

Municipal Stability Board

Wednesday, January 15, 2020 at 11:00 a.m.
Austin Building
State Treasurer's Boardroom
430 W. Allegan Street
Lansing, MI 48922

I. Call to Order

- A. Roll Call
- B. Approval of December 18, 2019 Minutes

II. Public Comment

- A. 2 minute limit

III. Correspondence

- A. Treasury Update
- B. Corrective Action Plan Withdrawal Request
 - i. Brownstown Charter Township

IV. Old Business

V. New Business

- A. Receipt of Corrective Action Plans
 - i. City of Durand
- A. Approvals and Disapprovals of Corrective Action Plans (Resolution 2020-1)
 - i. City of Belleville
 - ii. Monroe Community Mental Health Authority
 - iii. Reed City Housing Commission

VI. Public Comment

- A. 2 minute limit

VII. Board Comment

VIII. Adjournment

MUNICIPAL STABILITY BOARD

**Wednesday, December 18, 2019
10:00 a.m.**

**Richard H. Austin Building
State Treasurer's Board Room
430 W. Allegan Street, 1st Floor
Lansing, MI 48922**

DRAFT MINUTES

CALL TO ORDER

Chairman Eric Scorsone called the meeting to order at 10:07 a.m.

ROLL CALL

Members Present: Two

Eric Scorsone

John Lamerato

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

APPROVAL OF MINUTES

A motion was made to approve the November 20, 2019 board meeting minutes by John Lamerato and supported by Eric Scorsone. The Board unanimously approved the November 20, 2019 meeting minutes. 2 Yeas and 0 Nays.

PUBLIC COMMENT

Nick Brousseau reviewed an email from the Grosse Ile Township.

CORRESPONDENCE

Nick Brousseau presented the Board with Treasury updates, which included an updated report on the Department of Treasury's communication and outreach.

NEW BUSINESS

CORRECTIVE ACTION PLAN EXTENSION REQUEST

Nick Brousseau provided the Board with the following corrective action plan extension request:

- City of Inkster

A motion was made to approve the Corrective Action Plan Extension Request for the City of Inkster by John Lamerato and supported by Eric Scorsone.

The Board unanimously approved the Corrective Action Plan Extension Request for the City of Inkster. 2 Yeas and 0 Nays.

RECEIPT OF 4 LOCAL GOVERNMENTS' CORRECTIVE ACTION PLANS (4 PLANS)

Nick Brousseau provided the Board with the following 4 local governments' corrective action plans (4 systems):

- City of Belleville
- Brownstown Charter Township
- Monroe Community Mental Health Authority
- Reed City Housing Commission

A motion was made to receive the corrective action plans by John Lamerato and supported by Eric Scorsone.

The Board unanimously received the corrective action plans. 2 Yeas and 0 Nays.

APPROVALS AND DISAPPROVALS OF CORRECTIVE ACTION PLANS FROM 4 LOCAL GOVERNMENTS' (5 PLANS) (RESOLUTION 2019-31)

Nick Brousseau was asked to review the Treasury recommendations for Approval and Disapproval of Corrective Action Plans (Resolution 2019-31) with the Board.

- City of Alpena (Approval)
- City of Charlotte (2 systems) (Approval)
- City of Ferndale (Approval)
- City of South Lyon (Approval)

A motion was made to approve the Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-31) by John Lamerato and supported by Eric Scorsone.

The Board unanimously approved the Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-31). 2 Yeas and 0 Nays. The Resolution 2019-31 was passed.

REMOVAL FROM CORRECTIVE ACTION (RESOLUTION 2019-32)

Nick Brousseau was asked to review the 15 local governments that are being recommended for Removal from Corrective Action (Resolution 2019-32) with the Board.

- Bay City Housing Commission
- Benzie County
- Village of Britton
- Central Michigan District Health Department
- Community Mental Health Authority of Clinton, Eaton & Ingham Counties
- Village of Farwell
- Grosse Pointes-Clinton Refuse Disposal Authority
- Henika District Library
- Inter-Urban Transit Partnership
- Jordan Valley Emergency Medical Services Authority
- Kalamazoo Lake Sewer and Water Authority
- Martha T. Berry Medical Care Facility
- Monroe County Agency
- Muskegon Heights City Housing Commission
- Shiawassee County

A motion was made to approve or disapprove the Removal from Corrective Action (Resolution 2019-32) by John Lamerato and supported by Eric Scorsone.

The Board unanimously approved the Removal from Corrective Action (Resolution 2019-32). 2 Yeas and 0 Nays. The Resolution 2019-32 was passed.

CORRECTIVE ACTION PLAN NONCOMPLIANCE (RESOLUTION 2019-33)

Nick Brousseau was asked to review the Corrective Action Plan Noncompliance (Resolution 2019-33) with the Board.

- Saginaw County Community Mental Health Authority

A motion was made to approve or disapprove the Corrective Action Plan Noncompliance (Resolution 2019-33) by John Lamerato and supported by Eric Scorsone.

The Board unanimously approved the Corrective Action Plan Noncompliance (Resolution 2019-33). 2 Yeas and 0 Nays. The Resolution 2019-33 was passed.

PUBLIC COMMENT

No public comment.

NEXT MEETING

The next regular meeting will be on January 15, 2020 at 11:00 a.m.

ADJOURNMENT

A motion was made to adjourn by John Lamerato and supported by Eric Scorsone. The Board unanimously approved the motion to adjourn. 2 Yeas and 0 Nays.

There being no further business, the meeting adjourned at 10:29 a.m.

Public Act 202 of 2017 Status Update from Treasury

As of 1/9/2019

Table 1: Upcoming CAP Reviews

Corrective Action Plan Review Schedule							
LOCAL UNIT TYPE	Tentative Month of Corrective Action Plan Review						
	February	March	April	May	June	July	August
NON-PRIMARY	0	5	1	2	4	0	1
PRIMARY	1	6	0	6	9	1	1
TOTAL	1	11	1	8	13	1	2

Treasury Department Communication and Outreach Report

- **197 one-on-one 30-minute calls scheduled by local governments to discuss the P.A. 202 process**
 - Two individual calls since the December Board meeting
- 47 calls to local governments that were required to file by January 2nd

FY 2017 vs FY 2018 Comparison

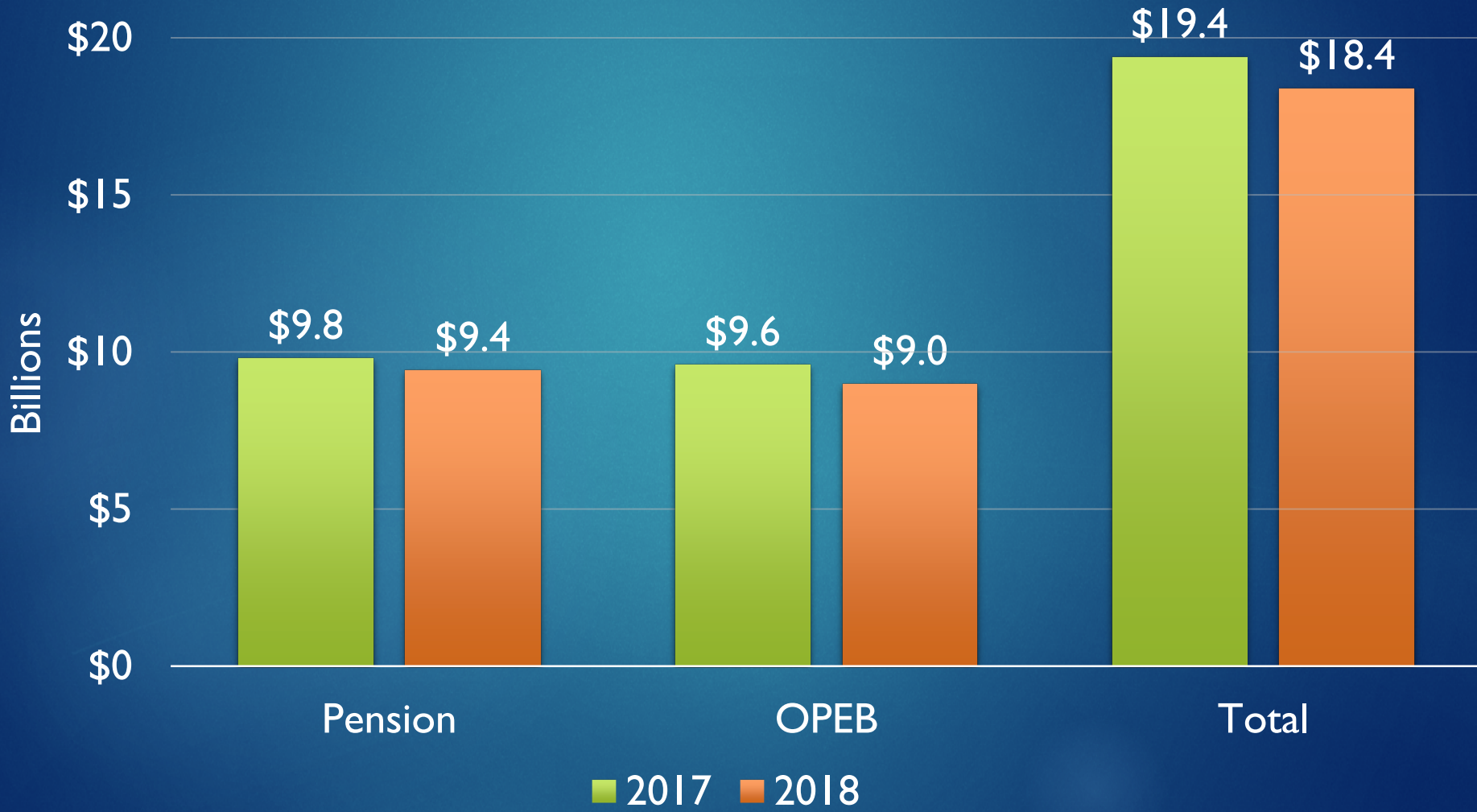
- Exhibit A shows the total statewide unfunded liabilities when comparing PA 202 reporting from 2017 to 2018
 - Total unfunded liabilities decreased by over \$1 billion
 - Largest decrease to OPEB systems at \$600 million or 6.5% decrease.
- Exhibit B shows pension systems funded ratio in 2018 compared to 2017.
 - Average funded ratio statewide increased from 74% in 2017 to 76.9% in 2018
- Exhibit C shows OPEB systems funded ratio in 2018 compared to 2017.
 - Average funded ratio statewide increased from 28.4% in 2017 to 34.1% in 2018

Corrective Action Plan Documented Changes

- Exhibit D shows pension changes documented in pension corrective action plan submissions from FY 2017
 - Most common action after PA 202 enactment were additional contributions
- Exhibit E shows pension changes documented in OPEB corrective action plan submissions from FY 2017
 - Most common action after PA 202 enactment were additional contributions, followed by establishment of OPEB trusts

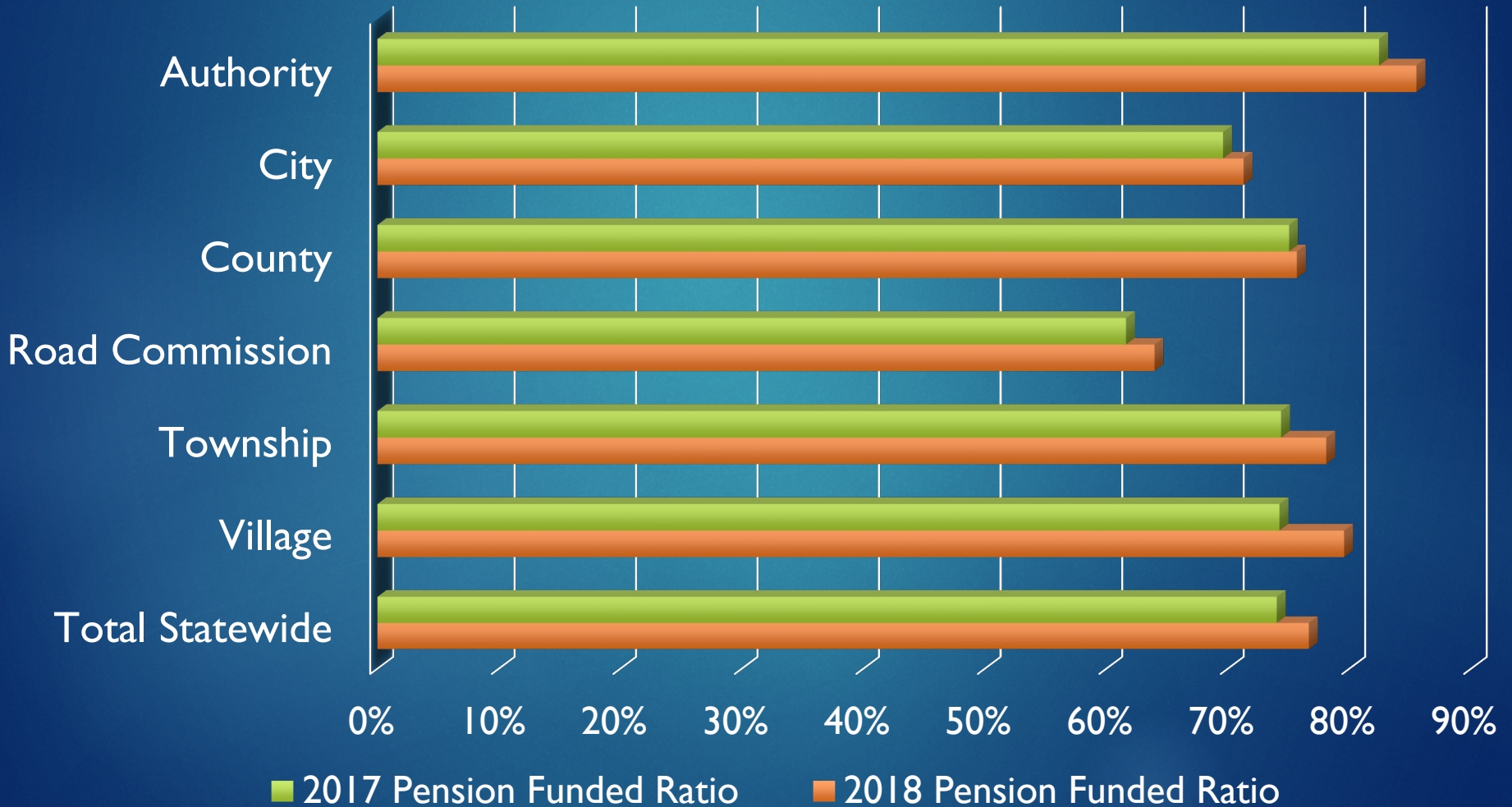
Unfunded Liabilities

Total Unfunded Liabilities FY 2017 vs FY 2018



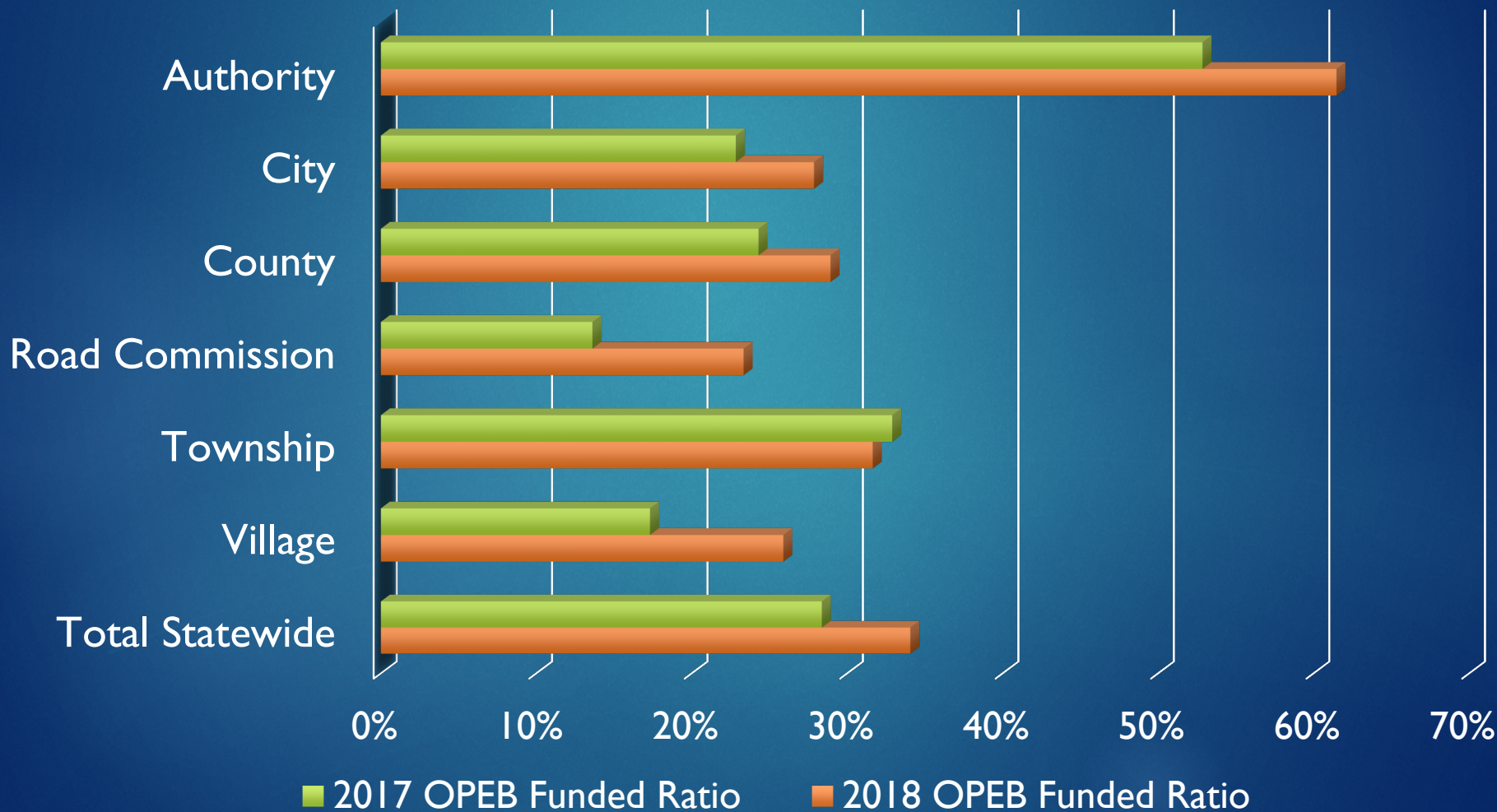
Pension Systems Funded %

Pension Funded Ratio (Avg.) FY 2017 vs FY 2018



OPEB Systems Funded %

OPEB Funded Ratio (Avg.) FY 2017 vs FY 2018



Pension Plans: Changes Made				
Strategy	Description	Changes		Impact
		Before the Act	After the Act	
<ul style="list-style-type: none"> · Reduced multiplier for new hires AND/OR · Bridged benefits for existing employees 	<ul style="list-style-type: none"> · New hires receive lower tier of defined benefit provisions · Multiplier is lower going forward for existing employees as well · Benefits are offered in parts to existing employees 	<p>36</p> <p>11</p>	<ul style="list-style-type: none"> · Leaves earned benefits unchanged for existing employees · Reduces the liability 	
Additional contributions	Additional payments made above the ADC toward the unfunded liability	<p>32</p> <p>36</p>	Reduces existing liability, extra dollars are invested and recognized in market returns and/or interest earnings	
Increased member contribution	Employees begin to contribute or increase contributions to help fund the overall cost of the plan	<p>26</p> <p>11</p>	Reduces the employer cost	
Changed final average compensation (FAC) formula	Limits FAC inclusions to prevent FAC spiking (e.g. capping or disallowing overtime and paid time off hours, switching from 3 year to 5 year FAC calculation, etc.)	<p>21</p> <p>5</p>	Leaves earned benefits unchanged, reduces the liability	
Closed defined benefit system	<ul style="list-style-type: none"> · New hires are no longer offered a defined benefit pension · Existing employees are not affected 	<p>17</p> <p>5</p>	Eliminates accrued liabilities for new hires	



OPEB Plans: Changes Made

Strategy	Description	Changes		Impact
		Before the Act	After the Act	
Additional contributions	Additional payments above the pay-as-you-go amount are made towards the unfunded liability	40	86	Reduces existing liability, extra dollars are invested and recognized in market returns
Established an OPEB trust fund	Irrevocable trust fund for designated OPEB program funding	39	30	<ul style="list-style-type: none"> · Legally protected from creditors · Reduces OPEB liability Funds are invested and recognized in market returns
Closed entire OPEB system	<ul style="list-style-type: none"> · New hires are no longer offered a defined benefit pension · Existing employees are not affected 	58	11	Eliminates accrued liabilities for new hires
Increased coinsurance/copays	Retirees begin to contribute or increase contributions to help fund the overall cost of the plan (e.g. copay for prescription drugs, paying towards the premium, increased deductible)	22	11	Reduces employer cost
Increased member contribution	Employees begin to contribute or increase contributions to help fund the overall cost of the plan	21	10	Reduces employer cost



STATE OF MICHIGAN
DEPARTMENT OF TREASURY

GRETCHEN WHITMER

RACHAEL EUBANKS

GOVERNOR

LANSING

STATE TREASURER

DATE: January 15, 2020
TO: The Municipal Stability Board (the Board)
FROM: Department of Treasury, Community Engagement and Finance Division
SUBJECT: Brownstown Charter Township: Withdrawal Request for Corrective Action Plan

Suggested action: No action is required. Treasury did not include Brownstown Charter Township in Resolution 2020-1.

The Board officially received the CAP for Brownstown Charter Township at their December 18, 2019 meeting. Brownstown Charter Township has asked the Board to delay consideration of the Corrective Action Plan, so the local government can provide additional information to the Board.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: January 15, 2020
TO: The Municipal Stability Board (the Board)
FROM: Community Engagement and Finance Division, Department of Treasury
SUBJECT: Receipt of Corrective Action Plan(s)

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

Fiscal Year 2018 Plans

- I. City of Durand
 - A. OPEB Plan – OPEB

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

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

Issued under authority of Public Act 202 of 2017.

I. MUNICIPALITY INFORMATION

Local Unit Name: City of Durand Six-Digit Muni Code: 782020
Retirement Health Benefit System Name: OPEB Plan
Contact Name (Administrative Officer): Colleen O'Toole
Title if not Administrative Officer: City Manager
Email: cotoole@durandmi.com Telephone: (989) 288-3113

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

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

Over the last ten years the City has made substantial changes to its existing OPEB system to reduce liability, including closing the system. On July 1, 2019, the City capped its employer contributions by implementing a defined stipend for post-65 retirees. This effort substantially reduced net liability and improved our ADC/Government Funds ratio. A summary of changes is detailed on page 1 of Attachment 6a and page 14 of the actuarial analysis (Attachment 2a).

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

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

The City established a Retirement Health Funding Vehicle in July 2017 with an initial contribution of \$100,000. On March 18, 2019 the City Council adopted a resolution committing to contribute an additional \$20,000 annually beyond its pay-as-you-go obligation. This commitment is evidenced in Attachment 4a. The approved 2019/2020 Budget evidencing current contribution levels is shown in Attachment 3a. Other prior year contributions are evidenced in the City's audited financials, submitted to the state annually in December.

- 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**.*

Form 5572 of 2018 did not take in to account planned system changes and was based on a 5-year, level percent of pay. Form 5572 of 2019 (page 2 of Attachment 6a) is based on a revised actuarial analysis that incorporates these changes and a 25-year level-dollar amortization, resulting in significant year over year improvement. As noted on page 9 of Attachment 2a the City will no longer trigger underfunded status starting in 2020 and beyond as a result.

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

Category of Prospective Actions:

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

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

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

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

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

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

The City expects to meet the criteria of ADC/Governmental Funds ratio being less than 12% for FY 2020 and beyond based on the recommended employer contribution amount on page 9 of Attachment 2a. The expected ratio for 2020 is 7.1% with ADC of \$200,473 and Governmental Funds of \$2,825,054 (calculated as three year average). Further, 21% of our retirement liabilities are attributable to employees within our enterprise divisions or internal service funds, which are not included as part of our total governmental funds. Page 3 of Attachment 6a shows that our ratio would have been 8.54% if these additional funds were included in Fiscal Year 2019 reporting.

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

- Yes
 No
If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

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

7. CORRECTIVE ACTION PLAN CRITERIA

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

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

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

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

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

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

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

- The ARC for all of the retirement healthcare systems of City of Durand (Insert local unit name) will be less than 12% of the local unit of government's annual governmental fund revenues by Fiscal Year 2020 as demonstrated by required supporting documentation listed in section 6.

Signature _____

Date _____

1/10/20

**MUNICIPAL STABILITY BOARD
RESOLUTION 2020-1**

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 July 17, 2019 by Resolution 2019-18, the Board adopted the Best Practices 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 within a reasonable timeframe; (ii) is legal and feasible; and (iii) is affordable;

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

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

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

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

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

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

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

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan

January 15, 2020

Municipal Stability Board Appendix A, January 15, 2020

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

CAP Criteria Key	
Underfunded Status	Was there description and adequate supporting documentation of how and when the retirement system will address the Underfunded Status criteria as defined by the Municipal Stability Board?
Legality	Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?
Affordable	The local government must confirm that corrective actions listed in the CAP allow for the local 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

#	Local Government	Municode	Fiscal Year	System Type	Date Received	Underfunded Status	Legality	Affordable	Treasury Recommendation	Corrective Action Plan Link
1	City of Belleville	822020	2018	OPEB	12/18/2019	No	Yes	Partial	Disapprove	City of Belleville OPEB
3	Monroe Community Mental Health Authority	587515	2017	OPEB	12/18/2019	Yes	Yes	Yes	Approve	Monroe Community Mental Health Authority OPEB
4	Reed City Housing Commission	677509	2018	Pension	12/18/2019	Yes	Yes	Yes	Approve	Reed City Housing Commission Pension

Treasury Recommendation
City of Belleville, Michigan OPEB Corrective Action Plan (CAP)
Primary Unit 822020

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$4,485,998	\$8,651,538	51.9%	\$239,761	\$2,699,733	8.9%	NO
The Retirees Healthcare Plan	OPEB	\$0	\$2,506,957	0%	\$563,512		20.9%	YES
Total		\$4,485,998	\$11,158,495		\$803,273	\$2,699,733	29.8%	

Source: Retirement Report 2018, Audited Financial Statements

Staff Recommendation: Disapproval of the OPEB corrective action plan submitted by City of Belleville, Michigan, which was received by the Municipal Stability Board (the Board) on 12/18/2019. If disapproved, City of Belleville, Michigan, will receive a detailed letter from the Board listing the reasons for disapproval. City of Belleville, Michigan will have 60 days from the date of the notification to address the reason for disapproval and resubmit a corrective action plan for approval.

Changes Made:

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

Prospective Changes:

- Modern Plan Design:
 - None Listed.
- Plan Funding:
 - The City adopted a resolution to authorize a public safety special assessment for the 2019 winter tax roll. With this additional revenue, the ADC/governmental fund revenues is less than 12% for the fiscal year ending in June 30, 2020.
- Other Considerations:
 - None Listed.

System Status for All Divisions: OPEN

Plan size: members 22

- Inactive employees or beneficiaries currently receiving benefits: 7
- Inactive employees entitled to but not yet receiving benefits:
- Active employees: 15

Treasury Recommendation
City of Belleville, Michigan OPEB Corrective Action Plan (CAP)
Primary Unit 822020

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria are partially met:

- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast. However, our review indicates the plan's annual required contribution as a percentage of general fund operating revenues is 29.8%. This reflects a significant portion of the local government's budget.

The following corrective action plan approval criteria were not met:

- Underfunded Status:
 - The corrective action plan failed to demonstrate the retirement system's ARC/Rev will be less than 12% of general fund operating revenues.

Supplemental Information:

The City included the entirety of their enterprise fund revenues with their total governmental fund revenues - which is not permissible under the Act. By doing so, the ADC/revenue was artificially deflated to 11.9%. When calculated as outlined in statute, not including the enterprise fund revenues within governmental fund revenues, the City's ADC/revenue for their OPEB system is 20.9%, well above the 12% threshold defined in the Act. Treasury reached out via phone for clarification regarding their governmental fund revenue.

The Community Engagement and Finance Division (CEFD) contact:

- Treasury spoke with the City of Belleville's auditor on 1/9/2019 regarding the City's CAP.

Treasury Recommendation
Monroe Community Mental Health Authority OPEB Corrective Action Plan (CAP)
Non-Primary Unit 587515

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$13,079,556	\$19,417,194	67.4%	\$605,211	\$33,147,616	1.8%	NO
Defined Benefit Healthcare Plan	OPEB	\$2,120,089	\$10,335,973	20.5%	\$491,302		1.5%	YES
Total		\$15,199,645	\$29,753,167		\$1,096,513	\$33,147,616	3.3%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Monroe Community Mental Health Authority, which was received by the Municipal Stability Board (the Board) on 12/18/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - Closed plan to new hires July 2012. Moved from a 8% return on investment to a 7% return in compliance with the standard rate of return in order to increase the contribution.
- Plan Funding:
 - None Listed.
- Other Considerations:
 - None Listed.

Prospective Changes:

- Modern Plan Design:
 - None Listed.
- Plan Funding:
 - None Listed.
- Other Considerations:
 - Using the current statements to fund liability to 60% by 2038, Form 5572 shows an increase from 25% funded liability to a 30% funding rate.

System Status for All Divisions: CLOSED

Plan size: members 118

- Inactive employees or beneficiaries currently receiving benefits: 61
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 57

Treasury Recommendation
Monroe Community Mental Health Authority OPEB Corrective Action Plan (CAP)
Non-Primary Unit 587515

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 40% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan.
- Reasonable Timeframe:
 - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 40% within a reasonable timeframe (2048).
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast.

Supplemental Information:

The local government provided an actuarial projection indicating that by using a discount rate of 7.00%, the local government will reach 40% funded in 2025, and 100% funded in 2048. This discount rate however, is dependent on the local government maintaining a funding and investment strategy to finance the benefits as they come due. Based on the projection and analysis, it is stated that the presented strategy is sufficient to finance all future contributions through the trust.

**Treasury Recommendation
 Monroe Community Mental Health Authority OPEB Corrective Action Plan (CAP)
 Non-Primary Unit 587515**

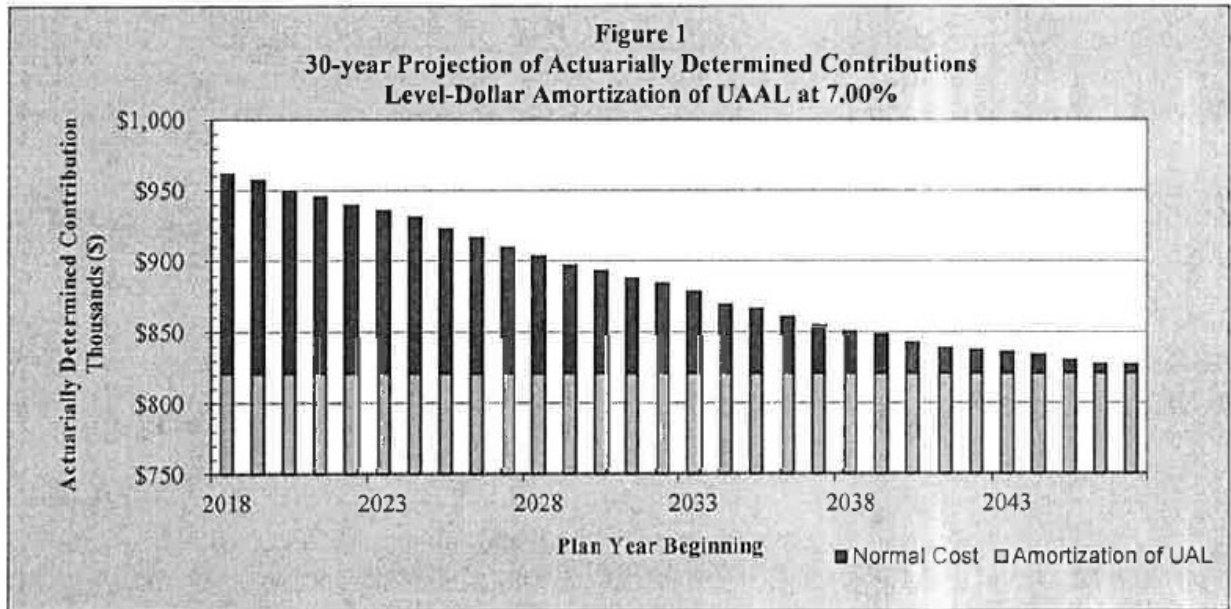
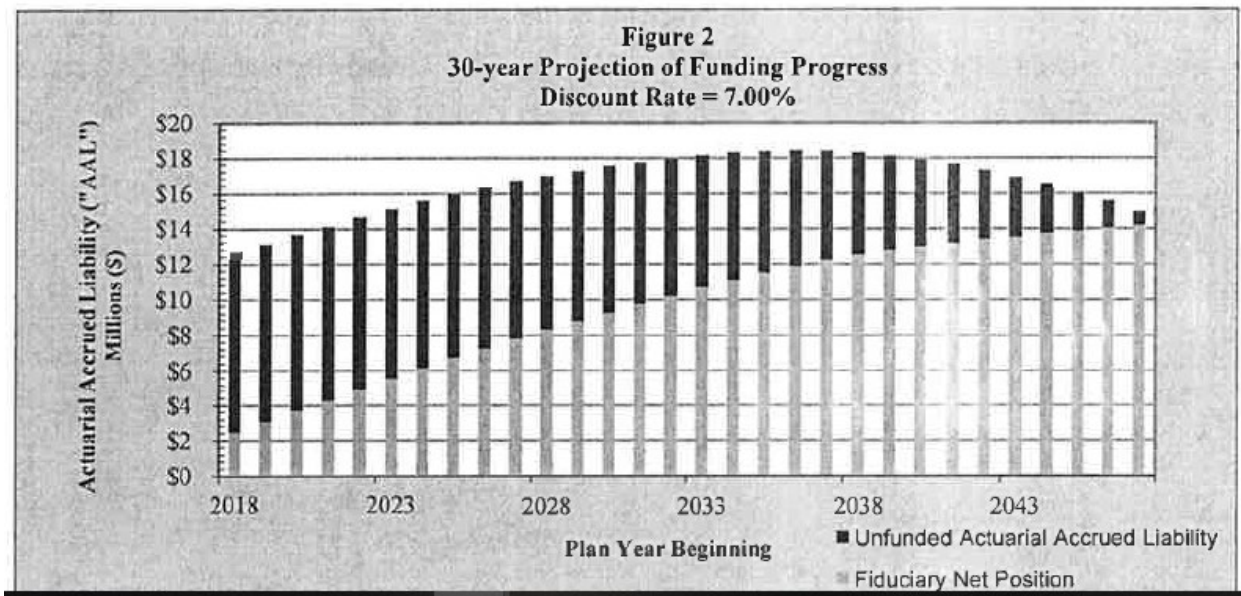


Figure 2, below, illustrates the projected funding progress under the scenario above.



The Community Engagement and Finance Division (CEFD) contact:

- None

**Treasury Recommendation
Reed City Housing Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 677509**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Michigan Employees Retirement System	Pension	\$865,939	\$1,467,493	59.0%	\$46,779	\$905,022	5.2%	YES

Source: Retirement Report 2018, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by Reed City Housing Commission, which was received by the Municipal Stability Board (the Board) on 12/18/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - Retirement group B-3 was closed in 2009. New hires are under the B-2 Plan which lowered the multiplier from 2.25X to 2X.
- Plan Funding:
 - None Listed.
- Other Considerations:
 - None Listed.

Prospective Changes:

- Modern Plan Design:
 - None Listed.
- Plan Funding:
 - None Listed.
- Other Considerations:
 - The provided MERS chart for the City of Reed City's pension shows the funded ratio will be 60% by fiscal year 2020.

System Status for All Divisions: OPEN

Plan size: members 8

- Inactive employees or beneficiaries currently receiving benefits: 0
- Inactive employees entitled to but not yet receiving benefits: 5
- Active employees: 3

Treasury Recommendation
Reed City Housing Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 677509

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

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

Supplemental Information:

The Reed City Housing Commission is a part of Reed City's MERS system, but claim to be unable to impact the amount that is paid for the ADC, and as such, have just been paying the bill that is provided from the City. The Housing Commission was 59% funded in 2018, and in the CAP application provided the City's MERS chart showing that they would be above 60% in 2020. the data provided in the Housing Commission's 2019 audit shows that they are currently above 60% as well. In Section 5 of the CAP application, the Housing Commission indicated "No", but upon further clarification, the question was answered incorrectly. The local government is able to afford the current and future payments.

The Community Engagement and Finance Division (CEFD) contact:

- Treasury emailed the Housing Commission to clarify their response to Section 5 of the CAP form.

Reed City Housing Commission
Schedules of Required Supplementary Information
Schedule of Net Pension Liability
Last 10 Fiscal Years Ended June 30,

	2019	2018	2017	2016	2015	2010 to 2014*
Total pension liability	\$ 1,227,878	\$ 1,320,554	\$ 1,240,145	\$ 1,171,500	\$ 1,053,382	---
Plan Net Position	746,001	865,939	793,227	784,999	801,328	---
Net Pension Liability	481,877	454,615	446,918	386,501	252,054	---
Plan Net Position as a Percentage of Total Pension Liability	61%	66%	64%	67%	76%	---
Covered Employee Payroll	\$ 136,905	\$ 152,681	\$ 156,374	\$ 172,993	\$ 109,402	---
Net Pension Liability as a Percentage of Covered Payroll	352%	298%	286%	223%	230%	---

* GASB Statement No. 68 was implemented as of June 30, 2015. Information from 2010 through 2014 is not available. Additional years will be presented on this schedule on a prospective basis.

Treasury Recommendation
Reed City Housing Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 677509

