 Trust to receive, invest and accumulate assets for OPEB. MCRC has contributed \$20,000 to the account since its inception.
  - In the 2019 fiscal year budget, by resolution of the board, an extra \$1,000 per month was committed to the annual OPEB payment bringing the total contribution to \$32,000. This payment is projected to accelerate funding to 80% in the next 13 years or 2031.
  
- Other Considerations:
  - None Noted.

**Prospective Changes:**

- Modern Plan Design:
  - None Noted.

**Treasury Recommendation  
Montcalm County Road Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 590100**

- Plan Funding:
  - None Noted.
  
- Other Considerations:
  - None Noted.

**Plan size: 52 members**

- Inactive employees or beneficiaries currently receiving benefits: 8
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 44

**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. It should be noted the corrective action plan does not provide a long-term projection of the annual retiree premium payments.

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 80% by 2031; however, the local unit did not provide clear documentation that demonstrates this. An email from the Road Commission's actuary indicates an annual contribution of \$32,000 into the trust in addition to paying retiree costs from general operating funds "will get you to 80% in 13 years."

**Treasury Recommendation  
Montcalm County Road Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 590100**

**Supplemental Information:**

Montcalm County Road Commission included a chart showing an increase in funded ratio from 15.1% to 19.8%.

**Changes in Net OPEB Liability and Related Ratios**

	<b>Fiscal Year Ending September 30,</b>	
	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>		
Service Cost	71,583	69,358
Interest	79,675	78,526
Changes of Benefit Terms	(233,047)	0
Difference between Expected and Actual Experience	(62,524)	0
Change of Assumptions	(90,322)	0
Benefit Payments (Including Refunds of Employee Contributions)	(107,300)	(121,376)
<b>Net Change in Total OPEB Liability</b>	<b>(341,935)</b>	<b>26,508</b>
Total OPEB Liability – Beginning	2,464,134	2,437,626
<b>Total OPEB Liability – Ending (a)</b>	<b>2,122,199</b>	<b>2,464,134</b>
<b>Plan Fiduciary Net Position</b>		
Contributions to OPEB trust	20,000	20,000
Contributions/benefit payments made from general operating funds	107,300	121,376
Net Investment Income	30,592	42,469
Benefit Payments (Including Refunds of Employee Contributions)	(107,300)	(121,376)
Administrative Expenses	(1,920)	(1,617)
Other	(3)	-
<b>Net Change in Fiduciary Net Position</b>	<b>48,669</b>	<b>60,852</b>
Plan Fiduciary Net Position – Beginning	372,342	311,491
<b>Plan Fiduciary Net Position – Ending (b)</b>	<b>421,011</b>	<b>372,342</b>
<b>Net OPEB Liability – Ending (a)-(b)</b>	<b>1,701,188</b>	<b>2,091,791</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	<b>19.8%</b>	<b>15.1%</b>
Covered Employee Payroll	_____	2,511,189
<b>Net OPEB Liability as Percentage of Payroll</b>	<b>_____%</b>	<b>83.3%</b>

**The Community Engagement and Finance Division (CEFD) contact:**

- The CEFD reached out to Montcalm County Road Commission to discuss their CAP. The Local Unit provided more information on how they increased their funded ratio.

**Treasury Recommendation  
City of Montrose  
OPEB Corrective Action Plan (CAP)  
Primary Unit 252065**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$505,299	\$1,057,953	47.8%	\$51,114	\$1,017,458	5.0%	No
BCN/Union	OPEB	\$0	\$928,966	0.0%	\$103,891		14.4%	Yes – Note: subsequent City action has resulted in the non-union plan being dissolved.
BCN/Non-Union	OPEB	\$0	\$604,922	0.0%	\$42,454			
<b>Total</b>		<b>\$505,299</b>	<b>\$2,591,841</b>		<b>\$197,459</b>	<b>\$1,017,458</b>	<b>19.4%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by the City of Montrose, which was received by the Municipal Stability Board (the Board) on January 16, 2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - In fiscal year 2017 and 2018, the City implemented a change in the union contract that reduced the number of years retirees can qualify for post employee benefits. One retiree no longer qualifies for post employee benefits.
    - According to the new union employee contract, for future retirees, the City of Montrose has currently placed in effect for union employees who are at least 55 years of age and have been a permanent full-time employee for 25 years will be able to have hospitalization and medical insurance provided for 7 years after retirement.
    - However, if hospitalization and medical insurance monthly premium cost increases above, or more than, the benchmark baseline amounts agreed upon for various categories of coverage this increase shall be shared with the City paying 75 percent of the increase premium cost and the eligible, participating retiree paying the remaining 25 percent of the increase premium cost.
      - Treasury was able to verify these statements in the City’s fiscal year 2018 audit.
  - The City has also implemented a union contract that states future retirees can receive a \$1,000 yearly cap with a City match for their health savings plan; therefore, reducing costs as well as City funded post-employment health benefits for retirees.
    - Treasury was not able to verify this information.
  - The OPEB plans are open.



**Treasury Recommendation  
City of Montrose  
OPEB Corrective Action Plan (CAP)  
Primary Unit 252065**

- Plan Funding:
  - None listed.
  
- Other Considerations:
  - The City states that in fiscal year 2018 under the GASB 75, the City of Montrose Post Employee Benefits Accounting Report ending in June 30, 2018 shows a decrease of OPEB liability to \$81,350. This reduction in liabilities would no longer place the City of Montrose in an "underfunded status". Revenues for fiscal year 2018 are \$2,030,913 and ARC is \$17,328 which is .09% and under the 12% threshold requirement for the City to need to adopt a corrective action plan.
    - Treasury was able to verify fiscal year 2018 total revenues of \$2,205,913 and an OPEB ADC of \$18,475 in their fiscal year 2018 audit with an ADC/Revenue total of 0.8%. The fiscal year 2018 audit confirms there is only one OPEB plan.

**Prospective Changes:**

- Modern Plan Design:
  - None listed.
  
- Plan Funding:
  - The City states that they will continue to take corrective measures to fund this liability through either MERS Post Employee Benefits account or OPEB Trust Fund.
  
- Other Considerations:
  - None listed.

**Plan size: 5 members**

- Inactive employees or beneficiaries currently receiving benefits: 2
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 3

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

- Underfunded Status:
  - The corrective action plan demonstrates it will no longer trigger underfunded status because the local unit's annual required contribution will be less than 12% of general fund operating revenues. The City no longer triggers underfunded status in their fiscal year 2018 audit as well as their fiscal year 2018 Form 5572 review.

**Treasury Recommendation  
City of Montrose  
OPEB Corrective Action Plan (CAP)  
Primary Unit 252065**

- Reasonable Timeframe:
  - The corrective action plan demonstrates the annual required contribution will be less than 12% of general fund operating revenues by 2018. The City no longer triggers underfunded status in their fiscal year 2018 audit as well as their fiscal year 2018 Form 5572 review.
  
- 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 did not confirm in Section 5 of the corrective action plan template that its corrective action plan was affordable. However, based on the reported ADC/Revenue in their fiscal year 2018 5572, the plan appears to be affordable.

**Supplemental Information:**

None provided.

**The Community Engagement and Finance Division (CEFD) contact:**

- On February 5, 2019, Treasury staff spoke with City Manager who confirmed the dissolution of the non-union OPEB plan. The fiscal year 2018 audit confirms the City only has one OPEB plan, which does not trigger underfunded status.

**Treasury Recommendation  
City of Mount Clemens  
OPEB Corrective Action Plan (CAP)  
Primary Unit 502050**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC / Revenue	CAP required?
MERS	Pension	\$61,950,099	\$59,884,124	103.4%	\$386,887	\$12,274,364	3.2%	No
Healthcare	OPEB	\$0	\$52,986,424	0%	\$3,155,767		25.7%	Yes
<b>Total</b>		<b>\$61,950,099</b>	<b>\$112,870,548</b>		<b>\$3,542,654</b>	<b>\$12,274,364</b>	<b>28.9%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by City of Mount Clemens, which was received by the Municipal Stability Board (the Board) on January 16, 2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - Except for firefighters, the Retiree Health Program is closed to all new employees hired on or after 9/30/16; they are eligible for an HRA instead.
  - Benefits for retired members mirrors current collective bargaining agreement until Medicare eligible, then covered by a Medicare Advantage plan.
- Plan Funding:
  - The City of Mount Clemens created a Retiree Health Care Trust on 5/1/2017.
  - \$150,000 was contributed for FY 2018
- Other Considerations:
  - The information provided on the Form 5572 from the audit used actuarial data from 2015. Updated valuation shows a decreased Total OPEB Liability.

**Prospective Changes:**

- Modern Plan Design:
  - The City will seek to align health care benefit levels for retirees with each class of active employees.
  - Contract negotiations with the International Association of Firefighters will seek to revise their CBA to match other labor agreements' language for new hires to be eligible only for an HRA upon retirement.
- Plan Funding:
  - Mount Clemens adopted a policy to continue to Pay-Go funding retiree benefits plus \$50,000 for FY 2019, \$500,000 for FY 2020 and FY 2021, and \$180,000 for FY 2022 through FY 2045. These contributions will increase the funded ratio to 40% within 30 years.

**Treasury Recommendation  
City of Mount Clemens  
OPEB Corrective Action Plan (CAP)  
Primary Unit 502050**

- Other Considerations:
  - None listed.

**Plan Size: 213 members**

- Inactive employees or beneficiaries currently receiving benefits: 142
- Inactive employees entitled to but not yet receiving benefits: 9
- Active employees: 62

**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 plan will reach 40% funded. Based on other information presented in the corrective action plan, we have determined the plan may reach a funded ratio of 40% if scheduled contributions are made and the plan's assumptions remain accurate.
- Reasonable Timeframe:
  - The administrative officer indicates the plan will achieve a funded ratio of 40% by 2045; 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 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 that all of the local unit's annual required contributions as a percentage of general fund operating revenues is 28.9%. This reflects a significant portion of the local government's budget.

**Treasury Recommendation  
City of Mount Clemens  
OPEB Corrective Action Plan (CAP)  
Primary Unit 502050**

**Supplemental Information:**

- The City attached a copy of the approval of the corrective action plan and funding commitment, but details of the approved plan were not included.
- The following chart was provided in the corrective action plan. The City's finance director has certified the plan will reach 40% by 2045. While this projection does not include funded percentage, the adopted plan appears to be similar to Alternate 1 in a study by GRS (Alternate 1 has a cap on City contributions, while the adopted plan does not). Based on that study, we have determined the plan may reach a funded ratio of 40% by 2045 if scheduled contributions are made and the plan's assumptions remain accurate.
- The plan is mostly closed to new entrants, and the projected OPEB employer contributions as a percent of revenue peaks at 21% in FY 2030. However, the annual employer contribution increases by approximately 78% from 2019 to 2034.

**Corrective Action Plan, Attachment - 6b**

**City of Mount Clemens, Muni Code 502050  
Long-Term Budget Forecast - Governmental Activities Revenues  
FY 2019 - 2034**

	estimated CPI		estimated CPI		estimated CPI		estimated CPI	
Implementation Year	1	2	3	4	5	6	7	
	2.1%	2.4%	2.8%	2.2%	1.8%	1.5%	1.5%	
	FY 2018-2019	FY 2019-2020	FY 2020-2021	FY 2021-2022	FY 2022-2023	FY 2023-2024	FY 2024-2025	
Actuary Estimated Benefit Payments:	1,910,075	2,056,801	2,175,292	2,291,979	2,453,808	2,628,631	2,760,073	
Additional funding by City	50,000	500,000	500,000	180,000	180,000	180,000	180,000	
Total contributions	1,960,075	2,556,801	2,675,292	2,471,979	2,633,808	2,808,631	2,940,073	
<b>Governmental Units</b>								
Total Estimated Revenues	13,283,646	13,602,453	13,977,881	14,286,513	14,538,870	14,757,162	14,980,948	
	12%	12%	12%	12%	12%	12%	12%	
Contribution threshold	1,594,038	1,632,294	1,677,346	1,714,382	1,744,664	1,770,859	1,797,714	
*Amount shortfall/(excess)	366,037	924,507	997,946	757,597	889,144	1,037,772	1,142,359	

**Corrective Action Plan, Attachment - 6b**

**City of Mount Clemens, Muni Code 502050  
Long-Term Budget Forecast - Governmental Activities Revenues  
FY 2019 - 2034**

	estimated CPI		estimated CPI		estimated CPI		estimated CPI	
Implementation Year	8	9	10	11	12	13	14	
	1.5%	1.7%	1.9%	2.0%	2.2%	2.5%	2.6%	
	FY 2025-2026	FY 2026-2027	FY 2027-2028	FY 2028-2029	FY 2029-2030	FY 2030-2031	FY 2031-2032	
Actuary Estimated Benefit Payments:	2,871,425	2,956,063	3,088,366	3,181,637	3,265,140	3,297,989	3,265,012	
Additional funding by City	180,000	180,000	180,000	180,000	180,000	180,000	180,000	
Total contributions	3,051,425	3,136,063	3,268,366	3,361,637	3,445,140	3,477,989	3,445,012	
<b>Governmental Units</b>								
Total Estimated Revenues	15,210,399	15,466,661	15,753,298	16,074,442	16,434,903	16,840,300	17,276,468	
	12%	12%	12%	12%	12%	12%	12%	
Contribution threshold	1,825,248	1,855,999	1,890,396	1,928,933	1,972,188	2,020,836	2,073,176	
*Amount shortfall/(excess)	1,226,177	1,280,064	1,377,970	1,432,704	1,472,952	1,457,153	1,371,836	

**Treasury Recommendation  
City of Mount Clemens  
OPEB Corrective Action Plan (CAP)  
Primary Unit 502050**

**Corrective Action Plan, Attachment - 6b**

**City of Mount Clemens, Muni Code 502050  
Long-Term Budget Forecast - Governmental Acti  
FY 2019 - 2034**

	<i>estimated CPI</i>	<i>estimated CPI</i>	<i>estimated CPI</i>	<i>estimated CPI</i>	<i>estimated CPI</i>	<i>estimated CPI</i>	<i>estimated CPI</i>
<i>Implementation Year</i>	15	16	17	18	19	20	21
	FY 2032-2033	FY 2033-2034	FY 2034-2035	FY 2035-2036	FY 2036-2037	FY 2037-2038	FY 2038-2039
Actuary Estimated Benefit Payments:	3,289,056	3,307,354	3,278,939	3,243,956	3,260,325	3,257,655	3,246,416
Additional funding by City	180,000	180,000	180,000	180,000	180,000	180,000	180,000
Total contributions	3,469,056	3,487,354	3,458,939	3,423,956	3,440,325	3,437,655	3,426,416
<u>Governmental Units</u>							
Total Estimated Revenues	17,679,186	18,050,080	18,390,889	18,703,408	19,024,415	19,367,259	19,751,182
	12%	12%	12%	12%	12%	12%	12%
Contribution threshold	2,121,502	2,166,010	2,206,907	2,244,409	2,282,930	2,324,071	2,370,142
*Amount shortfall/(excess)	1,347,554	1,321,344	1,252,032	1,179,547	1,157,395	1,113,584	1,056,274

**Corrective Action Plan, Attachment - 6b**

**City of Mount Clemens, Muni Code 502050  
Long-Term Budget Forecast - Governmental Acti  
FY 2019 - 2034**

	<i>estimated CPI</i>	<i>estimated CPI</i>	<i>estimated CPI</i>	<i>estimated CPI</i>	<i>estimated CPI</i>	<i>estimated CPI</i>	<i>estimated CPI</i>
<i>Implementation Year</i>	22	23	24	25	26	27	28
	FY 2039-2040	FY 2040-2041	FY 2041-2042	FY 2042-2043	FY 2043-2044	FY 2044-2045	FY 2045-2046
Actuary Estimated Benefit Payments:	3,234,033	3,199,959	3,184,771	3,068,233	2,924,284	2,850,379	2,712,488
Additional funding by City	180,000	180,000	180,000	180,000	180,000	180,000	
Total contributions	3,414,033	3,379,959	3,364,771	3,248,233	3,104,284	3,030,379	2,712,488
<u>Governmental Units</u>							
Total Estimated Revenues	20,181,870	20,665,957	21,211,226	21,798,864	22,342,390	22,843,761	23,305,120
	12%	12%	12%	12%	12%	12%	12%
Contribution threshold	2,421,824	2,479,915	2,545,347	2,615,864	2,681,087	2,741,251	2,796,614
*Amount shortfall/(excess)	992,209	900,044	819,424	632,369	423,197	289,128	(84,126)

Note: \*HCT and Other funds, including Enterprise Funds, will contribute to OPEB obligation. spending constraints, along with deferral of maintenance and capital purchases, will need to be implemented.

**Treasury Recommendation  
City of Mount Clemens  
OPEB Corrective Action Plan (CAP)  
Primary Unit 502050**

**City of Mount Clemens Retiree Health Program  
Alternate 1**

Fiscal Year	Projected Retiree Health Trust Revenue and Expense						AAL EOY	Funded Percent
	Asset Value	City	Extra City	Benefit	Interest	Asset Value		
	BOY	Contribution	Contribution	Payments		EOY		
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(f)/(g)
7/1/2018 - 6/30/2019	\$ 149,258	\$1,910,075	\$50,000	\$1,910,075	\$ 10,441	\$ 209,699	\$ 39,665,495	0.5%
7/1/2019 - 6/30/2020	209,699	2,056,801	500,000	2,056,801	27,436	737,135	40,447,502	1.8%
7/1/2020 - 6/30/2021	737,135	2,175,292	500,000	2,175,292	59,082	1,296,218	41,154,945	3.1%
7/1/2021 - 6/30/2022	1,296,218	2,291,979	180,000	2,291,979	83,121	1,559,338	41,783,236	3.7%
7/1/2022 - 6/30/2023	1,559,338	2,453,808	180,000	2,453,808	98,908	1,838,246	42,276,326	4.3%
7/1/2023 - 6/30/2024	1,838,246	2,628,631	180,000	2,628,631	115,642	2,133,888	42,612,643	5.0%
7/1/2024 - 6/30/2025	2,133,888	2,760,073	180,000	2,760,073	133,381	2,447,269	42,827,470	5.7%
7/1/2025 - 6/30/2026	2,447,269	2,871,425	180,000	2,871,425	152,184	2,779,453	42,930,334	6.5%
7/1/2026 - 6/30/2027	2,779,453	2,965,063	180,000	2,965,063	172,115	3,131,568	42,931,992	7.3%
7/1/2027 - 6/30/2028	3,131,568	3,088,366	180,000	3,088,366	193,242	3,504,809	42,792,228	8.2%
7/1/2028 - 6/30/2029	3,504,809	3,100,000	180,000	3,181,637	213,211	3,816,383	42,532,262	9.0%
7/1/2029 - 6/30/2030	3,816,383	3,100,000	180,000	3,265,140	229,424	4,060,667	42,160,044	9.6%
7/1/2030 - 6/30/2031	4,060,667	3,100,000	180,000	3,297,989	243,106	4,285,784	41,722,651	10.3%
7/1/2031 - 6/30/2032	4,285,784	3,100,000	180,000	3,265,012	257,592	4,558,364	41,283,923	11.0%
7/1/2032 - 6/30/2033	4,558,364	3,100,000	180,000	3,289,056	273,233	4,822,540	40,785,690	11.8%
7/1/2033 - 6/30/2034	4,822,540	3,100,000	180,000	3,307,354	288,540	5,083,726	40,229,120	12.6%
7/1/2034 - 6/30/2035	5,083,726	3,100,000	180,000	3,278,939	305,055	5,389,843	39,657,034	13.6%
7/1/2035 - 6/30/2036	5,389,843	3,100,000	180,000	3,243,956	324,461	5,750,349	39,077,273	14.7%
7/1/2036 - 6/30/2037	5,750,349	3,100,000	180,000	3,260,325	345,605	6,115,629	38,435,729	15.9%
7/1/2037 - 6/30/2038	6,115,629	3,100,000	180,000	3,257,655	367,602	6,505,575	37,748,000	17.2%
7/1/2038 - 6/30/2039	6,505,575	3,100,000	180,000	3,246,416	391,332	6,930,491	37,025,931	18.7%
7/1/2039 - 6/30/2040	6,930,491	3,100,000	180,000	3,234,033	417,195	7,393,653	36,272,709	20.4%
7/1/2040 - 6/30/2041	7,393,653	3,100,000	180,000	3,199,959	445,997	7,919,691	35,509,756	22.3%
7/1/2041 - 6/30/2042	7,919,691	3,100,000	180,000	3,184,771	478,011	8,492,931	34,717,080	24.5%
7/1/2042 - 6/30/2043	8,492,931	3,100,000	180,000	3,068,233	515,867	9,220,565	33,998,815	27.1%
7/1/2043 - 6/30/2044	9,220,565	2,924,284	180,000	2,924,284	558,581	9,959,146	33,390,241	29.8%
7/1/2044 - 6/30/2045	9,959,146	2,850,379	180,000	2,850,379	602,896	10,742,042	32,827,104	32.7%
7/1/2045 - 6/30/2046	10,742,042	2,712,488	0	2,712,488	644,523	11,386,565	32,379,261	35.2%
7/1/2046 - 6/30/2047	11,386,565	2,566,958	0	2,566,958	683,194	12,069,759	32,062,276	37.6%
7/1/2047 - 6/30/2048	12,069,759	2,475,724	0	2,475,724	724,186	12,793,944	31,829,020	40.2%

*There may be cases where the schedule does not add due to rounding.*

**The Community Engagement and Finance Division (CEFD) Contact:**

- None noted.

**Treasury Recommendation  
Ontonagon County Road Commission  
Pension Corrective Action Plan (CAP)  
Non-Primary Unit 660100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$9,988,360	\$23,912,525	41.8%	\$1,028,055	\$8,518,407	12.1%	YES
OPEB	OPEB	-	\$7,797,255	0.0%	\$733,937		8.6%	YES
<b>Total</b>		<b>\$9,988,360</b>	<b>\$31,709,780</b>		<b>\$1,761,992</b>	<b>\$8,518,407</b>	<b>20.7%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Disapproval of the MERS Pension corrective action plan submitted by Ontonagon County Road Commission, which was received by the Municipal Stability Board (the Board) on January 16, 2019. If disapproved, Ontonagon County Road Commission, will receive a detailed letter from the Board listing the reasons for disapproval. Ontonagon County Road Commission will have 60 days from the date of the notification to address the reason for disapproval and resubmit a corrective action plan for approval.

**Changes Made:**

- Modern Plan Design:
  - None listed
- Plan Funding:
  - Provided additional funding in 2016, 2017 and 2018.
- Other Considerations:
  - None listed

**Prospective Changes:**

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

**Plan size: 97 members**

- Inactive employees or beneficiaries currently receiving benefits: 58
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 39



**Treasury Recommendation  
Ontonagon County Road Commission  
Pension Corrective Action Plan (CAP)  
Non-Primary Unit 660100**

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria were not met:

- Underfunded Status:
  - The corrective action plan failed to demonstrate the retirement system will reach 60% funded.
  
- Reasonable Timeframe:
  - The corrective action plan does not demonstrate when the retirement system will reach 60% funded.
  
- Legal and Feasible:
  - The local unit failed to attach supporting documentation indicating the corrective action plan was approved by the governing body.
  
- Affordable:
  - The local unit did not confirm in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

**Supplemental Information:** The Ontonagon County Road Commission provided their prior waiver application submission from May as their corrective action plan submission. This submission failed to meet any of the MSB defined corrective action plan approval criteria. The Commission was required to submit a corrective action plan for their OPEB system. The Commission's deadline has passed without an OPEB submission.

**The Community Engagement and Finance Division (CEFD) contact:**

- The CEFD reached out to Ontonagon County Road Commission to address their pension CAP submission on 2/8/2019. A voicemail was left. CEFD spoke with the road commission on 2/15/2019 regarding corrective action plan criteria and clarified required documentation. A follow up email was sent on 2/14/2019

**Treasury Recommendation  
Otsego County Road Commission  
Pension Corrective Action Plan (CAP)  
Non-Primary Unit 690100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
OCRC MERS	Pension	\$7,153,522	\$12,227,596	58.5%	\$437,460	<b>\$10,409,106</b>	4.2%	Yes
Healthcare	OPEB	\$0	\$6,088,899	0%	\$307,622		3.0%	Yes
<b>Total</b>		<b>\$7,153,522</b>	<b>\$18,316,495</b>		<b>\$745,082</b>		<b>7.2%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the pension corrective action plan submitted by Otsego County Road Commission, which was received by the Municipal Stability Board (the Board) on January 16, 2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - For General division hires after 10/16/2012 (please note: the CAP Summary indicates this date was 10/16/2016), the benefit multiplier was reduced from 2.50% to 2.00% and the unreduced early retirement option was eliminated.
  - Otsego County Road Commission implemented employee contributions in 2012 at a rate of 1% of gross income. The 1% rate was gradually increased to 4% beginning 1/1/2018.
  
- Plan Funding:
  - Beginning December 2010, OCRC began contributing \$10,000.00/month in addition to the actuarially determined contribution.
  - In May 2017, the Board adopted a Surplus account within MERS and approved a one-time lump sum payment of \$100,000.00, as well as the continuation of the \$10,000.00 monthly contribution. For 2018, the OCRC is expected to have paid \$500,000.00 into the Surplus account, plus the \$10,000.00 additional monthly contribution, for an additional amount totaling of \$620,000.00.
  
- Other Considerations:
  - None noted.

**Prospective Changes:**

- Modern Plan Design:
  - During 2019 collective bargaining, OCRC will consider additional benefit modifications to reduce the liability and will also propose employee contribution increases.
  - Administrative employees have agreed to increase their contribution rates to 5% on 1/1/2019; 6% on 1/1/2020 and 7% on 1/1/2021.

**Treasury Recommendation  
Otsego County Road Commission (OCRC)  
Pension Corrective Action Plan (CAP)  
Non-Primary Unit 690100**

- Plan Funding:
  - Otsego County Road Commission plans to continue contributing \$500,000.00 in additional lump sum payments in 2019 and 2020, while continuing to submit \$10,000.00 per month over and above the actuarially determined contribution. They will reassess the need to continue the \$500,000.00 extra annual contribution after 2020, but plan to continue contributing the extra \$10,000.00 monthly contribution until 100% funding is met. Based on ballpark projections, 100% funding is expected to be met as of the fiscal year beginning 1/1/2030.
  
- Other Considerations:
  - Otsego County Road Commission will continue to work with employees to lower costs as well as to research new types of retirement plans to save cost.

**Plan Size: 87 members (as of 12/31/2017)**

- Inactive employees or beneficiaries currently receiving benefits: 49
- Inactive employees entitled to but not yet receiving benefits: 6
- Active employees: 32

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

- Underfunded Status:
  - The corrective action plan demonstrates it will reach the PA 202 established funding level of 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 (2020).
  
- 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. Although the local unit confirms the affordability of the CAP, the ADC plus the additional anticipated Pension and OPEB short-term contributions are approaching 17% of Governmental Fund revenues.

**Treasury Recommendation  
Otsego County Road Commission (OCRC)  
Pension Corrective Action Plan (CAP)  
Non-Primary Unit 690100**

**Supplemental Information:**

Otsego County Road Commission included the following projection, indicating 60% funding will be met as of the fiscal year beginning 1/1/2020 and that 100% funding is expected in fiscal year beginning 1/1/2030. The following projection includes contributions of \$620,000 to the Surplus account in 2018, 2019 and 2020, followed by \$120,000 annually until 100% funding is attained. Annual employer contributions for the period FY2021 through FY2027 are projected to increase 16%.

<b>Otsego CRC (6901) - Total of All Divisions</b>							
<b>Valuation Year Ending 12/31</b>	<b>Fiscal Year Beginning 1/1</b>	<b>Actuarial Accrued Liability</b>	<b>Valuation Assets (Including Surplus)</b>	<b>Funded Percentage</b>	<b>Computed Annual Employer Contribution</b>	<b>Additional Annual Employer Contribution</b>	<b>Total Annual Employer Contribution</b>
<b>7.75% Assumed Interest Discount Rate and Future Annual Market Rate of Return</b>							
<b>Additional Contributions to Surplus Until 100% Funding (With Phase-in); Reflect an additional \$620,000 in 2018 (Not Displayed)</b>							
2017	2019	\$ 12,772,377	\$ 7,234,508	57%	\$ 521,628	\$ 620,000	\$ 1,141,628
2018	2020	13,128,881	8,070,314	61%	563,064	620,000	1,183,064
2019	2021	13,489,297	8,943,989	66%	606,516	120,000	726,516
2020	2022	13,854,202	10,128,176	73%	619,536	120,000	739,536
2021	2023	14,229,504	10,895,045	77%	633,636	120,000	753,636
2022	2024	14,604,002	11,630,678	80%	654,660	120,000	774,660
2023	2025	14,946,393	12,374,261	83%	676,560	120,000	796,560
2024	2026	15,283,651	13,162,955	86%	699,060	120,000	819,060
2025	2027	15,587,019	13,972,625	90%	722,208	120,000	842,208
2026	2028	15,868,612	14,820,087	93%	746,544	-	746,544
2027	2029	16,137,551	15,719,823	97%	161,664	-	161,664
2028	2030	16,384,034	16,544,037	101%	164,940	-	164,940

Note: the employer normal cost was shown as the employer contribution in fiscal years 2029 and 2030 (after 100% funding was reached) for illustrative purposes. Future actual required contributions will depend on when and how surplus assets are ultimately utilized.

**The Community Engagement and Finance Division (CEFD) Contact:**

- None noted.

**Treasury Recommendation  
Otsego County Road Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 690100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC / Revenue	CAP required?
OCRC MERS	Pension	\$7,153,522	\$12,227,596	58.5%	\$437,460	\$10,409,106	4.2%	Yes
Healthcare	OPEB	\$0	\$6,088,899	0%	\$307,622		3.0%	Yes
<b>Total</b>		<b>\$7,153,522</b>	<b>\$18,316,495</b>		<b>\$745,082</b>	<b>\$10,409,106</b>	<b>7.2%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Otsego County Road Commission, which was received by the Municipal Stability Board (the Board) on January 16, 2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - In 2011, OCRC reduced retiree health insurance benefits; for those hired before 2009, benefits are limited to \$350/month per retiree and per spouse. OCRC also eliminated defined benefit retire health insurance for employees hired after 2009 and implemented a defined contribution arrangement (HSA or other).
  - Effective January 1, 2016, OCRC further reduced retiree health insurance benefits: those hired before 2009 only receive retiree-only coverage until Medicare eligibility, plus a one-time payment of \$20,000 into a Healthcare Savings Plan.
  
- Plan Funding:
  - OCRC established a Retiree Health Insurance Section 115 Trust effective 1/1/18.
  - On 1/18/18, OCRC contributed \$100,000.
  - On 7/19/18, OCRC approved the CAP which includes contributing an additional \$520,000 for 2018 and \$400,000 per year for the years 2019 through 2021. However, confirmation of the 2018 contribution was not provided.
  
- Other Considerations:
  - The actuarial accrued liability provided on the Form 5597 is based on 2015 data. The OCRC has commissioned an actuarial valuation using 2018 data and incorporating the negotiated changes effective January 1, 2016.

**Prospective Changes:**

- Modern Plan Design:
  - OCRC has negotiated further reductions in retiree health insurance benefits for those hired before 2009. Effective 1/1/19, the deductible was increased from \$500 to \$5,000.

**Treasury Recommendation  
Otsego County Road Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 690100**

- Plan Funding:
  - The OCRC has provided projections reflecting an additional \$520,000 for 2018 and \$400,000 per year for the years 2019 through 2021. However, confirmation of the 2018 contribution was not provided.
  
- Other Considerations:
  - None listed.

**Plan Size: 56 members**

- Inactive employees or beneficiaries currently receiving benefits: 36
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 20

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

- Legal and Feasible:
  - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are 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. It is noted that the combined Pension and OPEB short-term contributions are approaching 17% of Governmental Fund revenues.

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 2022; 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  
 Otsego County Road Commission  
 OPEB Corrective Action Plan (CAP)  
 Non-Primary Unit 690100**

**Supplemental Information:** The following chart in the corrective action plan shows OCRC reaching 40% funding by 2022. No support was provided for the estimated December 31, 2022 liability of \$6 million. However, projecting the accrued liability from the 2015 valuation forward to 2022 using benefit payments provided with the CAP and assuming the normal cost increases with payroll (conservative, since the group is closed) produces an estimated liability of \$6.0 million. Therefore, we do not find the \$6 million estimate to be unreasonable. The OCRC has commissioned an actuarial valuation using 2018 data.

**Otsego County Road Commission Proposal to Improve Unfunded Healthcare Assets**

4%	Estimated Funding/Based Upon 4% Returns on Assets				
		Annual Cost to Fund the Plan			
Year	Assets	Contributions	Plus Benefits Equal Normal Costs	Total cost	
As of:	100,000	520,000	400,000	920,000	
12/31/2018	624,000	400,000	420,000	820,000	
12/31/2019	1,048,960	400,000	441,000	841,000	
12/31/2020	1,490,918	400,000	463,050	863,050	
12/31/2021	1,950,555	400,000	486,203	886,203	
12/31/2022	6,000,000	2,428,577			40%

**The Community Engagement and Finance Division (CEFD) Contact:**

- None noted.

**Treasury Recommendation  
Ottawa County Road Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 700100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$30,643,532	\$55,068,361	55.6%	\$1,466,702	\$41,565,263	3.5%	YES
Healthcare	OPEB	\$0	\$1,632,020	0.0%	\$337,063		0.8%	YES
<b>Total</b>		<b>\$30,643,532</b>	<b>\$56,700,381</b>		<b>\$1,803,765</b>	<b>\$41,565,263</b>	<b>4.3%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Ottawa County Road Commission, which was received by the Municipal Stability Board (the Board) on January 16, 2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - In 2013, new non-bargaining employees and in 2016, new bargaining employees are not offered health insurance upon retirement (attachment – 7a health insurance policy). Retiree health insurance now requires a 16% contribution from retirees to insurance costs (attachment 2a – actuarial valuation page 9).
- Other Considerations:
  - The commission’s closed OPEB plan is very restrictive and only provides OPEB benefits to eligible retirees for a five-year period from age 60 to 65 (attachment – 7a health insurance policy). OPEB expenses as a percentage of revenues and other financing sources has averaged less than 0.4% over the past 5 years (attachment 7b – schedule of OPEB premium expenses compared to general fund revenues and other financing sources).

**Prospective Changes:**

- Plan Funding:
  - 2019 MERS retiree health funding vehicle will be utilized to create an OPEB trust with funding of \$20,000 annually in addition to cash basis payment of retiree premium payments. No distribution from the MERS retiree health funding vehicle will occur before 100% funding is achieved (2048 estimate first year of 100% funding), (attachment 7a – actuarial funding status).



**Treasury Recommendation  
Ottawa County Road Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 700100**

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
  - The local unit did not provide clear documentation that demonstrates the retirement system will reach 40% funded. Based on other information presented in the corrective action plan, we have determined the plan may be able to reach a funded ratio of 40% if the plan's assumptions remain accurate.
  
- Reasonable Timeframe:
  - The administrative officer indicates the plan will achieve a funded ratio of 40% by 2037; 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:** Ottawa County Road Commission included a chart detailing their contributions and balance. With an OPEB liability of around \$1.6 million, they would need roughly \$650,000 in assets. The chart below shows an ending balance above \$650,000 in the year 2037.

**Treasury Recommendation  
Ottawa County Road Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 700100**

<u>Years from 2018</u>	<u>Trust earning</u>	<u>Contribution</u>	<u>Benefit payments</u>	<u>Ending balance</u>	<u>Maximum number of eligible participants</u>	<u>Health insurance inflation</u>	<u>premium including inflation</u>	
2019	1	\$ -	\$ 20,000	\$ -	\$ 20,000	14	8.0%	\$ 13,006
2020	2	1,200	20,000	-	41,200	19	7.5%	13,981
2021	3	2,472	20,000	-	63,672	21	7.0%	14,960
2022	4	3,820	20,000	-	87,492	26	6.5%	15,932
2023	5	5,250	20,000	-	112,742	26	6.0%	16,888
2024	6	6,765	20,000	-	139,506	25	5.5%	17,817
2025	7	8,370	20,000	-	167,877	22	5.0%	18,708
2026	8	10,073	20,000	-	197,949	18	5.0%	19,644
2027	9	11,877	20,000	-	229,826	16	5.0%	20,626
2028	10	13,790	20,000	-	263,616	12	5.0%	21,657
2029	11	15,817	20,000	-	299,433	16	5.0%	22,740
2030	12	17,966	20,000	-	337,399	13	5.0%	23,877
2031	13	20,244	20,000	-	377,643	12	5.0%	25,071
2032	14	22,659	20,000	-	420,301	9	5.0%	26,324
2033	15	25,218	20,000	-	465,519	11	5.0%	27,640
2034	16	27,931	20,000	-	513,451	6	5.0%	29,022
2035	17	30,807	20,000	-	564,258	6	5.0%	30,474
2036	18	33,855	20,000	-	618,113	8	5.0%	31,997
2037	19	37,087	20,000	-	675,200	7	5.0%	33,597
2038	20	40,512	20,000	-	735,712	6	5.0%	35,277
2039	21	44,143	20,000	-	799,855	6	5.0%	37,041
2040	22	47,991	20,000	-	867,846	9	5.0%	38,893
2041	23	52,071	20,000	-	939,917	7	5.0%	40,837
2042	24	56,395	20,000	-	1,016,312	6	5.0%	42,879
2043	25	60,979	20,000	-	1,097,290	8	5.0%	45,023
2044	26	65,837	20,000	-	1,183,128	8	5.0%	47,274
2045	27	70,988	20,000	-	1,274,115	6	5.0%	49,638
2046	28	76,447	20,000	-	1,370,562	5	5.0%	52,120
2047	29	82,234	20,000	-	1,472,796	5	5.0%	54,726
2048	30	88,368	20,000	(172,387)	1,408,777	3	5.0%	57,462
2049	31	84,527	20,000	(120,671)	1,392,632	2	5.0%	60,336
2050	32	83,558	20,000	(253,409)	1,242,781	4	5.0%	63,352
2051	33	74,567	20,000	(266,080)	1,071,268	4	5.0%	66,520
2052	34	64,276	20,000	(349,230)	806,315	5	5.0%	69,846
2053	35	48,379	20,000	(293,353)	581,341	4	5.0%	73,338
2054	36	34,880	20,000	(308,020)	328,201	4	5.0%	77,005
2055	37	19,692	20,000	(80,855)	287,037	1	5.0%	80,855
2056	38	17,222	20,000	(84,898)	239,361	1	5.0%	84,898

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
Presque Isle County Road Commission  
Pension Corrective Action Plan (CAP) Primary  
Unit 710100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$4,796,540	\$9,774,568	49.1%	\$338,169	\$5,593,373	6.0%	Yes
Healthcare	OPEB	\$05	\$1,327,286	0.0%	\$60,942		1.1%	No
<b>Total</b>		<b>\$4,796,540</b>	<b>\$11,101,584</b>		<b>\$399,111</b>	<b>\$11,186,746</b>	<b>7.1%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the pension corrective action plan submitted by Presque Isle CRC, which was received by the Municipal Stability Board (the Board) on January 16, 2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - Presque Isle CRC lowered the tier of benefits for employees hired after 7/01/2015
    - Have a reduced defined benefit multiplier of 2.0
    - Early retirement option 53/30 eliminated
- Plan Funding:
  - Additional funding of \$30,000 as 01/01/2018
  - Presque Isle CRC increased employee contributions
    - Employees contributed 3% of gross pay as of 08/06/2012
    - Employees contributed 4% of gross pay as of 07/01/2013
    - Employees contributed 5% of gross pay as of 07/01/2014
- Other Considerations:
  - None noted.

**Prospective Changes:**

- Modern Plan Design:
  - Implementation of a surplus division effective 1/1/2019
  - Additional funding \$180,000 transferred into surplus division on 1/1/2019
  - All future excess payments placed in surplus
- Plan Funding:
  - Additional funding of \$20,000 per month into the surplus division
- Other Considerations:
  - None noted

**Treasury Recommendation  
Presque Isle County Road Commission  
Pension Corrective Action Plan (CAP) Primary  
Unit 710100**

**Plan size:73 members**

- Inactive employees or beneficiaries currently receiving benefits: 46
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 27

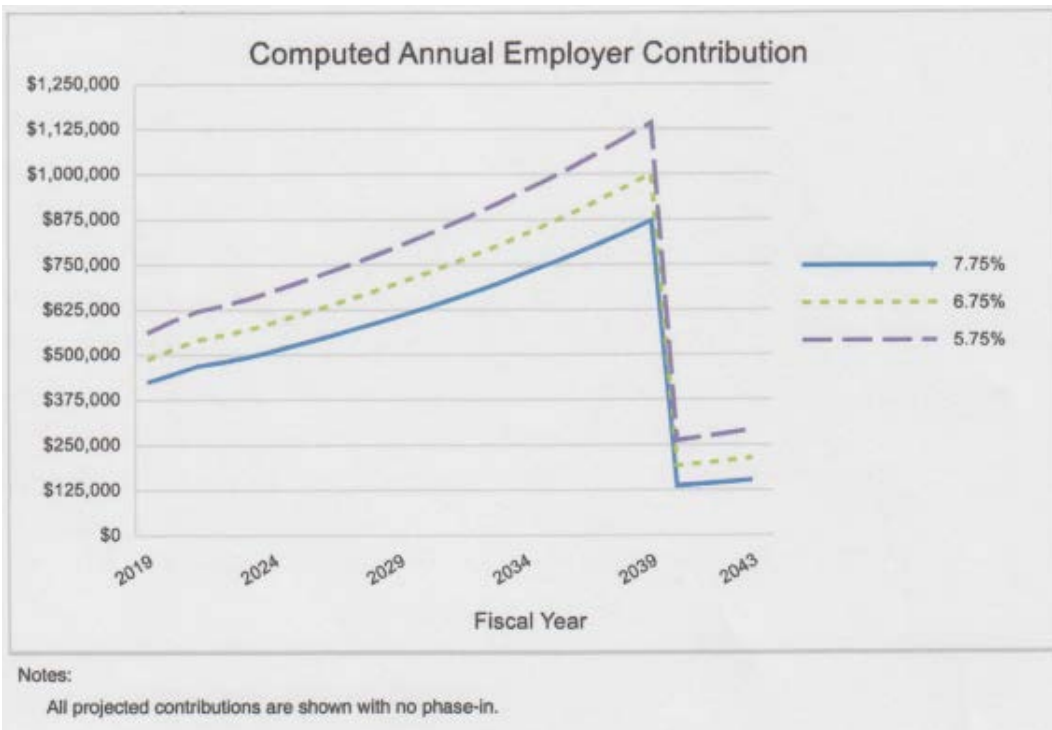
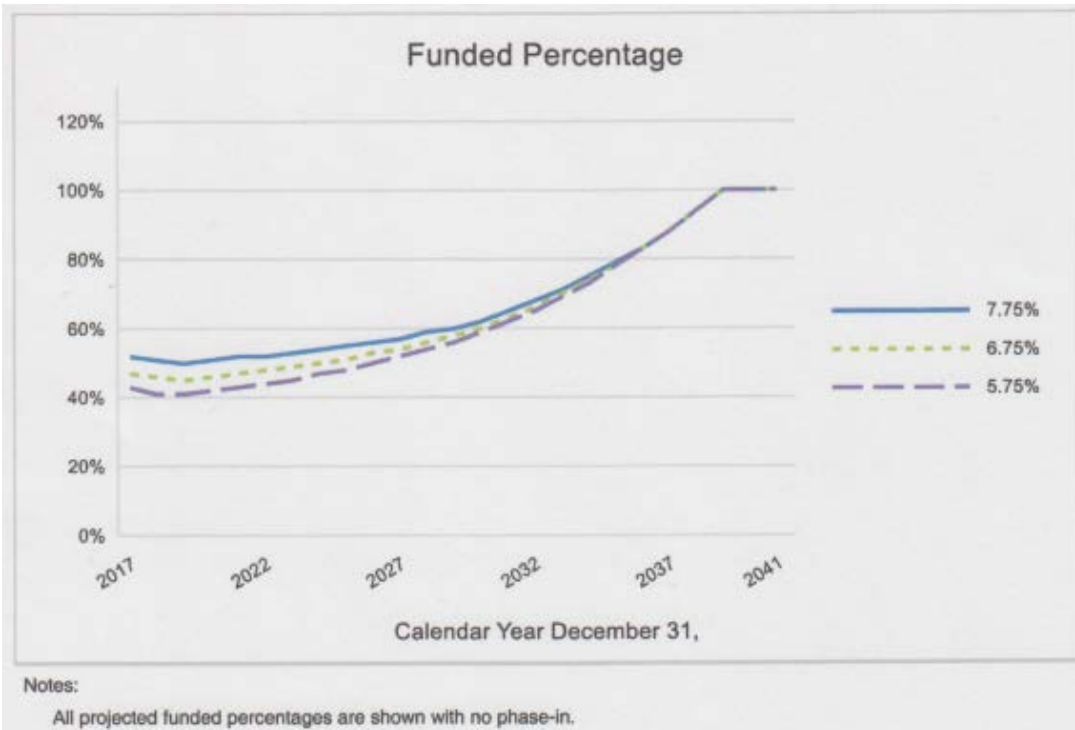
**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

- Underfunded Status:
  - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the actuarial projection found in the corrective action plan.
- 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.
- 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:** Presque Isle CRC included their valuation which shows their pension system will reach 60% funded by FY 2030 and their projected annual employer contribution. From 2019 to 2039, Presque Isle CRC's annual employer contribution increases by approximately 100%.

**Treasury Recommendation  
 Presque Isle County Road Commission  
 Pension Corrective Action Plan (CAP) Primary  
 Unit 710100**



**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

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

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$30,143,435	\$36,270,078	83.1%	\$1,092,653	\$9,970,825	11.0%	NO
Healthcare	OPEB	\$0	\$42,226,967	0.0%	\$4,139,949		41.5%	YES
<b>Total</b>		<b>\$30,143,435</b>	<b>\$78,497,045</b>		<b>\$5,232,602</b>	<b>\$9,970,825</b>	<b>52.5%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Disapproval of the OPEB corrective action plan submitted by City of Riverview, which was received by the Municipal Stability Board (the Board) on January 16, 2019. If disapproved, City of Riverview, will receive a detailed letter from the Board listing the reasons for disapproval. City of Riverview 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:
  - City of Riverview retirees get taken off Blue Cross Blue Shield plans once they turn 65 years old. They are moved to a Medicare plan with a Humana supplement. This saves the city on average \$17,658.72 per person per year. As of December 2016, the retiree health care system has been closed to all new city employees. Retiree Health Savings Plans have been created and are utilized for all employees not eligible for retiree health benefits across all government units.
- Plan Funding:
  - The City of Riverview has established an Other Post-Employment Benefits Trust Agreement to receive, invest, and accumulate assets for retirement healthcare. City administration, along with two of the most recently negotiated union contracts require eligible employees to contribute a portion of wages for other post-employment benefit expenses.
- Other Considerations:
  - The City of Riverview has kept current on a “pay as you go” method.

**Prospective Changes:**

- Modern Plan Design:
  - The City of Riverview plans to continue negotiating language that changes the age at which an employee can start receiving retiree medical benefits from 55 to 60 into all collectively bargained contracts.
- Plan Funding:
  - The City of Riverview plans to continue negotiating language that requires all eligible employees to contribute a portion of their wages for other post-employment benefit expenses into all collectively bargained contracts. The City of Riverview will make a one-

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

time deposit of \$200,000 into the Other Post-Employment Benefits Trust in fiscal year 2018/19 and will continue to budget a \$2,000 contribution per eligible employee, per year in all future annual budgets.

**Plan size: 140 members**

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

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

- 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 that 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:**

The City of Riverview did not provide any supporting documentation to their corrective action plan, such as an actuarial valuation.

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
Saginaw Housing Commission  
Pension Corrective Action Plan (CAP)  
Non-Primary Unit 737522**

<b>Name of Systems</b>	<b>Type of System</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Funded Ratio</b>	<b>ADC</b>	<b>Revenues</b>	<b>ADC/Revenue</b>	<b>CAP required?</b>
MERS	Pension	\$1,969,417	\$4,148,367	47.5%	\$144,264	\$11,266,131	1.3%	Yes
Blue Care Network	OPEB	\$0	\$4,268,137	0%	\$329,743		2.9%	Yes
<b>Total</b>		<b>\$1,969,417</b>	<b>\$8,416,504</b>	<b>23.4%</b>	<b>\$474,007</b>	<b>\$11,266,131</b>	<b>4.2%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the pension corrective action plan submitted by Saginaw Housing Commission, which was received by the Municipal Stability Board (the Board) on Month Day, Year. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - Closed DB plan to eligible employees enrolled after 4/28/06.
  - Opened a Hybrid system to eligible employees and new hires beginning July 1, 2014 with a lower tier benefits such as 1% multiplier and normal retirement age of 60 years old.
- Plan Funding:
  - None noted.
- Other Considerations:
  - None noted.

**Prospective Changes:**

- Modern Plan Design:
  - None noted.
- Plan Funding:
  - The Saginaw Housing Commission will make additional payments to fund the pension in phases throughout the year.
  - As assessment will be done quarterly/semi-annually to determine how much the housing authority can additionally fund based on the cash flow and financial health of the housing authority. After this assessment is completed, a payment will be made.
  - The agency's goal is to be 60% funded within 5 years. The first payment of \$75,000 will be made in December 2018.



**Treasury Recommendation  
Saginaw Housing Commission  
Pension Corrective Action Plan (CAP)  
Non-Primary Unit 737522**

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

**Plan size: 21 members**

- Inactive employees or beneficiaries currently receiving benefits: 11
- Inactive employees entitled to but not yet receiving benefits: 5
- 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 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 (2023).
- Legal and Feasible:
  - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
  - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

**Supplemental Information:** Saginaw Housing Commission included a schedule of contributions demonstrating the local unit reaching 61% funded in 2023 for the scenario of additional contributions of \$50,000 annually beginning in the fiscal year beginning 7/1/2018.

The Required Annual Employer contributions are expected to increase 80.7% from \$158,568 in 2019 to \$286,548 in 2033.

**Treasury Recommendation  
Saginaw Housing Commission  
Pension Corrective Action Plan (CAP)  
Non-Primary Unit 737522**

**Saginaw HC (7321), All Divisions - Estimated Projected Employer Contributions and Funded Ratios**

Valuation Year Ending 12/31	Fiscal Year Beginning in Year	Baseline: Current Plan as of the Valuation Date				Scenario 1: Additional Contributions of \$150,000 Annually Beginning in the Fiscal Year Beginning 7/1/2018						
		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	4,392,870	2,257,891	51%	\$158,568	4,392,870	2,257,891	51%	\$158,568	\$150,000	\$308,568	
2018	2020	4,425,638	2,228,166	50%	\$174,072	4,425,638	2,306,018	52%	\$174,072	\$150,000	\$324,072	
2019	2021	4,450,386	2,181,933	49%	\$189,204	4,450,386	2,416,983	54%	\$189,204	\$0	\$189,204	
2020	2022	4,460,073	2,198,253	49%	\$193,740	4,460,073	2,608,587	58%	\$193,740	\$0	\$193,740	
2021	2023	4,458,782	2,213,475	50%	\$198,816	4,458,782	2,737,263	61%	\$198,816	\$0	\$198,816	
2022	2024	4,442,904	2,204,970	50%	\$205,800	4,442,904	2,769,352	62%	\$205,800	\$0	\$205,800	
2023	2025	4,415,241	2,190,071	50%	\$213,240	4,415,241	2,798,192	63%	\$213,240	\$0	\$213,240	
2024	2026	4,354,566	2,148,996	49%	\$221,292	4,354,566	2,804,247	64%	\$221,292	\$0	\$221,292	
2025	2027	4,274,526	2,096,915	49%	\$229,632	4,274,526	2,802,948	66%	\$229,632	\$0	\$229,632	
2026	2028	4,180,017	2,039,892	49%	\$238,248	4,180,017	2,800,642	67%	\$238,248	\$0	\$238,248	
2027	2029	4,081,184	1,989,241	49%	\$247,200	4,081,184	2,808,949	69%	\$247,200	\$0	\$247,200	
2028	2030	3,979,040	1,947,067	49%	\$256,500	3,979,040	2,830,303	71%	\$256,500	\$0	\$256,500	
2029	2031	3,874,234	1,915,216	49%	\$266,172	3,874,234	2,866,902	74%	\$266,172	\$0	\$266,172	
2030	2032	3,766,789	1,895,041	50%	\$276,180	3,766,789	2,920,483	78%	\$276,180	\$0	\$276,180	
2031	2033	3,658,079	1,889,366	52%	\$286,548	3,658,079	2,994,280	82%	\$286,548	\$0	\$286,548	
2032	2034	3,549,234	1,900,878	54%	\$297,300	3,549,234	3,091,423	87%	\$132,219	\$0	\$132,219	
2033	2035	3,441,082	1,932,074	56%	\$308,496	3,441,082	3,214,886	93%	\$26,328	\$0	\$26,328	
2034	2036	3,334,631	1,985,785	60%	\$320,040	3,334,631	3,282,335	98%	\$27,312	\$0	\$27,312	
2035	2037	3,230,890	2,065,029	64%	\$332,340	3,230,890	3,229,934	100%	\$28,380	\$0	\$28,380	
2036	2038	3,131,000	2,173,090	69%	\$344,844	3,131,000	3,129,896	100%	\$29,496	\$0	\$29,496	
2037	2039	3,036,239	2,313,713	76%	\$357,744	3,036,239	3,034,982	100%	\$30,600	\$0	\$30,600	
2038	2040	2,948,026	2,490,901	84%	\$31,812	2,948,026	2,946,640	100%	\$31,800	\$0	\$31,800	
2039	2041	2,867,919	2,708,810	94%	\$33,060	2,867,919	2,866,406	100%	\$33,048	\$0	\$33,048	
2040	2042	2,797,611	2,795,842	100%	\$34,464	2,797,611	2,795,854	100%	\$34,284	\$0	\$34,284	
2041	2043	2,738,925	2,736,817	100%	\$35,832	2,738,925	2,736,817	100%	\$35,628	\$0	\$35,628	

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%.

In Scenario 1, we are reflecting 3 total years worth of additional contributions in the amount of \$150,000 annually.

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
Saginaw Housing Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 737522**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$1,969,417	\$4,148,367	47.5%	\$144,264	\$11,266,131	1.3%	Yes
Blue Care Network	OPEB	\$0	\$4,268,137	0%	\$329,743		2.9%	Yes
<b>Total</b>		<b>\$1,969,417</b>	<b>\$8,416,504</b>		<b>\$474,007</b>	<b>\$11,266,131</b>	<b>4.2%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Disapproval of the OPEB corrective action plan submitted by Saginaw Housing Commission, which was received by the Municipal Stability Board (the Board) on January 16, 2019. If disapproved, Saginaw Housing Commission, will receive a detailed letter from the Board listing the reasons for disapproval. Saginaw Housing Commission will have 60 days from the date of the notification to address the reason for disapproval and resubmit a corrective action plan for approval.

**Changes Made:**

- Modern Plan Design:
  - Retiree healthcare or life insurance is not eligible for employees hired after July 1, 2007 or enter the AFSCME union after January 1, 2008.
  - Retiree healthcare or life insurance is not eligible for employees hired after July 1, 2007 or enter the SEIU union after July 1, 2012.
  - Retiree healthcare for union employees is subject to healthcare caps beginning July 1, 2014.
  - A spouse must be added to plan five years prior to retirement to be eligible for coverage.
- Plan Funding:
  - None noted.
- Other Considerations:
  - The Saginaw Housing Commission paid their paygo payment.

**Prospective Changes:**

- Modern Plan Design:
  - None noted.
- Plan Funding:
  - The Saginaw Housing Commission will create a qualified trust to receive, invest, and accumulate assets for retirement healthcare by June 30, 2019.
  - Beginning in fiscal year ending 2020, the agency will begin to fund based on the cash flow and financial health of the housing authority. The agency will become 40% funded by 2049.

**Treasury Recommendation  
Saginaw Housing Commission  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 737522**

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

**Plan size: 37 members**

- Inactive employees: 23
- Active employees: 14

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria were not met:

- Underfunded Status:
  - The corrective action plan failed to demonstrate the retirement system will reach 40% funded.
- Reasonable Timeframe:
  - The certifying official of the local unit indicates the retirement system will reach a funded status of at least 40% by fiscal year 2049; however, there is no supporting documentation to support this claim.

**Supplemental Information:**

Saginaw Housing Commission did not include a schedule of contributions to fund their OPEB plan. A letter of engagement for an updated valuation report was accepted July 31, 2018, but the letter is not included in the corrective action plan.

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
Saline Area Fire Department  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 817542**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Healthcare	OPEB	\$0	\$732,984	0.0%	\$65,644	\$1,140,811	5.8%	YES

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Disapproval of the OPEB corrective action plan submitted by Saline Area Fire Department (SAFD), which was received by the Municipal Stability Board (the Board) on January 16, 2019. If disapproved, SAFD, will receive a detailed letter from the Board listing the reasons for disapproval. SAFD will have 60 days from the date of the notification to address the reason for disapproval and resubmit a corrective action plan for approval.

**Changes Made:**

- Modern Plan Design:
  - None noted.
- Plan Funding:
  - SAFD created a qualified trust to receive, invest, and accumulate assets for retirement healthcare.
- Other Considerations:
  - None noted.

**Prospective Changes:**

- Modern Plan Design:
  - During collective bargaining, the SAFD administration will negotiate for increased employee co-payments and deductibles.
  - During collective bargaining, the SAFD administration will negotiate providing benefits to retirees only.
- Plan Funding:
  - SAFD committed to fund system to 40% in 30 years by selecting a funding scenario provided by CBIZ in which SAFD increases the annual contribution to the trust by a percentage of 14.18 percent higher than the previous year's contribution.
- Other Considerations:
  - None noted

**Plan size: 9 members**

- Inactive employees or beneficiaries currently receiving benefits: 0
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 9

**Treasury Recommendation  
Saline Area Fire Department  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 817542**

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
  - The local unit did not provide clear documentation that demonstrates the retirement system will reach 40% funded. Based on other information presented in the corrective action plan, we have determined the plan may be able to reach a funded ratio of 40% if the plan's assumptions remain accurate.
  
- Reasonable Timeframe:
  - The administrative officer indicates the plan will achieve a funded ratio of 40% by 2048; however, the local unit did not provide clear documentation that demonstrates this. Based on other information presented in the corrective action plan, we have determined the local government may be able to achieve the 40% funded ratio within this timeframe.

The following corrective action plan approval criteria were not met:

- Legal and Feasible:
  - While the SAFD confirmed in section 7 of the corrective action plan template that the plan is legal and feasible, the increasing payments of 14.18% annually for the next 30 years does not appear to be reasonably achievable.
  
- Affordable:
  - While the SAFD 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 scenario the SAFD selected requires the SAFD in 30 years to pay an annual contribution greater than their total 2017 governmental revenues.

**Supplemental Information:** The Saline Area Fire Department (SAFD) was provided with 3 different scenarios (shown below) by CBIZ that would bring their retiree healthcare system to 40% funded within 30 years. The SAFD choose scenario 1, which requires them to pay an additional 14.18% above the previous year's contribution, in an approach that has them ramping up their payments. This scenario ends in year 30 with the SAFD annual payment amount greater than their total 2017 governmental revenues. The percent increase from year 1 to year 30 is approximately 4,500%. Additionally, the projected liability increased in their 2018 audit. Based on their valuation, SAFD's liabilities are scheduled to continue to increase for the next several years.

**Treasury Recommendation  
Saline Area Fire Department  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 817542**

**Annual Contributions By Scenario**

Year Ending June 30,	Scenario #1	Scenario #2	Scenario #3
	Increase annually by 14.18%	Level Dollar	Level 27.50% of Pay
2019	\$ 25,000	\$ 151,184	\$ 118,311
2020	28,545	151,184	121,269
2021	32,593	151,184	124,301
2022	37,214	151,184	127,408
2023	42,491	151,184	130,594
2024	48,517	151,184	133,858
2025	55,396	151,184	137,205
2026	63,251	151,184	140,635
2027	72,220	151,184	144,151
2028	82,461	151,184	147,755
2029	94,154	151,184	151,449
2030	107,505	151,184	155,235
2031	122,750	151,184	159,116
2032	140,156	151,184	163,093
2033	160,030	151,184	167,171
2034	182,722	151,184	171,350
2035	208,632	151,184	175,634
2036	238,216	151,184	180,025
2037	271,995	151,184	184,525
2038	310,564	151,184	189,138
2039	354,602	151,184	193,867
2040	404,884	151,184	198,713
2041	462,297	151,184	203,681
2042	527,850	151,184	208,773
2043	602,700	151,184	213,992
2044	688,162	151,184	219,342
2045	785,744	151,184	224,826
2046	897,162	151,184	230,446
2047	1,024,380	151,184	236,208
2048	\$ 1,169,637	\$ 151,184	\$ 242,113

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
City of Taylor  
General Employees Pension Corrective Action Plan (CAP)  
Primary Unit 822280**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
General Government Employees' Retirement System	Pension	\$38,698,098	\$83,051,749	46.6%	\$3,530,436	\$65,615,183	13.4%	Yes
Police and Fire Retirement System	Pension	\$122,481,035	\$226,318,289	54.1%	\$5,190,370			Yes
23rd District Court - MERS	Pension	\$2,793,808	\$3,841,638	72.7%	\$42,463			No
Healthcare	OPEB	\$0	\$333,124,138	0.0%	\$17,992,359		27.4%	Yes
<b>Total</b>		<b>\$163,972,941</b>	<b>\$646,335,814</b>		<b>\$26,755,628</b>	<b>\$65,615,183</b>	<b>40.8%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the General Government Employees' Retirement System pension corrective action plan submitted by City of Taylor, which was received by the Municipal Stability Board (the Board) on January 16, 2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - The City of Taylor closed the plan to all new hires between 2001-2005.
- Plan Funding:
  - The City of Taylor shortened their amortization period to increase their annual employer contributions.
- Other Considerations:
  - The City of Taylor notes that a portion of their General Government Employees' Retirement System pension liabilities are attributed to employees within their enterprise funds, which they could not include as part of the governmental funds revenues, lowering their ADC/Revenue to 9.9%.

**Prospective Changes:**

- Modern Plan Design:
  - None noted.



**Treasury Recommendation**  
**City of Taylor**  
**General Employees Pension Corrective Action Plan (CAP)**  
**Primary Unit 822280**

- Plan Funding:
  - Due to the condensed amortization schedule, the City of Taylor is contributing approximately \$1,500,000 more a year than in fiscal year 2013-2014.
- Other Considerations:
  - None noted.

**Plan size: 338 members**

- Inactive employees or beneficiaries currently receiving benefits: 261
- Inactive employees entitled to but not yet receiving benefits: 24
- Active employees: 53

**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 (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 annual required contribution as a percentage of general fund operating revenues is 40.8%. This reflects a significant portion of the local government's budget

**Treasury Recommendation  
City of Taylor  
General Employees Pension Corrective Action Plan (CAP)  
Primary Unit 822280**

**Supplemental Information:** The City of Taylor included an internal analysis showing that they will reach 60% funded in 2030. From 2016 to 2018, the City of Taylor's employer contributions increase by approximately 12%. Furthermore, Treasury would like to note that the City's annual required contributions for pension and the City's paygo amount for OPEB as a percentage of their governmental revenues will continue to increase for approximately the next 20 years when combined with the City of Taylor's other underfunded pension and OPEB systems. During that time, the required payments are projected to be 30% to 50% of their current revenue before their required contributions begin to decrease. While the City did certify that the plan's changes were affordable, there are concerns about the scope of the required future benefit payments when reviewed in totality.

	2016	2017	2018	2019	2020	2021	2022	2023
<b>1. Actuarial Present Value of All Past and Future Benefits: - Total</b>	\$ 83,814,260	\$ 82,927,838	\$ 81,879,995	\$ 80,710,461	\$ 79,371,937	\$ 77,767,479	\$ 76,003,108	\$ 74,081,861
<b>2. Funding Value of Assets</b>	\$ 40,450,820	\$ 41,054,828	\$ 40,713,637	\$ 40,518,087	\$ 40,883,778	\$ 41,139,807	\$ 40,690,031	\$ 40,080,749
<b>4. Actuarial Present Value of Future Employee Contributions</b>	\$ 644,626	\$ 541,479	\$ 451,805	\$ 370,740	\$ 296,928	\$ 232,465	\$ 179,280	\$ 136,153
<b>5. Unfunded Present Value of Benefits (1) - (3) - (4)</b>	\$ 42,718,814	\$ 41,331,541	\$ 40,714,553	\$ 39,821,633	\$ 38,191,231	\$ 36,306,007	\$ 35,133,797	\$ 34,084,959
<b>6. Accrued Contribution</b>	\$ 3,771,228	\$ 3,968,766	\$ 3,890,976	\$ 3,925,358	\$ 3,927,039	\$ 3,857,650	\$ 3,781,326	\$ 3,773,686
<b>7. Rolled to 10/1, Less Accrd Cont</b>	\$ 41,328,667	\$ 39,666,522	\$ 39,092,944	\$ 38,115,874	\$ 36,392,912	\$ 34,567,015	\$ 33,310,775	\$ 31,978,854
<b>8. Amortization Period for Funding</b>	11.194491	10.959078	10.706009	10.433960	10.141507	9.827120	9.489154	9.125840
<b>9. City's Annual Normal Cost * (7) / (8) x 1.075</b>	\$ 3,968,766	\$ 3,890,976	\$ 3,925,358	\$ 3,927,039	\$ 3,857,650	\$ 3,781,326	\$ 3,773,686	\$ 3,773,025
<b>Projected Payroll</b>	\$ 197,538	\$ (77,790)	\$ 34,382	\$ 1,681	\$ (69,389)	\$ (76,324)	\$ (7,640)	\$ (6,661)
<b>Amortization Period</b>	21	20	19	18	17	16	15	14
<b>Cash Flow</b>								
<b>Benefit Payments</b>	\$ 6,089,417	\$ 6,913,245	\$ 7,004,753	\$ 7,046,297	\$ 7,124,635	\$ 7,284,196	\$ 7,322,344	\$ 7,346,004
<b>Employer Contributions</b>	\$ 3,530,436	\$ 3,771,228	\$ 3,968,766	\$ 3,890,976	\$ 3,925,358	\$ 3,927,039	\$ 3,857,650	\$ 3,781,326
<b>Employee Contributions</b>	\$ 164,004	\$ 146,018	\$ 125,576	\$ 110,796	\$ 97,944	\$ 83,598	\$ 68,068	\$ 54,528
	\$ (2,394,977)	\$ (2,995,998)	\$ (2,910,411)	\$ (3,044,525)	\$ (3,101,334)	\$ (3,273,560)	\$ (3,396,627)	\$ (3,510,151)
<b>Funded Ratio</b>		49.5%	49.7%	50.2%	51.5%	52.9%	53.5%	54.1%

**Treasury Recommendation**  
**City of Taylor**  
**General Employees Pension Corrective Action Plan (CAP)**  
**Primary Unit 822280**

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
<b>1. Actuarial Present Value of All Past and Future Benefits:</b>							
- Total	71,988,121 \$	69,718,312 \$	67,321,529 \$	64,812,856 \$	62,228,953 \$	59,599,124 \$	56,986,046
<b>2. Funding Value of Assets</b>	39,359,941 \$	38,531,289 \$	37,660,067 \$	36,779,989 \$	35,939,857 \$	35,179,748 \$	34,472,444
<b>4. Actuarial Present Value of Future Employee Contributions</b>	102,715 \$	75,966 \$	54,878 \$	38,941 \$	26,252 \$	15,933 \$	8,112
<b>5. Unfunded Present Value of Benefits (1) - (3) - (4)</b>	31,525,465 \$	31,111,057 \$	29,606,384 \$	27,993,957 \$	26,262,844 \$	24,403,443 \$	22,405,490
<b>6. Accrued Contribution</b>	3,767,025 \$	3,762,240 \$	3,759,774 \$	3,758,775 \$	3,758,045 \$	3,757,497 \$	3,757,046
<b>7. Rolled to 10/1, Less Accd Cont</b>	30,571,360 \$	29,082,900 \$	27,497,036 \$	25,795,522 \$	23,968,650 \$	22,006,156 \$	19,897,292
<b>8. Amortization Period for Funding</b>	8.735278	8.315424	7.864081	7.378887	6.857304	6.296601	5.693846
<b>9. City's Annual Normal Cost * (7) / (8) x 1.075</b>	3,762,240 \$	3,759,774 \$	3,758,775 \$	3,758,045 \$	3,757,497 \$	3,757,046 \$	3,756,615
<b>Projected Payroll</b>	841,439 \$	664,153 \$	516,351 \$	386,559 \$	300,900 \$	236,877 \$	173,810
<b>Amortization Period</b>	13	12	11	10	9	8	7
<b>Cash Flow</b>							
Benefit Payments	7,373,378 \$	7,391,729 \$	7,350,030 \$	7,284,615 \$	7,175,776 \$	7,033,253 \$	6,827,000
Employer Contributions	3,773,686 \$	3,767,025 \$	3,762,240 \$	3,759,774 \$	3,758,045 \$	3,758,045 \$	3,757,497
Employee Contributions	42,072 \$	33,268 \$	25,818 \$	19,328 \$	15,045 \$	11,844 \$	8,698
	(3,557,620) \$	(3,591,496) \$	(3,561,973) \$	(3,505,512) \$	(3,401,956) \$	(3,263,365) \$	(3,060,812)
<b>Funded Ratio</b>	54.7%	55.3%	55.9%	56.7%	57.8%	59.0%	60.7%

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation  
City of Taylor  
Police and Fire Retirement System Pension Corrective Action Plan (CAP)  
Primary Unit 822280**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
General Government Employees' Retirement System	Pension	\$38,698,098	\$83,051,749	46.6%	\$3,530,436	\$65,615,183	13.4%	Yes
Police and Fire Retirement System	Pension	\$122,481,035	\$226,318,289	54.1%	\$5,190,370			Yes
23rd District Court - MERS	Pension	\$2,793,808	\$3,841,638	72.7%	\$42,463			No
Healthcare	OPEB	\$0	\$333,124,138	0.0%	\$17,992,359		27.4%	Yes
<b>Total</b>		<b>\$163,972,941</b>	<b>\$646,335,814</b>		<b>\$26,755,628</b>	<b>\$65,615,183</b>	<b>40.8%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the Police and Fire Retirement System pension corrective action plan submitted by City of Taylor, which was received by the Municipal Stability Board (the Board) on January 16, 2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - None noted.
- Plan Funding:
  - None noted.
- Other Considerations:
  - The City of Taylor included an updated actuarial valuation for June 30, 2018 that shows their pension is 65.6% funded.

**Prospective Changes:**

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

**Treasury Recommendation**  
**City of Taylor**  
**Police and Fire Retirement System Pension Corrective Action Plan (CAP)**  
**Primary Unit 822280**

- The City of Taylor included their 2018 Annual System Retirement Report which confirms that their Police and Fire Pension system is 65.6%

**Plan size: 340 members**

- Inactive employees or beneficiaries currently receiving benefits: 221
- Inactive employees entitled to but not yet receiving benefits: 10
- Active employees: 109

**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 40.8%. This reflects a significant portion of the local government's budget

**Supplemental Information:** The City of Taylor included their updated valuation showing they are 65.6% funded. As demonstrated in the actuarial projection below, the annual employer contributions for the Police and Fire system increase by approximately 128% from 2018 to 2038. Furthermore, Treasury would like to note that the City's annual required contributions for pension and the City's paygo amount for OPEB as a percentage of their governmental revenues will continue to increase for approximately the next 20 years when combined with the City of Taylor's other underfunded pension and OPEB

**Treasury Recommendation  
City of Taylor  
Police and Fire Retirement System Pension Corrective Action Plan (CAP)  
Primary Unit 822280**

systems. During that time, the required payments are projected to be 30% to 50% of their current revenue before their required contributions begin to decrease. While the City did certify that the plan's changes were affordable, there are concerns about the scope of the required future benefit payments when reviewed in totality.

**Net Pension Liability**

The components of the net pension liability at June 30, 2018 were as follows:

Total pension liability	\$196,435,405
Plan fiduciary net position	128,945,416
City's net pension liability	67,489,989
Plan fiduciary net position as a percentage of the total pension liability	65.64%
Covered payroll	\$8,898,318
City's net pension liability as a percentage of covered payroll	758.5%

**Treasury Recommendation  
City of Taylor  
Police and Fire Retirement System Pension Corrective Action Plan (CAP)  
Primary Unit 822280**

**Table 1  
Projection of Total Contributions\*  
Assuming 21 Year Closed Amortization of UAAL**

<b>Year Beg. 7/1</b>	<b>Projected Entry Age AAL</b>	<b>Projected Funding Value of Assets</b>	<b>UAAL</b>	<b>21 Year Closed Amortization</b>	<b>Projected Employer Normal Cost</b>	<b>Employer Contribution</b>	<b>Employee Contribution</b>	<b>Total Contributions</b>
2018	\$189,890,204	\$123,671,293	\$66,218,911	\$4,477,120	\$2,099,288	\$6,576,408	\$745,670	\$7,322,078
2019	193,484,813	132,103,550	61,381,263	4,289,878	1,982,508	6,272,386	713,113	6,985,499
2020	196,440,149	134,354,582	62,085,567	4,496,085	1,641,554	6,137,639	610,761	6,748,400
2021	198,073,390	135,398,623	62,674,767	4,715,539	1,440,967	6,156,506	546,744	6,703,250
2022	198,990,641	135,875,827	63,114,814	4,948,369	1,250,752	6,199,121	486,706	6,685,827
2023	199,073,770	135,685,676	63,388,094	5,196,262	1,040,472	6,236,734	420,349	6,657,083
2024	198,220,377	134,750,695	63,469,682	5,460,808	785,025	6,245,833	338,368	6,584,201
2025	196,395,327	133,070,210	63,325,117	5,743,322	608,680	6,352,002	281,154	6,633,156
2026	193,880,604	130,964,588	62,916,016	6,045,345	531,551	6,576,896	256,992	6,833,888
2027	191,038,115	128,839,133	62,198,982	6,368,659	483,121	6,851,780	243,548	7,095,328
2028	187,978,626	126,848,942	61,129,684	6,715,876	448,084	7,163,960	234,840	7,398,800
2029	184,751,597	125,092,717	59,658,880	7,090,389	443,895	7,534,284	236,538	7,770,822
2030	181,496,781	123,768,543	57,728,238	7,496,300	460,368	7,956,668	245,716	8,202,384
2031	178,256,957	122,982,606	55,274,351	7,939,542	480,259	8,419,801	256,332	8,676,133
2032	175,115,969	122,896,875	52,219,094	8,427,680	500,794	8,928,474	267,294	9,195,768
2033	172,096,133	123,622,700	48,473,433	8,972,191	522,392	9,494,583	278,822	9,773,405
2034	169,219,934	125,290,031	43,929,903	9,590,908	545,259	10,136,167	291,036	10,427,203
2035	166,513,120	128,058,751	38,454,369	10,314,137	569,188	10,883,325	303,806	11,187,131
2036	163,989,996	132,118,163	31,871,833	11,201,210	588,504	11,789,714	314,204	12,103,918
2037	161,585,308	137,649,706	23,935,602	12,398,799	575,504	12,974,303	308,497	13,282,800
2038	159,086,277	144,854,493	14,231,784	14,486,548	514,828	15,001,376	276,098	15,277,474
2039	156,339,116	154,629,158	1,709,958	1,740,568	462,327	2,202,895	248,258	2,451,153
2040	153,231,474	151,689,513	1,541,961	1,569,564	346,585	1,916,149	187,779	2,103,928
2041	149,567,991	147,976,722	1,591,269	1,619,754	248,434	1,868,188	135,366	2,003,554
2042	145,444,729	143,805,238	1,639,491	1,668,840	174,558	1,843,398	95,996	1,939,394

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
City of Taylor  
OPEB Corrective Action Plan (CAP)  
Primary Unit 822280**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
General Government Employees' Retirement System	Pension	\$38,698,098	\$83,051,749	46.6%	\$3,530,436	\$65,615,183	13.4%	Yes
Police and Fire Retirement System	Pension	\$122,481,035	\$226,318,289	54.1%	\$5,190,370			Yes
23rd District Court - MERS	Pension	\$2,793,808	\$3,841,638	72.7%	\$42,463			No
Healthcare	OPEB	\$0	\$333,124,138	0.0%	\$17,992,359		27.4%	Yes
<b>Total</b>		<b>\$163,972,941</b>	<b>\$646,335,814</b>		<b>\$26,755,628</b>	<b>\$65,615,183</b>	<b>40.8%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by City of Taylor, which was received by the Municipal Stability Board (the Board) on January 16, 2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - In 2011, the City established a Healthcare Cost Containment Committee with representatives from the City and unions.
  - In 2012, the City moved active and pre-65 retirees to a high deductible/fully insured plan with the deductible covered by the City's Health Reimbursement Account (HRA).
  - In 2013, the City moved Medicare eligible retirees, based on collective bargaining agreements language and case law at the time, to a Medicare Advantage Plan with Blue Cross/Blue Shield or HAP.
  - In prior years, the City made additional benefit changes such as:
    - Migrating active employees to a 10/20/40 prescription plan with 6 of the City's 9 bargaining groups.
    - Adding Blue Care Network provider as a lower cost option to employees and the City.
    - The City negotiated carrier changes for dental and vision benefits with equivalent coverages.
    - Implementing 20% healthcare cost share for all active employees and related increases in accordance with Public Act 152 of 2011.
  - The City negotiated a 20% retiree cost share for general employees hired subsequent to 2011.



**Treasury Recommendation  
City of Taylor  
OPEB Corrective Action Plan (CAP)  
Primary Unit 822280**

- The City switched to a MERS Health Care Savings Program program for Police department employees hired subsequent to 2011 and fire department employees hired subsequent to 2016.
- Plan Funding:
  - None noted.
- Other Considerations:
  - None noted.

**Prospective Changes:**

- Modern Plan Design:
  - Beginning 7/1/2019 the City is moving all eligible retirees to a Humana Medicare Advantage plan.
  - The City is moving to a self-funded prescription drug plan for retirees who are Medicare eligible.
- Plan Funding:
  - The City will establish a qualified OPEB trust to receive, invest and accumulate assets for OPEB costs by June 30, 2019.
  - The City will contribute at least \$3,000,000, in addition to the pay-go, to assist with initial funding of the trust on or before June 30, 2019.
  - From fiscal year 2020 to fiscal year 2039, the City will pay an additional \$255,000 per year above the annual required contribution.
  - In fiscal year 2040, the City plans on contributing \$7,000,000 in addition to required contributions.
- Other Considerations:
  - None noted.

**Plan size: 647 members**

- Inactive employees or beneficiaries currently receiving benefits: 436
- Inactive employees entitled to but not yet receiving benefits: 25
- Active employees: 186

**Treasury Recommendation  
City of Taylor  
OPEB Corrective Action Plan (CAP)  
Primary Unit 822280**

**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 (2047).
  
- 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 40.8%. This reflects a significant portion of the local government's budget

**Supplemental Information:** The City of Taylor included an actuarial proposed funding policy projection that shows them reaching 40% funded in 2047. This is based on updated liabilities that are reduced by nearly \$100 million from the liabilities reported for fiscal year 2017. From 2018 to 2033, the City of Taylor's employer contribution increases by approximately 100%, which does not take into account the additional payments the City of Taylor plans on making to reach 40% funded status. Furthermore, Treasury would like to note that the City's annual required contributions for pension and the City's paygo amount for OPEB as a percentage of their governmental revenues will continue to increase for approximately the next 20 years when combined with the City of Taylor's underfunded pensions. During that time, the required payments are projected to be 30% to 50% of their current revenue before their required contributions begin to decrease. While the City did certify that the plan's changes were affordable, there are concerns about the scope of the required future benefit payments when reviewed in totality.

**Treasury Recommendation  
City of Taylor  
OPEB Corrective Action Plan (CAP)  
Primary Unit 822280**

**City of Taylor Other Postemployment Benefits  
Proposed Funding Policy Projection**

Fiscal Year	Projected Retiree Health Trust Revenue and Expense							AAL EOY	Funded Percent
	Asset Value BOY	City Contribution	Extra City Contribution	Benefit Payments	(Paid from Trust Assets)		Asset Value EOY		
					New Entrant Normal Cost	Interest			
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(g)/(h)	
7/1/2017 - 6/30/2018								\$ 239,505,651	0.0%
7/1/2018 - 6/30/2019	\$ -	\$ 7,751,586	\$ 3,000,000	\$(7,645,088)	\$(106,498)	\$ 54,300	\$ 3,054,300	243,571,945	1.3%
7/1/2019 - 6/30/2020	3,054,300	8,742,414	255,000	(8,389,421)	(352,993)	115,181	3,424,481	247,036,706	1.4%
7/1/2020 - 6/30/2021	3,424,481	9,562,459	255,000	(9,100,868)	(461,591)	128,582	3,808,063	249,724,587	1.5%
7/1/2021 - 6/30/2022	3,808,063	10,303,793	255,000	(9,726,518)	(577,275)	142,467	4,205,530	251,721,938	1.7%
7/1/2022 - 6/30/2023	4,205,530	11,055,256	255,000	(10,359,276)	(695,980)	156,856	4,617,386	253,024,445	1.8%
7/1/2023 - 6/30/2024	4,617,386	11,792,730	255,000	(10,996,084)	(796,646)	171,765	5,044,151	253,570,742	2.0%
7/1/2024 - 6/30/2025	5,044,151	12,561,254	255,000	(11,685,287)	(875,967)	187,214	5,486,365	253,279,180	2.2%
7/1/2025 - 6/30/2026	5,486,365	13,298,924	255,000	(12,348,984)	(949,940)	203,222	5,944,586	252,087,965	2.4%
7/1/2026 - 6/30/2027	5,944,586	13,877,015	255,000	(12,861,470)	(1,015,545)	219,810	6,419,396	250,146,506	2.6%
7/1/2027 - 6/30/2028	6,419,396	14,340,583	255,000	(13,269,799)	(1,070,784)	236,998	6,911,394	247,606,197	2.8%
7/1/2028 - 6/30/2029	6,911,394	14,718,430	255,000	(13,588,732)	(1,129,698)	254,808	7,421,202	244,565,266	3.0%
7/1/2029 - 6/30/2030	7,421,202	14,981,634	255,000	(13,794,675)	(1,186,959)	273,263	7,949,465	241,121,959	3.3%
7/1/2030 - 6/30/2031	7,949,465	15,195,529	255,000	(13,950,057)	(1,245,472)	292,386	8,496,851	237,342,854	3.6%
7/1/2031 - 6/30/2032	8,496,851	15,433,899	255,000	(14,135,713)	(1,298,186)	312,201	9,064,052	233,231,287	3.9%
7/1/2032 - 6/30/2033	9,064,052	15,615,104	255,000	(14,276,956)	(1,338,148)	332,734	9,651,786	228,840,333	4.2%
7/1/2033 - 6/30/2034	9,651,786	15,594,813	255,000	(14,223,099)	(1,371,714)	354,010	10,260,797	224,357,251	4.6%
7/1/2034 - 6/30/2035	10,260,797	15,578,893	255,000	(14,173,708)	(1,405,185)	376,056	10,891,853	219,780,638	5.0%
7/1/2035 - 6/30/2036	10,891,853	15,420,460	255,000	(13,983,086)	(1,437,374)	398,901	11,545,753	215,234,912	5.4%
7/1/2036 - 6/30/2037	11,545,753	15,199,000	255,000	(13,726,954)	(1,472,046)	422,572	12,223,325	210,812,124	5.8%
7/1/2037 - 6/30/2038	12,223,325	15,088,738	255,000	(13,580,001)	(1,508,737)	447,100	12,925,425	206,359,956	6.3%
7/1/2038 - 6/30/2039	12,925,425	15,001,939	255,000	(13,461,059)	(1,540,880)	472,516	13,652,941	201,893,141	6.8%
7/1/2039 - 6/30/2040	13,652,941	12,255,000	7,000,000	(13,147,953)	(1,573,772)	576,289	18,762,505	197,611,868	9.5%
7/1/2040 - 6/30/2041	18,762,505	12,255,000	7,000,000	(12,886,874)	(1,606,835)	765,382	24,289,178	193,471,748	12.6%
7/1/2041 - 6/30/2042	24,289,178	12,255,000	7,000,000	(12,629,467)	(1,639,083)	969,523	30,245,151	189,475,592	16.0%
7/1/2042 - 6/30/2043	30,245,151	12,255,000	7,000,000	(12,263,149)	(1,671,691)	1,191,169	36,756,480	185,740,645	19.8%
7/1/2043 - 6/30/2044	36,756,480	12,255,000	7,000,000	(11,816,112)	(1,704,589)	1,434,375	43,925,155	182,359,242	24.1%
7/1/2044 - 6/30/2045	43,925,155	12,255,000	7,000,000	(11,308,254)	(1,738,092)	1,702,467	51,836,276	179,384,301	28.9%
7/1/2045 - 6/30/2046	51,836,276	12,255,000	7,000,000	(10,801,674)	(1,773,220)	1,997,383	60,513,765	176,852,357	34.2%
7/1/2046 - 6/30/2047	60,513,765	12,137,472	7,000,000	(10,328,349)	(1,809,123)	2,317,298	69,831,063	174,746,479	40.0%
7/1/2047 - 6/30/2048	69,831,063	11,817,020	7,000,000	(9,972,088)	(1,844,932)	2,654,584	79,485,648	172,942,306	46.0%

*There may be cases where the schedule does not add due to rounding.*

**The Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**Treasury Recommendation  
Wayne County Airport Authority  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 827585**

<b>Name of Systems</b>	<b>Type of System</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Funded Ratio</b>	<b>ADC</b>	<b>Revenues</b>	<b>ADC / Revenue</b>	<b>CAP required?</b>
WCAA ERS	Pension	\$110,277,974	\$161,200,880	68.4%	\$6,924,296	\$458,318,405	1.5%	No
WCAA Health and Welfare Benefit Plan	OPEB	\$45,131,814	\$130,697,085	34.5%	\$7,443,898		1.6%	Yes
<b>Total</b>		<b>\$155,409,788</b>	<b>\$291,897,965</b>		<b>\$14,368,194</b>	<b>\$458,318,405</b>	<b>3.1%</b>	

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Wayne County Airport Authority, which was received by the Municipal Stability Board (the Board) on January 16th, 2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

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

**Prospective Changes:**

- Modern Plan Design:
  - None listed
- Plan Funding:
  - None listed
- Other Considerations:
  - The Wayne County Airport Authority will continue to make contributions to the Wayne County Airport Authority Retirement Health Benefit System (System) which meet or exceed annual recommended contributions as reported in the System's actuarial valuation. In addition, it is noted that the System valuation prepared as of September 30, 2017 shows that the funded ratio has improved to 46.3%.

**Treasury Recommendation  
Wayne County Airport Authority  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 827585**

**Plan Size: 678 members**

- Inactive employees or beneficiaries currently receiving benefits: 236
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 442

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

- Underfunded Status:
  - The corrective action plan demonstrates it will reach the PA 202 established funding level of 40% funded as demonstrated by the actuarial valuation found in the corrective action plan.
- Reasonable Timeframe:
  - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 40% within a reasonable timeframe (2017).
- 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:** Wayne County Airport Authority included a 9-year history of annual contributions, comprised of premiums for current retirees plus prefunding payments.

**Treasury Recommendation  
Wayne County Airport Authority  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 827585**

Attachment B:

Wayne County Airport Authority  
Schedule of OPEB Funding Progress  
Through September 30, 2017

	2008	2009	2010	2011	2012	2013	2015	2016	2017
Annual required contribution	4,454,663	5,318,912	4,914,922	5,571,393	5,533,171	7,348,116	7,104,431	7,294,964	7,443,898
Interest on prior year's net OPEB obligation/(asset)	-	38,593	(80,413)	(153,748)	(141,479)	(259,613)	(265,438)	(267,837)	(229,110)
Adjustment to the annual required contribution	-	-	(30,862)	64,306	122,951	207,611	200,064	201,872	232,716
Annual OPEB cost	4,454,663	5,357,505	4,803,647	5,481,951	5,514,643	7,296,114	7,039,057	7,228,999	7,447,504
Amounts contributed:									
Payment of current premiums	(872,254)	(3,345,077)	(2,220,327)	(1,828,594)	(2,247,595)	(3,568,928)	(2,854,065)	(3,501,802)	(6,661,429)
Advance funding	(3,100,000)	(3,500,000)	(3,500,000)	(3,500,000)	(4,743,722)	(3,800,000)	(4,214,976)	(4,238,726)	(2,693,236)
Increase/(decrease) in net OPEB obligation	482,409	(1,487,572)	(916,680)	153,357	(1,476,674)	(72,814)	(29,984)	(511,529)	(1,907,161)
OPEB obligation/(asset) - beginning of year	-	482,409	(1,005,163)	(1,921,843)	(1,768,486)	(3,245,160)	(3,317,974)	(3,347,958)	(3,859,487)
OPEB obligation/(asset) - end of year	482,409	(1,005,163)	(1,921,843)	(1,768,486)	(3,245,160)	(3,317,974)	(3,347,958)	(3,859,487)	(5,766,648)

Source: Controller's Office audit work-paper for fiscal year ended September 30, 2

Wayne County Airport Authority also included a September 30, 2017 actuarial valuation report prepared by GRS, which shows a funded ratio of 46.3% as of September 30, 2017.

**Liabilities and Assets – As of September 30, 2017**

1. Present Value of Future Benefit Payments	\$125,908,879
2. Actuarial Accrued Liability	115,729,202
3. Plan Assets	53,539,546
4. Unfunded Actuarial Accrued Liability (2) – (3)	62,189,656
5. Funded Ratio (3)/(2)	46.3%

**The Community Engagement and Finance Division (CEFD) Contact:**

- None noted.

**Treasury Recommendation  
West Iron County Sewer Authority  
Pension Corrective Action Plan (CAP)  
Primary Unit 367501**

<b>Name of Systems</b>	<b>Type of System</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Funded Ratio</b>	<b>ADC</b>	<b>Revenues</b>	<b>ADC/Revenue</b>	<b>CAP required?</b>
MERS	Pension	554,999	1,155,854	48.0%	50,328	806,159	6.2%	Yes

**Source: Retirement Report 2017, Audited Financial Statements**

**Staff Recommendation:** Approval of the pension corrective action plan submitted by West Iron County Sewer Authority, which was received by the Municipal Stability Board (the Board) on January 16, 2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - The 2.50% multiplier plan was closed to new hires in 2012 and a hybrid plan (1.25% multiplier) was opened in order to reduce the liability.
  - At that time, the early retirement benefit was also eliminated.
- Plan Funding:
  - Starting in March 2018, West Iron County Sewer Authority committed an additional \$500 per month to be used in a Surplus Division account to reduce the unfunded liability. A copy of their general ledger account was provided detailing such additional contributions were made through November 2018.
- Other Considerations:
  - The CAP documentation includes the Municipality Funding Level Calculator that indicates a funded level of 48% on December 31, 2018, after reflecting the \$5,000 in expected additional payments for 2018. Note that these projections do not take into account the actual returns for the year ended December 31, 2018.

**Prospective Changes:**

- Modern Plan Design:
  - None noted.
- Plan Funding:
  - Board minutes were provided indicating West Iron County Sewer Authority intends to contribute the additional \$500 per month indefinitely.
- Other Considerations:
  - West Iron County Sewer Authority is using all of MERS best practices: limited Final Average Compensation, Fixed Amortization Period, Regular Actuarial Experience Studies, and benefit increase policy.

**Treasury Recommendation  
West Iron County Sewer Authority  
Pension Corrective Action Plan (CAP)  
Primary Unit 367501**

**Plan Size: 8 members**

- Inactive employees or beneficiaries currently receiving benefits: 4
- Inactive employees entitled to but not yet receiving benefits: 1
- Active employees: 3

**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).
- 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.
- 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.

**Supplemental Information:** West Iron County Sewer Authority included the following projection, indicating 60% funding is expected by 12/31/2028. In subsequent years, the funding ratio is projected to gradually improve, attaining 100% in 2040.



**Treasury Recommendation  
West Iron County Sewer Authority  
Pension Corrective Action Plan (CAP)  
Primary Unit 367501**

Municipal Employees' Retirement System



December 11, 2016

**W Iron Co Swr Auth (3612) - All Divisions  
Estimated Projected Employer Contributions and Funded Ratios**

Valuation Year (12/31)	Year of Projection	Actuarial Liability	Actuarial Assets	Funded %	Required Annual Employer Contribution	Actuarial Liability	Actuarial Assets	Funded %	Required Annual Employer Contribution	Additional Annual Employer Contribution	Total Annual Employer Contribution
2017	2019	1,226,521	589,694	48%	\$60,192	1,226,521	589,694	48%	\$59,604	\$6,000	\$65,604
2018	2020	1,247,484	589,626	47%	\$64,200	1,247,484	593,781	48%	\$63,216	\$6,000	\$69,216
2019	2021	1,266,927	588,804	46%	\$68,124	1,266,927	599,018	47%	\$66,660	\$6,000	\$72,660
2020	2022	1,282,965	606,643	47%	\$69,480	1,282,965	623,129	49%	\$67,452	\$6,000	\$73,452
2021	2023	1,296,194	624,628	48%	\$71,028	1,296,194	647,506	50%	\$68,412	\$6,000	\$74,412
2022	2024	1,306,894	637,566	49%	\$73,250	1,306,894	666,635	51%	\$70,020	\$6,000	\$76,020
2023	2025	1,315,288	649,803	49%	\$75,624	1,315,288	684,945	52%	\$71,700	\$6,000	\$77,700
2024	2026	1,321,670	662,102	50%	\$78,108	1,321,670	703,159	53%	\$73,488	\$6,000	\$79,488
2025	2027	1,328,788	677,732	51%	\$80,760	1,328,788	724,483	55%	\$75,420	\$6,000	\$81,420
2026	2028	1,338,038	698,357	52%	\$83,436	1,338,038	750,526	56%	\$77,340	\$6,000	\$83,340
2027	2029	1,347,780	722,647	54%	\$86,220	1,347,780	779,919	58%	\$79,344	\$0	\$79,344
2028	2030	1,356,738	749,607	55%	\$89,124	1,356,738	811,610	60%	\$82,032	\$0	\$82,032
2029	2031	1,362,816	777,662	57%	\$92,352	1,362,816	840,849	62%	\$84,948	\$0	\$84,948
2030	2032	1,365,920	807,083	59%	\$95,760	1,365,920	867,887	64%	\$88,080	\$0	\$88,080
2031	2033	1,369,272	841,309	61%	\$99,288	1,369,272	899,272	66%	\$91,320	\$0	\$91,320
2032	2034	1,375,314	883,350	64%	\$102,960	1,375,314	937,971	68%	\$94,692	\$0	\$94,692
2033	2035	1,384,893	934,608	67%	\$106,728	1,384,893	985,335	71%	\$98,148	\$0	\$98,148
2034	2036	1,398,898	996,528	71%	\$110,652	1,398,898	1,042,754	75%	\$101,748	\$0	\$101,748
2035	2037	1,418,262	1,070,623	75%	\$114,720	1,418,262	1,111,661	78%	\$105,492	\$0	\$105,492
2036	2038	1,443,936	1,158,483	80%	\$118,920	1,443,936	1,193,642	83%	\$109,344	\$0	\$109,344
2037	2039	1,476,889	1,261,789	85%	\$123,300	1,476,889	1,290,250	87%	\$113,376	\$0	\$113,376
2038	2040	1,517,320	1,381,475	91%	\$126,496	1,517,320	1,402,380	92%	\$125,800	\$0	\$125,800
2039	2041	1,565,962	1,518,007	97%	\$127,360	1,565,962	1,531,506	98%	\$126,640	\$0	\$126,640
2040	2042	1,624,338	1,674,456	100%	\$128,320	1,624,331	1,632,301	100%	\$127,552	\$0	\$127,552

Notes: The phase-in was included for the purpose of displaying a truer estimate.  
The amortization schedule in the proposed scenario is the same as the baseline. A description of the amortization policy can be found on page 24 of the annual valuation appendix:  
<http://www.mersofmich.com/Portals/0/Assets/Resources/AAV-Appendix/MERS-2017AnnualActuarialValuation-Appendix.pdf>  
The assumed future annual investment return is 7.75%.

**The Community Engagement and Finance Division (CEFD) Contact:**

- None noted.

**MUNICIPAL STABILITY BOARD  
RESOLUTION 2019-5**

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

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

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

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

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

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

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

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

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



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

Resolution 2019-5 Exhibit A

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

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

- I. Ontonagon County Road Commission
  - a. OPEB

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